

**STRATEGY IMPLEMENTATION PROCESS IN COMMERCIAL
BANKS IN KENYA**

BY


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DECLARATION

This Research Project is my original work and has not been presented in any other University.

Signed  Date *Q&* M

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D61/63454/2010

This Research Project has been submitted for presentation with my approval as University Supervisor.

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DEDICATION

I dedicate this work to my family and those who supported me throughout the completion of this project.

ACKNOWLEDGMENT

This Research Project would not have been possible without the cooperation and support of a number of people, who in one way or the other steered me towards my ultimate goal. I would like to express my appreciation to them and especially to the following:-

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ABSTRACT

Implementing strategies successfully is vital for any organization, either public or private. Without implementation, even the most superior strategy is useless. The banking environment in Kenya has undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country. The objective of the study was to establish strategy implementation processes by commercial banks in Kenya and determine challenges of strategy implementation in commercial banks in Kenya.

This study adopted a descriptive research design. The target population of this study was the 44 commercial banks operating in Kenya. This study used primary data collected using a questionnaire. The questionnaire contained both closed and opened ended questions. The questionnaires were administered to communications managers. The completed questionnaires were first edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using Statistical Package for Social Sciences (SPSS) and presented through percentages, means, standard deviations and frequencies.

The study concludes that in most banks there is moderate involvement of staff in the formulation of strategies. . The study concludes that in majority of banks, the comparison of actual results with the set objectives is always great. The study further concludes that the process of strategy implementation in banks is not affected by rigid organization structure, poor organizational culture, limited top management involvement, poor communication, interdepartmental competition and poor leadership skills as these challenges are not evident in the banks.

The study recommends that the top management at the banks should put in place measures to ensure that resources are availed for successful implementation of the strategies. The study recommends that training should be done in order to improve the performance of the staff as well as the top management.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy implementation is the process of allocating resources to support the chosen strategies. This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. According to Raps and Kauffman, (2005), the implementation process covers the entire managerial activities including such matters as motivation, compensation, management appraisal, and control processes which entail cascading strategy to all functional areas in such a way as to achieve both vertical and horizontal logic and enhance implementation of policies.

Organizations seem to have difficulties in implementing their strategies. Several 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 (Galpin, 1998; Beer and Eisenstat, 2000).

The commercial banking sector in Kenya has faced various challenges following changes in their operating environment. The banking environment in Kenya has undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country (Kamau, 2009). In an attempt to strengthen the Kenyan banking

industry which, with 43 banks, is considered to be over-saturated, the minister for finance amended the Second Schedule of the Banking Act to increase the minimum core capital requirement from KSh250 million to KSh1 billion by December, 2012. This brought about a lot of strategizing among commercial banks on ways of complying with the law and at the same time maintaining their operations stable.

1.1.1 Strategy Implementation

Strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation through a strong corporate culture. It involves organization of the firm's resources and motivation of the staff to achieve objectives (Rapa and Kauffman, 2005). Implementing strategies successfully is about matching the planned and realizing strategies, which together aim at reaching the organization's vision. With firms evolving in terms of structure it follows that the style of strategy implementation will differ depending on the style of organization and management that exists in the firm. Different types of leadership styles can play a critical role in overcoming barriers to implementation. The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into strategy formulation. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organization. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson *et al.* 2005).

According to Balogun and Johnson (2004) responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Chebat, 2009). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organizations is under scrutiny. Numerous researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wind and Robertson, 2003). Fortunately, insights in this area have been made recently which tamper our knowledge of developing strategy with the reality of executing that which is crafted (Olson et al., 2005). However, as strategy implementation is both a multifaceted and complex organizational process, it is only by taking a broad view that a wide span of potentially valuable insights is generated.

1.1.2 Strategy Implementation Process

Strategy implementation is the process that turns strategies and plans into actions in order to accomplish an organization's strategic objectives and goals (Ansoff, 1999). The first step in strategy implementation is the act of knowing what the strategic plan is. This involves reviewing it carefully, and highlights any elements of the plan that might be especially challenging (Johnson and Scholes, 1998). This enables recognition of any parts of the plan that may be unrealistic or excessive in cost, either of time or money. This stage also requires that one keeps back-up ideas in mind in case the original plan fails.

The second step involves selecting a team of members to help with implementing the strategic plan. This involves establishing a team leader who can encourage the team and field questions or address problems as they arise (Pearce and Robinson, 2007). The next step involves schedule meetings to discuss progress reports. This involves presentation of the list of goals or objectives, and letting the strategic planning team know what has been accomplished. Whether the implementation is on schedule, ahead of schedule, or behind schedule, assessing the current schedule regularly to discuss any changes that need to be made is important for successful strategy implementation (Beer and Eisenstat, 2000). In all these stages, the organization's executives need to be informed on what is happening, and provide progress reports on the implementation of the plan. Letting an organization's management know about the progress of implementation makes them a part of the process, and, should problems arise, the management will be better able to address concerns or potential changes (Pearce and Robinson, 2007).

1.1.3 Challenges of Strategy Implementation

Wessel (1993) states that most of the barriers to strategy implementation that have been encountered fit into one of the following interrelated categories: too many and conflicting priorities, the top team does not function well; a top down management style; inter-functional conflicts; poor vertical communication, and inadequate management development. These categories can be translated into the following problems: Competing activities distracted attention from implementing this decision, Changes in responsibilities of key employees were not clearly defined, Key formulators of the strategic decision did not play an active role in implementation, and Problems requiring

top management involvement were not communicated early enough (Pearce and Robinson, 2007).

