FACTORS INFLUENCING STRATEGY IMPLEMENTATION BY COMMERCIAL BANKS IN KENYA

BY

ATAMBA CYNTHIA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2013

DECLARATION

I, **Cynthia Atamba**, do hereby declare that this project paper is my original work and has not been submitted for a degree in any other university.

Signature ………………………… Date …. ………………………………..

Cynthia Atamba

D61/60008/2011

This project paper has been submitted for examination with our approval as the University Supervisors:

Signature …………………………….. … Date ……………………………..

Prof. Martin Ogutu

Business Administration Department

School of Business

University of Nairobi

DEDICATION

This project paper is dedicated to my dear parents, Mr. and Mrs. **D.M. Manani**, whose love, sacrifice and commitment towards giving each and every one of us an education remain unrivalled.

ACKNOWLEDGEMENTS

I am extremely thankful to the Almighty God for granting me enough strength and courage to complete this enormous task.

I was privileged and honored to work with Prof. M. Ogutu, my supervisor, who continues to be an excellent and committed mentor. His assistance, tolerance and encouragement helped me to complete this work. Special thanks to Dr.Yabs, my moderator for his guidance and help. I was indeed very privileged to have both of you as my teachers. I am also grateful to other staff at the School of Business at University of Nairobi, for the constant push to graduate within the stipulated time.

My appreciation also goes to Turnkey Africa Limited through the Board of Directors for sponsoring my Masters studies through its scholarship programme.

To my fellow classmates whom I shared with this journey, thank you for all your constructive criticisms during class seminars; your input to my project was indispensable.
I am extremely grateful to my respondents from all the commercial banks in Kenya who welcomed me to their premises and gave me valuable information that enriched this study.
However, I remain solely responsible for all errors and omissions in this paper.

ABSTRACT

When the important role that commercial banks play in the economy is considered, their survival becomes evidently critical. In order for them to survive, the sector needs to ensure that they carry out formulation and implementation of viable strategies successfully. Johnson, Scholes and Whittington (2008), define strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. The Central Bank of Kenya (herein CBK) annual report published in 2012, lists 43 commercial banks categorized by their market size index; 6 large, 15 medium and 22 small peer groups. Virtually all the commercial banks in Kenya have been aggressively opening new branches, all which point to a predisposing factor towards strategy failure by virtue of the ‘new venture’ criterion as mapped out by Finkelstein. The banks have diversified their product offerings and explored alternative delivery channels like agency banking, mobile and internet banking. Various factors and challenges influence strategy implementation in commercial banks in Kenya. A survey design was used in the study. This research design was used because the study mostly involved use of non-numerical data of descriptive nature collected through a questionnaire. The study used both probability and non- probability sampling techniques to create a sampling frame for commercial banks. Stratified sampling was one of the probability techniques used in order to avail equal chances of selection to banks in different categories of large, medium and small cluster group. The researcher used a sample size of 33.3% out of the accessible target population. This study was done against a backdrop of limitations of time and finances. The research outlined communication, leadership, timing and change management as most significant factors that influence strategy implementation by commercial banks in Kenya. Commercial banks also face challenges in change management, pursuing competing activities and incompetence among the implementers. The study has upheld the Stakeholder theory as well as the Resource Advantage theory, the two key theories that underpinned this study.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ACRONYMNS & ABBREVIATIONS

CBK:	Central Bank of Kenya
CBD:	Central Business District
CEO:	Chief Executive Officer
HR:	Human Resources
KBA:	Kenya Bankers Association
NGO:	Non-Governmental Organization
NSE:	Nairobi Stock Exchange
R-A Theory:	Resource Advantage Theory
UBA:	United Bank for Africa.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The success of any modern organization largely depends on how well they carry out two core management functions; formulation and implementation of viable strategies. While strategy formulation deals with the laying down of plans aimed at giving an organization a competitive edge, strategy implementation on the other hand is the process of administering the formulated strategies in order to achieve the targeted results.

The developed strategy may be good but if its implementation is poor, the intended strategic objectives may not be achieved. To ensure survival and success, firms do not only need to formulate strategies but also must ensure appropriate execution of strategy at all levels. This chapter explores what is meant by strategy and strategy implementation, then focuses on the problem of strategy implementation by commercial banks in Kenya. The chapter closes by outlining the objectives of this study and its value as relates to various stakeholders.