1.1.4 Banking Sector in Kenya

Kenya's banking history goes back to 1896 when the national Bank of India opened a branch in the East African country. The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members, (Kenya Bankers Association annual Report, 2008)

1.1.5 Commercial Banks in Kenya

As at 31st Central Bank of Kenya December (2012), the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs) and 118 Forex Bureaus (CBK, 2012). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned.

The 6 DTMs, 2 CRBs and 118 forex bureaus are privately owned. The foreign owned financial institutions comprised of 9 locally incorporated foreign banks and 4 branches of foreign incorporated banks.

According to CBK (2012) out of the 43 commercial banks 30 of them are domestically owned and 13 are foreign owned. In terms of asset holding, foreign banks accounted for about 35% of the banking assets as of 2011. In Kenya the commercial banks dominate the financial sector. In a country where the financial sector is dominated by commercial banks, any failure in the sector has an immense implication on the economic growth of the country. This is due to the fact that any bankruptcy that could happen in the sector has a contagion effect that can lead to bank runs, crises and bring overall financial crisis and economic tribulations.

1.2 Research problem

Implementing strategies successfully is vital for any organization, either public or private. Without implementation, even the most superior strategy is useless (Pearce and Robinson, 2007). The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure (Beer and Eisenstat, 2000). However, transforming strategies into action is a far more complex and difficult task. Furthermore, there are only a limited number of conceptual models of strategy implementation making strategy implementation a challenging task for any organization.

The Central Bank of Kenya issued new prudential guidelines earlier 2012 which come into effect 1 January 2013. Some of these changes had an immediate and significant impact on banks, especially the ones covering capital adequacy requirements, corporate governance and consumer protection. All these regulations required that banks go back to the drawing board to strategize on how well to meet these requirements. In addition, the level of competition has increased as more Microfinance Institutions, Deposit taking microfinance institutions and SACCOs struggle to attract customers. This has reduced the profitability of some product lines in commercial banks. In addition, mobile money transfer has taken up much of the businesses initially undertaken by commercial banks as they launch their money transfer, storage and loan facilities. These changes have meant that for commercial banks to remain profitable, they have to continuously develop and implement strategies to ensure their survival. Some banks merged to meet the capitals adequacy requirement.

Kiptugen (2003) did a study to determine the strategic responses of Kenya Commercial Bank to a changing competitive environment. Since he focused mainly on strategies that can be adopted in a competitive environment; the study failed to cover the processes involved in strategy implementation and challenges in the implementation phase. Kamanda (2006) also did a study on Kenya Commercial Bank (KCB) with the objective of determining the factors that influence its regional growth strategy. His study, however, does not cover the issues of strategy implementation. Situma (2006) also covered KCB but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy implementation. The study also failed to capture the

process of strategy implementation process and challenges. Given the importance of these processes, this study sought to fill the gap by seeking answers to two research questions:

- i. What strategy implementation processes are used by commercial banks in Kenya?
- ii. What are the challenges of strategy implementation among commercial banks in Kenya?

1.3 Research Objectives

- i. Establish strategy implementation processes by commercial banks in Kenya
- ii. Determine challenges of strategy implementation in commercial banks in Kenya.

1.4 Value of the Study

The study would be important to the following stakeholders:

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To future researchers &nd academicians, this study would contribute to the existing literature on strategic management thereby acting as a source of reference. The study would also add to the field of strategic management by suggesting areas for further research where future scholars and academicians could study to further the knowledge in this area.

The study would also be of value to managers of commercial banks and other organizations in as far as challenges of strategy implementation are concerned. All organizations regardless of size need to develop and implement strategies in order to drive the organization towards its mission and vision. Through the findings of this study,

managers would clearly understand the challenges in strategy implementation hence develop mechanisms of minimizing their effects during strategy implementation.

The study would also be of importance to policy makers in that through the findings of this study, the policy makers would be able to develop strategies that can be fairly implemented after thoroughly evaluating the operating environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are strategy implementation, types of strategy implementation and finally the challenges of strategy implementation.

2.2 Theoretical Perspective

The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Mills, Platts and Bourne, 2003; Peteraf and Bergen, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. In Barney (1991), firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

Resource advantage theory draws on marketing's heterogeneous demand theory (Alderson, 1965). This theory holds that, because intra-industry demand is significantly

heterogeneous, different market offerings are required for different market segments in the same industry. Resource advantage theory draws on differential advantage theory (Porter 1985). In this theory, marketplace positions of competitive advantage/disadvantage determine superior/inferior financial performance. Thus, firms can have an efficiency advantage, i.e., more efficiently producing value or they can have an effectiveness advantage, i.e., efficiently producing more value or they can have an efficiency/effectiveness advantage, i.e., more efficiently producing more value. In the same manner, for County governments to successfully implement devolution changes, they need to utilize the endowment in their territories well.

Hayek (1948) points out that 'practically every individual has some advantage over all others because he possesses unique information of which beneficial use can be made only if the decisions depending on it are left to him or are made with his active co-operation.' Likewise, for R-A theory, resources are both significantly heterogeneous across firms and imperfectly mobile. Day and Wensley (1988) distinguish between 'skills' and 'resources' on the basis that the former are 'the distinctive capabilities of personnel' and the latter are the 'more tangible requirements for advantage. In contrast, R-A theory maintains that intangibles can be resources and views the skills of individuals (and, as discussed in the next section, the competences of organizations) as kinds of resources.

2.3 Concept of Strategy Implementation

Mintzberg (1996), implementation means carrying out the predetermined plans. Some strategies are planned and some others just emerge from actions and decisions of organizational members. Strategy implementation is concerned with the translation of

strategy into organizational action through appropriate structure and design, resource planning and the management of strategic change (Johnson and Scholes, 2002). When considering implementation, questions relating to who should be responsible for carrying out the predetermined strategic plans, what are the structures in place and what changes are necessary must be addressed. Strategic implementation is thus putting strategy into action. The way in which the strategy is implemented can have a significant impact on whether it will be successful or not. In most cases, different people from those who formulated it do implementation of the strategy. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if the affected parties resist its implementation because they do not understand why the particular strategy was selected (Thompson, 1993).

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Furthermore, there are only a limited number of conceptual models of strategy implementation. In the world of management, increasing numbers of senior people are recognizing that one of the key routes to improved business performance is better implementation (Renaissance Solutions, 1996). However, at the same time, it is also understood that implementation is one of the more difficult business challenges facing today's managers (Piercy, 1992).

Implementing strategies successfully is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. The components of strategy implementation communication, interpretation, adoption and action are not necessarily successive and they cannot be detached from one another. Okumu and Roper (1998) observe that despite the importance of the strategic execution process, far more research has been carried out into strategy formulation rather than into strategy implementation, while Alexander concludes that literature is dominated by a focus on long range planning and strategy content rather than the actual implementation of strategies, on which "little is written or researched (Alexander, 1985). More practical problems associated with the process of strategy implementation, meanwhile, include communication difficulties and "low" middle management skill levels (Otley, 2001).

2.4 Strategy Implementation Process

Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have a direct influence on the administrative and operational activities, and are vitally important to long-term health of an organization (Grant, 2000). Strategies must be well formulated and implemented in order to attain organizational objectives. Thompson (1993) determined that the strategy implementation process included the many components of management and had to be successfully acted upon to achieve the desired results. Here, the critical point is that effective and successful strategy implementation depends on the achievement of good "fits" between the strategies and their means of implementation.

Chakravarthy and White (2001) have taken into consideration that no matter how effectively a company has planned its strategies, it could not succeed if the strategies were not implemented properly. Hendry and Kiel (2004) also clarified that the more ineffective the top management decisions, the more ineffective are the choices made at lower levels of management. Similarly, if top management's strategic choices tend to be successful, it reflects favorably on choices made in other parts of the organization. Simons (1994) refer to three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions. Organizational factors refer to organizational structure, organizational culture, structure of decision making bodies, impact of upward influence, and employee involvement. Decision-specific factors can be explained as time, risk, complexity, and politics. According to Porter (1980) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defense against the competitive force; and/or second, influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or third, anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

Petersen and Welch (2000) noted two dimensions of strategy implementation: structural arrangements, and the selection and development of key roles. Kaplan and Norton

(2004). The quality of people as skills, attitudes, capabilities, experiences and other characteristics required by a specific task or position. Structure refers to the way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated Systems refer to the formal and informal procedures used to manage the organization, including management control systems, performance measurement and reward systems, planning, budgeting and resource allocation systems, and management information systems. Staff refers to the people, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, manages the careers, and promotes employees. Skills refer to the distinctive competencies of the organization; what it does best along dimensions such as people, management practices, processes, systems, technology, and customer relationships.

2.5 Challenges of Strategy Implementation

Strategy implementation is never an easy thing in many organizations. The process of coordinating different stakeholders and harmonizing their actions towards the common goal faces several challenges. Some of the challenges reviewed here include: leadership styles, availability of resources, corporate culture and organizational culture

2.5.1 Leadership Style

Leadership is the process of persuasion, where an individual induces a group to pursue certain objectives. Effective leadership involves restructuring organizational architecture in a manner that motivates employees with the relevant knowledge to initiate value-enhancing proposals (Dubrin, 2001). Drucker (1994) captures an environmental scanning analysis that depicts leadership as that, which should manage the fundamentals like

people, inflation among others. Strategic leadership should ensure that values and culture within an organization are appropriate for satisfying key success factors. This should lead to environmental-value-resources (E-V-R) congruence. However, leadership is not always fully involved in the strategy implementation process because of the many activities involved which have been delegated. Limited leadership involvement could inhibit the success of strategic management in an organization.

Successful strategic plan implementation requires a large commitment from executives and senior managers. Therefore, planning requirement which may be done even at departmental levels requires executive support. Executives must lead, support, follow-up and live the results of strategic planning implementation process. According to Healthfield (2009), without commitment of senior executives, participants feel fooled and misled. This complements what Rap (2004) claims that the commitment to the strategic direction is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. To implement strategy successfully, senior executives must not assume that lower level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so executives must persuade employees of the validity of their ideas. This notwithstanding what Chris Ahoy (1998) argues; that upfront commitment by leaders include an adherence to the full and thorough process of strategic planning which must culminate in implementing programs and services and commit allocations to meet the objectives of the strategic plan at a level that is doable for the organization and the level of activity.

2.5.2 Inadequacy of Resources

All organizations have at least four types of resources namely: financial, physical, human resources and technological resources (Thompson, 1990). These resources are available to an organization as simple tangible resources (money, human resources and infrastructure) or intangible resources such as public power e.g. in law enforcement and tax collection or knowledge base. Resource based view to strategy management view knowledge, skills and experience of human resource as a key contributor to firm's bundle of resource and capabilities (Musyoka, 2008). Johnson et al. (2005) argues that putting strategy into action is concerned with ensuring that strategies are working in practice. Without adequate resources, strategy implementation process would not proceed as planned. This would thus result in stalled projects or results being different from those anticipated.