1.1.1 Concept of Strategy

The Oxford Advanced Learners Dictionary defines strategy as a plan that is intended to achieve a particular purpose. From this definition, something is termed as strategic if it is done as part of a plan and is meant to achieve a particular purpose or to gain an advantage. Johnson, Scholes and Whittington (2008), define strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. In this definition, resources play a very key role as far as attaining the desired strategy is concerned.

Christensen and Tara (2000) argue that in every company there are processes through which strategy comes to be defined. The authors clarify that the first strategy-making process is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. In this case, strategy process is typically formulated in a project with a discrete beginning and end. The top-tier management consultants often manage these projects. The result of such as process, they claim, is an intended or deliberate strategy.

Understandably, Christensen and Tara (2000) further argue, these strategies can be implemented as they have been envisioned if and only if three conditions are met. First, those in the organization must understand each important detail in management's intended strategy. Second, if the organization is to take collective action, the strategy needs to make as much sense to each of the members in the organization as they view the world from their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence from outside political, technological or market forces. Since it is difficult to find a situation where all three of these conditions apply, the authors conclude that it is rare that an intended strategy can be implemented without significant alteration.

Further on, Christensen and Tara (2000) term the second process as emergent strategy. It is the cumulative effect of day-to-day prioritization of decisions made by middle managers, engineers, sales people and financial staff. These decisions are made in spite of intentions. In fact, managers typically do not frame these decisions as strategic at the time they are being made; they have a decidedly tactical character.

Capon (2008) notes that a common factor in all manner of strategies, whether intended or emergent, is that they entail an understanding of the environment and the resources available to compete in that environment. These resources include; facilities, staff, know-how and finances. Strategy mobilizes these resources to combat threats and build on opportunities in the external environment. The more effective the use of resources, the more likely an organization is able to meet its objectives and hence the set strategy. As part of the strategy, Capon notes, it is very important for an organization to identify and evaluate its resources before considering how the resources can be organized or configured to achieve cost or differentiation base competitive advantage.

1.1.2 Strategy Implementation

Hunger and Wheelen (2000) postulate that strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. This is the process by which strategies and policies are put into action through the development of programs, budget, and procedures. They further argue that in implementing strategies the managers and employees collaborate to perform formulated strategic planning.

Li, Guohui and Eppler (2008) define strategy implementation as a dynamic, iterative and complex process. It is comprised of a series of decisions and activities by managers and employees affected by a number of interrelated internal and external factors to turn strategic plans into reality in order to achieve strategic objectives. Before arriving at this definition, Li et al (2008) reviewed sixty articles on the subject from which they agreed that there is no universally accepted definition of strategy implementation. Nevertheless, they identified three distinct conceptions of the term: The first approach concentrates on a process perspective and takes strategy implementation as a sequence of carefully planned consecutive steps.

The second approach that the authors identified treats strategy implementation as a series of more or less concerted but parallel actions and examines these actions from a behavior perspective. They also noted that some authors combine the process perspective and behavior or action perspective to form a hybrid perspective. In conclusion, Li et al (2008) appear to be in favour with the hybrid perspective judging by the multi-faceted way in which they present the task of strategy implementation.

According to Ritson (2011), the implementation process can also be thought as having several parts. Ritson suggests three such part or phases of strategy implementation. First of all, resource planning and logistics of implementation have to be considered. This would address the problems of the task that need to be carried out as well as their timing. At this stage, there may be need to make some changes in the mix of resources required to implement the strategy and decisions would need to be made as regards that would be responsible for the changes.

Secondly, Ritson (2011) reasons that the organization structure may need to be changed, e.g. from a hierarchical to matrix or from centralized to decentralized. In saying this, Ritson backs Balogun and Johnson (2004), who noted that in recent years, organizations have sought to create greater organizational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms. Lastly, Ritson (2011) concludes that the systems employed to manage the organization may need to be improved. These are the systems that provide the information and operational procedures needed in the organization. It may be that a new management information system is required to monitor the progress of the strategy. In the same note, strategy implementation may require that existing staff be retrained or that new staff be recruited.