As companies change and as skills expertise become recognized as a major asset of the firm, the heightened efforts in cultivating and enhancing them becomes significant part of development strategy (Saunders, 1994). There needs to be appropriate and adequate human capital with goodwill to the implementation of a strategy. During the process of strategy implementation, how relationships and beyond the organization are fostered and maintained will influence performance further while organizations and groups may be assumed as taking strategic actions, it is individuals who ultimately, in practical terms take action and are responsible for driving an organization or a group towards objective. Perhaps the most important resource of an organization is its people (Johnson and Scholes, 2003).

2.5.3 Corporate Structure

At the firm level, extant research has observed that the effective relationship between strategy and structure is a necessary precondition to the successful implementation of new business strategies (Drazin and Howard, 2004; Olson et al., 2005; Miller et al., 2004). In addition, a match between appropriate administrative mechanisms and strategy has been found to reduce uncertainty within the firm and increase effectiveness in strategy implementation. The relevant literature (Noble, 2009; Noble and Mokwa, 2009) has advocated factors that influence the effective implementation of strategies, for example; organizational structure (Drazin and Howard, 2004); control mechanisms (Daft and Mackintosh, 2004); strategic consensus (Floyd and Wooldridge, 2002); leadership (Gupta and Govindarajan, 2004; Nutt, 2003); and communication (Workman, 2003). However, prior research has neglected to ascertain whether the "style" of strategy implementation undertaken has any impact on the effectiveness of the implementation effort. An inappropriate organization structure will lead to either poor decision making which may negatively affect the process of strategy implementation. A vertically tall organization structure may involve more time in getting the decision made which may affect the pace of strategy implementation.

The structure of the organization should be consistent with the strategy to be implemented. Moreover the nature of the organizations structure to be used in implementing strategy is influenced by the environment stability and the interdependence of the different units (Daft, 2000). Failure to address issues of the broad structural design of roles, responsibilities and lines of reporting can at a minimum, constrain strategies development and performance (Johnson & Scholes, 2002; Koske, 2003).

2.5.4 Organization Culture

Organizational culture refers to the leadership style of managers - how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture (the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (job titles, dress codes, executive dining rooms, corporate jets, informal meetings with employees). Organizational culture is among the major issues, because the cultural dimension is central to all aspects of organizational behavior (Alvesson, 2002). If strategy implementation is going to realize its full potential of dramatically improving the way companies do business, changing of the organizational culture must be considered an integral part of the process. Systems cannot be developed irrespective of the people that will be managing and operating those systems. One of the biggest reasons why some process strategy implementation projects do not achieve the level of success the organization expects is because the organization or functional manager did not deal with the issue of organization culture change. Greengard (1993) says that an organization should strive to involve the staff at all stages of the implementation process.

Eisenstat (1993) indicates that most companies attempting to develop new organization capacities stumble over these common organizational hurdles: competence, coordination, and commitment. These hurdles can be translated into the following implementation problems: Coordination of implementation activities was not effective enough, Capabilities of employees were insufficient, Training and instruction given to lower level employees were inadequate, and Leadership and direction provided by departmental manager were inadequate.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed is discussed. Specifically the following subsections are included; research design, data collection and finally data analysis.

3.2 Research Design

This study adopted a descriptive research design. Descriptive research design is appropriate because it enables the researcher to build a profile of a phenomenon. It is concerned with the what, where, how and when of the phenomenon. It can be used when collecting information about peoples' attitudes, opinions, habits or any of the variety of education or social issues (Orodho and Kombo, 2002). Descriptive design was suitable for this study because it enabled the researcher to generalize the findings to a larger population as well as giving a clear picture of the phenomenon under study. This study therefore was able to generalize the findings to all the commercial banks in Kenya.

3.3 Population of the Study

According to Ngechu (2004), a study population is a well defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. The target population of this study was the 44 commercial banks operating in Kenya. These were chosen upon because they were the ones which were affected by

the various regulatory changes instituted by the Central Bank of Kenya in its quest to ensure financial sector stability.

3.4 Data Collection

This study used primary data collected using a questionnaire. The questionnaires were used because they were a cost effective way of collecting information from a large literate sample in a short span of time and at a reduced cost than other methods (Mugenda and Mugenda, 2003). The questionnaire contained both closed and opened ended questions. The closed ended questions used of a five point likert scale where respondents filled according to their level of agreement with the statements. The unstructured questions were used to encourage the respondents to give an in-depth response where close ended questions were limiting. The questionnaire designed in this study comprised of two sections^ The first part included the demographic characteristics questions while the second part covered the process of strategy implementation and the third part challenges of strategy implementation.

The questionnaires were administered to communications managers. This is because this office is always informed of the events going on in the Company and are the ones authorized to communicate on behalf of their banks. The questionnaires were be administered through a drop and pick later method because the target respondents may be busy to give feedback on the spot.

3.4 Data Analysis

The completed questionnaires were first edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using Statistical Package for Social Sciences (SPSS) and presented through percentages, means, standard deviations and frequencies. The data were split down into different aspects of strategic change implementation aspects and organizational competitiveness so as to offer a systematic and qualitative of the study objectives.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data collected using questionnaires. The purpose of the study was to assess strategy implementation process in commercial banks in Kenya. The data was collected using a questionnaire as the data collection instruments. The study targeted 44 respondents. Thirty seven (37) questionnaires out of 44 were completed and returned giving a response rate of 84.09%. This response rate was good enough and conforms to that recommended by Mugenda and Mugenda (2003).

4.2 Data Analysis

The data analyzed was primary data obtained through questionnaires issued to various commercial banks and the responses were analyzed as per below.

4.2.1 Demographic Information

The study sought to establish the years which the respondents had worked at their respective banks. Most of the respondents had worked at their respective banks for over 10 years. The annual turnover of most of the banks was 15 billion shillings. The deposits of the commercial banks were totaling Kes. 2.3 trillion shillings, while the turnovers of were at Kes. 350 billion shillings.

4.2.2 Years worked at the Bank

With regard to the years which the respondents had worked at their banks. The findings are presented in the table below.

Table 4.1: Years worked at the Bank

	Frequency	Percent
Below 3 years	4	10.8
4-6 years	7	18.9
7-10 years	12	32.4
Above 10 years	14	37.8
Total	37	100.0

From the findings of the study, majority (37.8%) of the respondents had worked in their banks for years over ten year. 32.4% of the respondents had worked in their banks for 7-10 years, 18.9% of the respondents had worked in their banks for 4-6 years while 10.8% had worked in their banks for less than three years. It can therefore be deduced that majority of the respondents had been working in their respective banks for more than ten years hence were more knowledgeable on the issues raised in this study.

4.3 Research Findings

The study sought to find out the banks appointed a team of staff to spear head the process of strategy implementation, the extent to which the strategies of the banks are well communicated to all staff on time, the extent to which all strategies of the banks were carefully reviewed prior to the implementation stage and whether there were always enough resources designated for strategy implementation at the Banks.

With regard to whether banks appointed a team of staff to spear head the process of strategy implementation. The findings were as presented in the table 4.2.

Table 4.2: Strategy Implementation Team

	Frequency	Percent
Yes	36	97.3%
No	1	2.7%
Total	37	100.0%

From the findings, majority (97.3%) of the respondents indicated that their banks appointed a team of staff to spear head the process of strategy implementation while 2.7% of the respondents indicated that their banks did not appointed a team of staff to spear head the process of strategy implementation. This implies that majority of banks appointed a team to oversee their process of strategy implementation. Team leader is important because of the frequent monitoring and evaluation so as to assess the level of attainment of the organizational objectives.

With regard to the extent to which the strategies of the banks were well communicated to all staff on time, the findings were as presented in the table below.

Table 4.3: Communication of Bank Strategies to Staff

	Frequency	Percent
Less extent	3	8.1%
Moderate extent	12	32.4%
Great extent	17	45.9%
Very great extent	5	13.5%
Total	37	100.0%

From the data findings, 45.9% of the respondents agreed to great extent that strategies of the banks are well communicated to all staff on time, 32.4% agreed to a moderate extent, 13.5% agreed to a very great extent while 8.1% agreed to a less extent. It can be deduced that in majority of banks communicated the strategies to the staff is moderate. Communication is an important component of strategy implementation as it determines the level of commitment and support that staff accords the whole process. Poor communication means that distorted information is consumed by staff which results in high levels of resistance as they seek to protect their comfort zones.

With regard to the extent to which all staff was involved in one way or the other in strategy formulation is shown in the table 4.4 below:

Table 4.4: Staff involvement in strategy formulation

	Frequency	Percent
Less extent	6	16.2%
Moderate extent	15	40.5%
Great extent	12	32.4%
Very great extent	4	10.8%
Total	37	100.0%

From the data findings, majority (40.5%) of the respondents agreed to moderate extent that all staff were involved in one way or the other in strategy formulation, 32.4% agreed to a great extent, 16.2% agreed to a less extent while 10.8% agreed to a less extent. These findings show that not all staff was involved in strategy formulation process at the Banks. This could be largely due to the fact that the banks appoint a few individuals in the strategy formulation team who are drawn from different departments. These strategy formulation committee members collected views from members of staff in their departments but not all contributions were factored in the developed strategy. This makes employees feel as if they were not involved in the process of strategy implementation.

With regard to the extent to which all strategies of the banks were carefully reviewed prior to the implementation stage. The findings are presented in the table below.

Table 4.5: Review of strategies prior to implementation

	Frequency	Percent
Moderate extent	7	18.9%
Great extent	17	45.9%
Very great extent	13	35.1%
Total	37	100.0%

From the data findings, majority (45.9%) of the respondents agreed to a great extent that all strategies of the banks were carefully reviewed prior to the implementation stage, 35.1% agreed to a very great extent while 18.9% agreed to a less extent.

With regard to the extent to which there was presence of scenario plan at the Banks. The findings are presented in the table below.

Table 4.6: Presence of scenario plan

	Frequency	Percent
No extent		0.0%
Less extent	4	10.8%
Moderate extent	11	29.7%
Great extent	15	40.5%
Very great extent	7	18.9%
Total	37	100.0%

From the data findings, 40.5% of the respondents agreed to a great extent that there was presence of scenario plan at the bank, 29.7% agreed to a moderate extent, 18.9% agreed to a very great extent while 10.8% agreed to a less extent.

With regard to whether there were always enough resources designated for strategy implementation at the Banks. The findings are presented in the table below.