1.1.3 Commercial Banks in Kenya

According to the Central Bank of Kenya (herein CBK) annual report published in 2012, for the period ended June, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 2 credit reference bureaus, 5 representative offices and 115 foreign exchange bureaus. The Annual Bank Supervision Report released by the CBK in 2012 lists 44 commercial banks; however Charter House Bank Limited is defunct. For the sake of this study, we will focus on 43 commercial banks. The Annual bank supervision report (2012) categorized commercial banks using market size index represented by market size index into 6 large, 15 medium and 22 small peer groups (Appendix 1). CBK defines market share index as the composite of net assets, deposits, capital, number of loan accounts and number of deposit accounts.

In Kenya, commercial and privately owned banks are governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act, as well as various other prudential guidelines issued by the CBK. The CBK, which falls under the Ministry of Finance, 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, publications and guidelines (CBK, 2012).

Of the 43 commercial banks in Kenya, thirty-five of them, most of which are small to medium sized, are locally owned (Central Bank of Kenya annual report, 2007). The industry is dominated by fourteen (14) large banks most of which are foreign-owned, six (6) banks have government participation, and twenty four (24) banks are locally owned. Ten (10) of the major banks are listed on the Nairobi Stock Exchange (Appendix 2). The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions.

Wanyonyi (2011) set out to evaluate the factors and challenges influencing strategy implementation by commercial banks in Kenya. In this 2011 study, Wanyonyi assessed the various strategies employed by Kenyan banks in attraction and retention of corporate customers. The study discloses that Commercial banks in Kenya employ a complex mix of both competitive and adaptation strategies. According to Wanyonyi, the competitive strategies adopted by Kenyan banks include cost leadership, differentiation and focus initiatives, while adaptation strategies in use include defender, prospector, analyzer and reactor strategies.

A recent study by Ouya (2012) cited some major challenges facing the Banking sector. Among them were; new regulations, global financial crisis and declining interest margins. The Finance Act 2008, which took effect on 1 January 2009 requiring banks and mortgage firms to build a minimum core capital of KShs. 1 billion by December 2012. Ouya sees this requirement as having been intended to transform small banks into more stable organizations. At the time of writing, the author felt that the implementation of that specific requirement posed a challenge to some of the existing banks which to him, would have been forced to merge in order to comply. Besides this, Ouya also cites the global financial crisis experienced in late 2008 affected the banking industry in Kenya especially with regard to deposits mobilization, reduction in trade volumes and the performance of assets. Others include declining interest margins.

CBK reports indicate that over the past few years the banking sector in Kenya has continued to grow. The sector has witnessed the entry of banks from West Africa as well as the emergence of banks that provide specialized needs. According to the Mara financial services report (2009) regional integration is taking hold within Kenya's banking sector. The latest foray into Kenya by Nigeria's United Bank for Africa (UBA) signifies West Africa's increasing appetite to participate in East African markets.

According to this report, the first West African bank to enter the Kenyan market was the Lome-based Eco bank which started operations within Kenya in 2011. The report further reveals that besides the West African banks, there has also been an influx of some institutions from the Gulf region with a unique product offering: Gulf African Bank and First Community Bank, both which commenced operations in Kenya in 2008 offering Sharia-compliant banking services. Their combined operations now represent approximately one percent of Kenya's gross banking assets.

Ouya (2012) notes that even with the steady growth of the banking industry in Kenya, staff needs in this industry have also consistently grown in importance and scope. Hiring the best people available for the right jobs; retaining them for longer and getting the most out of them remains a priority for each of these banks. To Ouya, the situation is unfortunate as the very nature of such growth involves a level of uncertainty as to whether it can be sustained in the long run. As such, Ouya concludes that banks as well as other institutions facing similar challenges have opted to engage employees on contract terms as they evaluate the long term sustainability of their expansion strategies.

1.2 Research Problem

When the important role that commercial banks play in the economy is considered, their survival becomes evidently critical. In order for them to survive, the whole process of strategy formulation and implementation needs to be successfully executed. As noted by Raps and Kauffman (2005), strategy implementation is still an enigma in many companies. The magnitude of the problem, the authors note, is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies. They further note that the primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. Accordingly, Raps and Kauffman argue that successful implementation is a challenge that demands patience, stamina and energy from the involved managers. Their take on the key to success is that the implementation process has to take an integrative view.