Table 4.7: Resources for strategy implementation

	Frequency	Percent
No extent	4	10.8%
Less extent	7	18.9%
Moderate extent	15	40.5%
Great extent	9	24.3%
Very great extent	2	5.4%
Total	37	100.0%

From the data findings, 40.5% of the respondents agreed to a moderate extent that there were always enough resources designated for strategy implementation at their Bank, 24.3% agreed to a great extent, 18.9% agreed to a very great extent 10.8% agreed to no extent while 5.4% agreed to a very great extent.

With regard to whether a strategy steering committee was always appointed to steer the process of strategy implementation at the banks. The findings are presented in the table below.

Table 4.8: Strategy Steering Committee

	Frequency	Percent
No extent	1	2.7%
Less extent	3	8.1%
Moderate extent	12	32.4%
Great extent	15	40.5%
Very great extent	6	16.2%
Total	37	100.0%

From the data findings, 40.5% of the respondents agreed to a great extent that strategy steering committee was always appointed to steer the process of strategy implementation at the banks, 32.4% agreed to a moderate extent, 16.2% agreed to a very great extent, 8.1% agreed to a less extent while 2.7% agreed to a no extent.

With regard to whether there was a team leader who was responsible for overseeing the developments on strategy implementation. The findings are presented in the table below.

Table 4.9: Team Leader

	Frequency	Percent
Moderate extent	12	32.4%
Great extent	15	40.5%
Very great extent	10	27.0%
Total	37	100.0%

From the data findings, 40.5% of the respondents agreed to a great extent that there a team leader who was responsible for overseeing the developments on strategy implementation, 32.4% agreed to a moderate extent while 27.0% agreed to a very great extent.

With regard to whether frequent meetings were held to assess the progress of strategy implementation. The findings are presented in the table below.

Table 4.10: Frequent meetings

	Frequency	Percent
Moderate extent	16	43.2%
Great extent	12	32.4%
Very great extent	9	24.3%
Total	37	100.0%

From the data findings, 43.2% of the respondents agreed to a moderate extent that frequent meetings were held to assess the progress of strategy implementation, 32.4% agreed to a great extent while 24.3% agreed to a very great extent.

With regard to whether the actual results were always compared with the set objectives.

The findings are presented in the table below.

Table 4.11: Comparison of actual results to the set objectives

	Frequency	Percent
Moderate extent	6	16.2%
Great extent	13	35.1%
Very great extent	18	48.6%
Total	37	100.0%

From the data findings, majority (48.6%) of the respondents agreed to a very great extent that the actual results were always compared with the set objectives, 35.1% agreed to a great extent while 16.2% agreed to a very great extent.

With regard to whether top management was always informed of strategy implementation at the banks. The findings are presented in the table below.

Table 4. 12: Top management information on strategy implementation process

	Frequency	Percent
Less extent	2	5.4%
Moderate extent	11	29.7%
Great extent	15	40.5%
Very great extent	9	24.3%
Total	37	100.0%

From the data findings, majority (40.5%) of the respondents agreed to a great extent that top management were always informed of strategy implementation at the bank, 29.7% agreed to a moderate extent, 24.3% agreed to a very great extent while 5.4% agreed to a less extent.

4.4 Challenges of Strategy Implementation

The study found the following to be the challenge of strategy implementation in commercial banks in Kenya.

With regard to whether the challenge of rigid organization structure affected strategy implementation at the bank, the findings are presented in the table below.

Table 4.13: Rigid organization structure

	Frequency	Percent
Yes	12	32.4%
No	25	67.6%
Total	37	100.0%

From the findings, majority (67.6%) of the respondents indicated that the strategy implementation process at their banks was not affected by rigid organization structure while 32.4% of the respondents indicated that the strategy implementation process at their banks was affected by rigid organization structure.

With regard to whether the challenge of limited resources affected strategy implementation at the bank. The findings are presented in the table below.

Table 4.14: Limited resources

	Frequency	Percent
Yes	33	89.2%
No	4	10.8%
Total	37	100.0%

From the findings, majority (89.2%) of the respondents indicated that the strategy implementation process at their banks was affected by the challenge of limited resources

while 10.8% of the respondents indicated that the strategy implementation process at their banks was not affected by the challenge of limited resources.

With regard to whether poor organizational culture affected strategy implementation at the bank. The findings are presented in the table below.

Table 4.15: Poor organizational culture

	Frequency	Percent
Yes	8	21.6%
No	29	78.4%
Total	37	100.0%

From the findings, 78.4% of the respondents indicated that the strategy implementation process at their banks was not affected by the challenge of poor organizational culture while 21.6% of the respondents indicated that the strategy implementation process at their banks was affected by the challenge of poor organizational culture.

With regard to whether the challenge of limited top management involvement affected strategy implementation at the bank. The findings are presented in the table below.

Table 4.16: Limited top management involvement

	Frequency	Percent
Yes	14	37.8%
No	23	62.2%
Total	37	100.0%

From the findings, majority (62.2%) of the respondents indicated that the strategy implementation process at their banks was not affected by limited top management

involvement while 37.8% of the respondents indicated that the strategy implementation process at their banks was affected by limited top management involvement.

With regard to whether poor leadership styles affected strategy implementation at the bank. The findings are presented in the table below.

Table 4.17: Poor leadership styles

	Frequency	Percent
Yes	16	43.2%
No	21	56.8%
Total	37	100.0%

From the findings, 56.8% of the respondents indicated that the strategy implementation process at their banks was not affected by poor leadership skills while 43.2% of the respondents indicated that the strategy implementation process at their banks was affected by poor leadership skills.

With regard to whether too many conflicting priorities affected strategy implementation at the banks. The findings are presented in the table below.

Table 4.18: Conflicting priorities

	Frequency	Percent
Yes	28	75.7%
No	9	24.3%
Total	37	100.0%

From the findings, 75.7% of the respondents indicated that the strategy implementation process at their banks was affected by too many conflicting priorities while 24.3% of the

respondents indicated that the strategy implementation process at their banks was not affected by too many conflicting priorities.

With regard to whether poor training affected strategy implementation at the banks. The findings are presented in the table below.

Table 4.19: Poor training

	Frequency	Percent
Yes	22	59.5%
No	15	40.5%
Total	37	100.0%

From the findings, 59.5% of the respondents indicated that the strategy implementation process at their banks was affected by poor training while 40.5% of the respondents indicated that the strategy implementation process at their banks was not affected by poor training.

With regard to whether poor communication affected strategy implementation at the banks. The findings are presented in the table below.

Table 4.20: Poor communication

	Frequency	Percent
Yes	8	21.6%
No	29	78.4%
Total	37	100.0%

From the findings, 78.4% of the respondents indicated that the strategy implementation process at their banks was not affected by affected by poor communication while 21.6% of the respondents indicated that the strategy implementation process at their banks was affected by poor training.

With regard to whether poor functioning top management affected strategy implementation at the banks. The findings are presented in the table below.

Table 4.21: Poor functioning top management

	Frequency	Percent
Yes	21	56.8%
No	16	43.2%
Total	37	100.0%

From the findings, 56.8% of the respondents indicated that the strategy implementation process at their banks was affected by poor functioning top management while 43.2% of the respondents indicated that the strategy implementation process at their banks was not affected by poor functioning top management.

With regard to whether interdepartmental competitions affected strategy implementation at the banks. The findings are presented in the table below.

Table 4.22: Interdepartmental Competitions

	Frequency	Percent
Yes	6	16.2%
No	31	83.8%
Total	37	100.0%

From the findings, 83.8% of the respondents indicated that the strategy implementation process at their banks was not affected by interdepartmental competitions while 16.2% of the respondents indicated that the strategy implementation process at their banks was affected by interdepartmental competitions.

4.5 Discussion

The study found out that majority of the banks appointed a team of staff to spear head the process of strategy implementation. The study established that to a great extent, strategies of the banks were communicated to all staff on time. The study further established that the extent to which staff was involved in one way or the other in strategy formulation was moderate followed by a great extent. Majority of respondents were in agreement to a great extent that there was presence of scenario plan at the bank. These findings are in line with those of Johnson et al. (2005) who argued that putting strategy into action is concerned with ensuring that strategies are working in practice. Without adequate resources, strategy implementation process would not proceed as planned.

From the study findings, the extent to which the actual results were always compared with the set objectives was very great and that to a great extent, top management were always informed of strategy implementation at the bank. The study established that the strategy management processes affected strategy implementation in the banks to a great extent. These findings are in line with those of Grant (2000) who indicated that strategies must be well formulated and implemented in order to attain organizational objectives.

The study found out that strategy implementation process at most banks was affected by the challenge of limited resources. The findings of the study are in line with those of Johnson and Scholes (2002) which established that the strategy implementation process was not affected by the challenge of poor organizational culture. The study established that the strategy implementation process was affected by too many conflicting priorities.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also the conclusions and recommendations of the study based on the objectives of the study. The objective of the study was to investigate the strategy implementation process in commercial banks.

5.2 Summary of the findings

The findings of this study established that most of the respondents had worked in their banks for over ten years. Regarding strategy implementation process, the study established that majority of the banks appointed a team of staff to spear head the process of strategy implementation. The study established that to a great extent, strategies of the banks were well communicated to all staff on time. The study further established that the extent to which staff was involved in one way or the other in strategy formulation was moderate followed by a great extent. Majority of respondents were in agreement to a great extent that there was presence of scenario plan at the bank.

Regarding the availability of enough resources for strategy implementation at the bank, the respondents agreed to a moderate extent. The finding of the study established that, to a moderate extent frequent meetings were held to assess the progress of strategy implementation. From the study findings, the extent to which the actual results were always compared with the set objectives was very great and that to a great extent, top management were always informed of strategy implementation at the bank. The study

established that the strategy management processes affected strategy implementation in the banks to great extent.

Regarding challenges facing the implementation process, respondents indicated that the strategy implementation process at their banks was not affected by rigid organization structure. The study found out that strategy implementation process in most banks was affected by the challenge of limited resources. The findings of the study established that the strategy implementation process at banks was not affected by the challenge of poor organizational culture. The finding of the study was that limited top management involvement was not a challenge in strategy implementation process at their banks. The study established that the strategy implementation process at their banks was not affected by interdepartmental competitions. From the findings of the study, the cited challenges affected the process of strategic management at the banks to a great extent.

5.3 Conclusions

The study concludes that the strategy management processes affects strategy implementation in the banks to great extent. The study further concludes that in most banks there is moderate involvement of staff in the formulation of strategies. The study concludes that in most banks the careful review of the strategies is done to a great extent prior to the implementation process and that availing of enough resources for strategy implementation at the banks is very crucial. The study further concludes that the strategy steering committee is always appointed to steer the process of strategy implementation at the banks and that the extent to which frequent meetings are held in banks to assess the progress of strategy implementation is moderate. The study concludes that in majority of banks, the comparison of actual results with the set objectives is always great. The study

further concludes that top management is always informed of strategy implementation at the bank.