As mapped out by Finkelstein (2003), there are four circumstances under which the process of implementing strategy is most likely to fail. These are: When launching new ventures, promoting innovation and change, managing mergers and acquisitions and responding to new environmental pressures. Virtually all the commercial banks in Kenya have been aggressively opening new branches, all which point to a predisposing factor towards strategy failure by virtue of the 'New venture' criterion as mapped out by Finkelstein. A number of banks have had to merge in efforts to meet the Ksh. 1 Billion minimum amount in accordance with the Finance Act 2008 (Ouya 2012). Some of the banks that merged as a result include CFC and Stanbic banks which formed CFC-Stanbic Bank. Ouya further cites that many banks have diversified their product offerings and explored alternative delivery channels like agency banking, mobile and internet banking.

Since one or more of the circumstances highlighted by Finkelstein are prevalent in virtually all banking institutions in Kenya, it is desirable to find out what factors influence strategy implementation under any of those circumstances. Gakenia (2008) had evaluated Strategy implantation by Kenya Commercial bank. Later on Ouya (2012) evaluated strategy implementation by Barclays bank and he concentrated on the Human Resource (HR) function in which he studied how well they strike a balance between permanent and contract staff to gain optimum competitive advantage. All the studies evaluated were done as case studies involving only a single bank or a department in a bank. So far, no study has surveyed all the commercial banks in Kenya to evaluate factors that affect how they implement Strategy. This is the gap that this study hopes to seal. The study aims to respond to the questions: What challenges face strategy implementation in commercial banks in Kenya? And what factors affect strategy implementation in commercial banks in Kenya?

1.3 Research Objectives

The objectives of this study are;

i. To determine the factors that influence strategy implementation in commercial banks in Kenya.

ii. To determine the challenges facing strategy implementation in commercial banks in Kenya.

1.4 Value of the Study

Many parties stand to benefit from the successful completion of this study. First of all, business executives especially those responsible for strategy implementation in commercial banks will get a clearer picture on what factors are critical when it comes to the implementation of strategy. The findings of this study will be useful to the managers in these commercial banks as it will provide significant information on determinants of implementation of strategic plans. Indeed, this study will ultimately enable managers of commercial banks to effectively implement its strategies and leads to superior performance.

Secondly, the study will also benefit the Central Bank of Kenya (CBK) in its role as the regulator of commercial banks in Kenya. CBK will stand to gain from the successful completion of this study in that the light that the study shall shed will influence Central Bank policies that touch on management and change processes in these banks. The study's findings and recommendation will assist CBK to come up with necessary policies, regulations, and guidelines that would enhance strategy implementation. They will also contribute to professional extension of existing knowledge in strategy implementation by helping in understanding current challenges for implementing these strategy processes in Commercial Banks in Kenya. Necessary improvements that will be identified will be undertaken to enhance strategy implementation in commercial banks in Kenya. This will in turn lead to a vibrant finance sector in Kenya culminating into a thriving economy.

Finally, the academic world will gain from the study as it will add to the existing body of knowledge in the field of strategic management and form a basis for further research on the topic. This will in turn prove helpful in refining and validating findings especially when a significant number of experiences is collected and studied. In this way, the study will also act as a spring board for future research in implementation of strategy in other organizations and likewise in other related areas.

CHAPTER TWO : LITERATURE REVIEW

2.1 Introduction

This chapter reviews the available literature on factors that affect strategy implementation. The review delves into various theories and models that will guide the proposed research including stakeholder theory and resource based theory. The chapter will also review some of the existing empirical literature on the topic and outline some of the factors and challenges that affect strategy implementation. It will further seek to develop a conceptual framework that will guide the proposed study. Finally the chapter will present the critique of the literature reviewed and identify the existing gaps.

2.2 Theoretical Foundation

Kothari (2003) defines a theory as a set of interrelated concepts and propositions that specify relations among variables used to predict phenomena. The proposed study uses the Resource-based view theory and Stakeholder's theory in order to create a foundation for the study to establish factors that affect strategy implementation in commercial banks.

2.2.1 Stakeholder Theory

In defining Stakeholder Theory, Clarkson (1994), states that a firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. Blair (1995) proposes that the goal of directors and management should be maximizing total wealth creation by the firm. The key to achieving this is to enhance the voice of and provide ownership-like incentives to those participants in the firm who contribute or control critical, specialized inputs (firm specific human capital) and to align the interests of these critical stakeholders with the interests of outside, passive shareholders.