The study concludes that the process of strategy implementation at various banks in the county is faced with challenges to a great extent. From the findings, this study further concludes that limited resources, many conflicting priorities, poor functioning top management and poor training are major challenges affecting the process strategy implementation at the banks. The study further concludes that the process of strategy implementation in banks is not affected by rigid organization structure, poor organizational culture, limited top management involvement, poor communication, interdepartmental competition and poor leadership skills as these challenges are not evident in the banks.

5.4 Recommendations for Policy and Practice

The studies found out that limited resources as a major challenge affecting the process strategy implementation at the banks. The study therefore recommends that the top management at the banks should put in place measures to ensure that resources are availed for successful implementation of the strategies.

The study found out those conflicting priorities is a major setback to the process of strategy implementation. The study therefore recommends that the conflicting priorities among the bank staff should be clearly addressed so as ensure that there is harmony in the process of implementation of strategies. The study further recommends that training should be done in order to improve the performance of the staff as well as the top management.

The study established that the extent to which frequent meetings are held in banks to assess the progress of strategy implementation was moderate. In view of this, the study recommends that more frequent meetings should be held more often to scrutinize the process of strategy implementation of strategies at the banks.

The study found out that strategy management processes affects strategy implementation in the banks to great extent. The study therefore recommends that the strategy implementation processes should be keenly scrutinized so as to lead to success.

5.5 Limitations of the Study

The population of the study was limited to commercial banks. Microfinance institutions and other financial institutions were not included in the study.

The depth of the feedback did not capture all the information since most banks responded through the public relations department, rather than obtaining information from various departments within the bank.

5.6 Recommendations for Further Study

Future studies need to incorporate other financial institutions such as Microfinance's and deposit taking institutions.

Future studies should not only depend on the public relations department for feedback but try and incorporate other members of the institution to enable increased responses.

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APPENDICES

Appendix I: Questionnaire

STRATEGY IMPLEMENTATION IN COMMERCIAL BANKS IN KENYA

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the Bank (Optional)
2. Your Department
3. Number of years worked with this Bank?

Below 3 years [] 4-6 years [] 7-10 years []

Above 10 years
4. How many years has your bank been in operations?
5. What is your bank's Annual Turnover?
6. What is the total loan portfolio of your company for the last ended financial period?
7. What was the total Deposit for your bank for the last ended financial period?

SECTION B: STRATEGY IMPLEMENTATION PROCESS

8. Does the Bank appoint a team of staff to spear head the process of strategy implementation?
9. Below is a list of statements concerning strategy implementation processes at your bank. On a scale of 1 -5, please indicate the extent of your agreement with each statement as regards strategic management.

Statement	1	2	3	4	5
The strategies are well communicated to all staff on time					

All staff are involved in one way or the other in strategy formulation					
All strategies are carefully reviewed prior to the implementation stage					
There is always a scenario plan at the Bank					
There is always enough resources designated for strategy implementation at the Bank					
A strategy steering committee is always appointed to steer the process of strategy implementation at the bank					
There is a team leader who oversees the developments on strategy implementation					
Frequent meetings are held to assess the progress of strategy implementation					
The actual results is always compared with the set objectives to ascertain					
Top management is always informed of strategy implementation at the Bank					

10. To what extent have these strategy management processes affected strategy implementation in your bank?

Very great extent []

Great extent

Moderate extent []

Little extent []

Not at all []

CHALLENGES OF STRATEGY IMPLEMENTATION

11. Below is a list of several challenges encountered by organizations in strategy implementation. Kindly select by ticking all that have affected strategy implementation at your bank?

Rigid organization structure

Limited resources

Poor organizational culture

Limited top management involvement

Poor leadership styles
Too many conflicting priorities
Poor training
Poor communication
Poor functioning top management
Interdepartmental competitions
Other (Please specify)

12. To what extent have these challenges affected the process of strategic management at your bank?

Very great extent []
Great extent []
Moderate extent []
Little extent
Not at all []

THANK YOU!

Appendix II: List of Commercial banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Chase Bank (K) Ltd.
8. Commercial Bank of Africa Ltd.
9. Consolidated Bank of Kenya Ltd.
10. Co-operative Bank of Kenya Ltd.
11. Credit Bank Ltd
12. Citibank N.A.
13. Development Bank of Kenya Ltd.
14. Diamond Trust Bank Kenya Ltd.
15. Dubai Bank Kenya Ltd.
16. Ecobank Kenya Ltd
17. Equatorial Commercial Bank Ltd.
18. Equity Bank Ltd
19. Family Bank Limited
20. Fidelity Commercial Bank Ltd
21. Fina Bank Ltd
22. First community Bank Limited
23. Giro Commercial Bank Ltd.
24. Guardian Bank Ltd
25. Gulf African Bank Limited
26. Habib Bank A.G Zurich
27. Habib Bank Ltd.
28. Imperial Bank Ltd
29. I & M Bank Ltd
30. Jamii Bora Bank Limited.
31. Kenya Commercial Bank Ltd
32. K-Rep Bank Ltd
33. Middle East Bank (K) Ltd
34. National Bank of Kenya Ltd
35. NIC Bank Ltd
36. Oriental Commercial Bank Ltd
37. Paramount Universal Bank Ltd
38. Prime Bank Ltd
39. Standard Chartered Bank K
Ltd
40. Trans-National Bank Ltd
41. UBA Kenya Bank Limited
42. Victoria Commercial Bank Ltd
43. Housing Finance Ltd

Source; Central Bank of Kenya 2013

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The bearer of this letter . . O W ^


Registration No

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.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