This theory is relevant for strategy implementation considering the voice of the stakeholders is vital to ensure successful strategy planning and implementation. Blair (2005) encourages the participants in the strategy implementation process to communicate and a reward be issued to the stakeholders who deliver on their objectives. Porter (1992) recommends that corporations should seek long-term owners and give them a direct voice in its governance. The corporations are encouraged to nominate significant owners, customers, suppliers, employees and community representatives to the board of directors.

2.2.2 Resource Advantage Theory

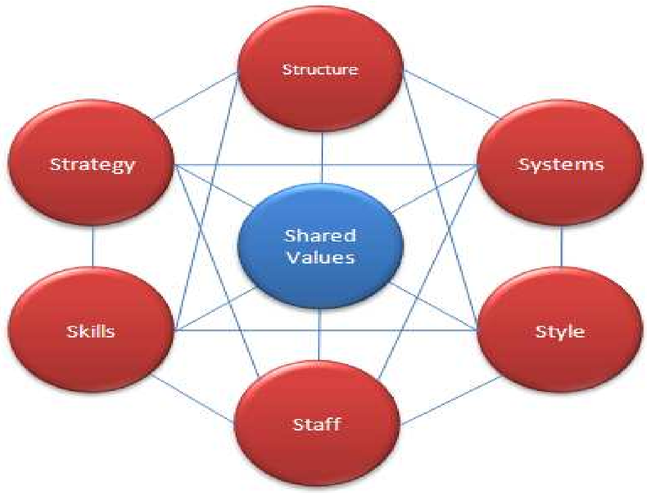
Resource Advantage Theory (R-A theory) has affinities with several research traditions. First, it traces to the resource-based theory of the firm and the historical tradition (Chandler 1990; Conner 1991; Penrose 1959; Wernerfelt 1984). Defining resources as the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment(s).

The R-A theory views firms as combiners of heterogeneous, imperfectly mobile resources that are historically situated in space and time. The resource-based view has been significantly developed by Barney (1992).On the other hand, strategy implementation is an iterative process of implementing policies, programs, and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment (Harrington, 2006). Barney (1991) argues that a resource is strategic if it fits a criteria of valuability (the capacity to increase the organizations' effectiveness and efficiency), rarity (rare and in high demand), inimitability (difficult to imitate) and substitutability (not readily substituted).

2.2.3 Mckensey's Seven Ss Model

Mckensey's Seven Ss Model of strategy implementation process is discussed to create a foundation for the study of factors influencing strategy implementation. According to Tomas, Robert, and Julien (2011), the Mckensey 7-Ss framework is a holistic framework with which to analyze and improve organization effectiveness. It allows an organization to survey its operations, articulate its vision, and compare the present with the future and articulate intended changes. Simons (2000) also observes that the model focuses on factors that are internal to the business, some of which can easily be changed or improved upon. The elements of this framework comprises of structure, strategy, systems, shared values, skills, style and staff.

Figure 2.1: Mckensey 7Ss Model 1



Source: *Arthur, Strickland & Johnson (2010).*

Using the model, the implementation manager checks for the degree to which the firm possesses the above 7's. For example, if the firm has the right number of people (Staff) and these people possess the right kind of skills, competence and expertise (Skills), then these are considered the internal strengths. When an organization lacks shared values and systems it is considered a weakness that may hinder the strategy implementation process (Arthur et al., 2010).

2.3 Factors Influencing Strategy Implementation

Various factors in an organization affect strategy implementation. They include Leadership, Structure, Resource Allocation, and Communication as discussed in the following sections. Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Brannen's (2005) survey based study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational barriers. Brannen’s survey suggested that failing to empower or give people more freedom and authority to execute was also a significant factor. In most cases different people from those who formulated the strategy were forced to implement it.

Abok (2012) conducted a study on factors affecting implementation of strategic plans in non-governmental Organizations in Kenya. This study adopted an exploratory approach and descriptive survey design with a sample size of 258 NGOs. In its data collection, the study relied on use of questionnaires and interview method. Among its findings was that management styles affect the effectiveness of strategy implementation of strategic plans. It also found out that key players including management boards influence the implementation of strategic plans have an influence on implementation of strategic plans. Most of his reviewed literature explored various aspects and factors that are likely to affect strategy implementation. Some of these factors are explored in the sections below.

2.3.1 Leadership and Strategy Implementation

According to Kroon (1995), leadership is the human factor that leads an institution towards realizing goals through voluntary cooperation of all the people in the business. The importance of leadership to the strategic management process is underscored by the fact the process entails formulation and institutionalizing of the new approach (Elsenbach, Pillai and Watson, 1999). Duck (1993) indicated that there is a consensus that leadership is at the core of strategy implementation. While the strategic plan may have good ideas and guidelines, the challenge is in translating the ideas and following the guidelines that lead to concerted well guided change.

Saka (2003) points out that the success of implementing strategy is generally associated with those who facilitate the change process. Okumus (2003) viewed leadership as the actual support and involvement of the Chief Executive Officer (CEO) in the strategic initiative. Okumus identified the following key issues in the involvement of the CEO in the strategy development and implementation process; level of support and backing from the CEO to the new strategy until it is completed, open and covert messages coming from the CEO about the project and its importance.

2.3.2 Structure and Strategy Implementation

Structure is the design of organizations through which the enterprises are administered, including lines of authority and data flow through the lines. Organizational structure specifies roles, procedures, governance mechanism and decision making processes. The organization comprises of the formal and an informal structure, (Kroon, 1995). Organizational structure is influenced by the organizations age and size and it acts as a framework, which reflects what a firm does and how tasks are completed given the chosen strategy.

There must be a fit between the organization structure and the strategy (Ghoshal and Bartlett, 1995). According to David (2001), changes in strategy often require changes in the way the organization is structured. The structural format for developing objectives and policies can significantly impact all other strategy implementation activities. Baker (2007) asserted that organizational structure can help or hinder, support or block strategic change. A good fit-for- purpose structure will enable changes, continuous or discontinuous, small or large, to be made effectively and efficiently.

2.3.3 Resource Allocation and Strategy Implementation

Okumus (2003) viewed resource allocation as the process of ensuring that all necessary time, financial resources, skills, and knowledge are made available. It is closely linked with operational planning and has a great deal of impact on communicating and providing training and incentives. Key issues to be considered are procedures of securing and allocating financial resources for the new strategy, information, and knowledge requirements for the process of strategy implementation, time available to complete the implementation process, political and cultural issues within the company and their impact on resource allocation.

Alexander (1991), points out that strategy implementation addresses the issue of how to put a formulated strategy into effect within a defined time, budget, human resources, and its capabilities. This means that budgeting should be a fundamental part of any action planning, especially where capital-intensive strategies are concerned. Without an executable plan and resources to implement that plan, even the most innovative strategy is merely words on paper (Wery and Waco, 2004). Hunter (2007) observes that regardless of the precise nature of a policy or strategy, and the support that exists for it, if the means to implement it are either nonexistent or inadequate in terms of capacity or capability, or both and then it will count for little. Sterling (2003) stated that chronic lack of resources, capital or otherwise, hinders implementation of strategy.

2.3.4 Communication and Strategy Implementation

In communicating strategy, the organization is communicating change. Communication is the process of aligning the extent and scope of change and the approaches of implementation with the values and principles outlined in the related policy document (Jones, 2008). All strategies are formulated and developed with inter-departmental consultation depending on whether it is developed to focus upon a specific topic, area or aspect of the organization, which in itself is communication.

To become a successful strategy implementer and executor, the top management personnel should clearly communicate to all stakeholders and operational personnel what the new strategic decision is all about (Alexander, 1985). Any delay caused through poor communication or coordination could create conflict between parties and have an impact on business and relationships. In their findings, Aaltonen and Ikavalko (2002) emphasize the role of the middle managers' in communicating strategies. They are responsible for the continuation of the flow of strategic information through informal communication between superiors and subordinates.

According to Jones (2008), the implementers need to communicate what they want to achieve and how they will go about it. By doing this, they get people motivated and remove the blocks, embedded within the culture of the organization that may hinder success. They get people behind the strategy, adding to it and making it work in their part of the business, that is, they make it happen. Kogut et al (2006) pointed out that excellent communications and transparency between involved parties, as well as clearly defined performance factors, play a vital role to create trust in the implementation and execution phase.

2.4 Challenges Facing Strategy Implementation

Eisenstat (1993) indicated that most companies attempting to develop new organization capacities stumble over these common organizational hurdles: competence, coordination, and commitment. Eisenstat further reiterates that 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.

Researchers have revealed a number of problems in strategy implementation: for instance weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Alexander, 1991; Giles, 1991; Galpin, 1998; Lares-Mankki, 1994; Beer and Eisenstat, 2000). Lingle and Schiemann (1994) highlighted uncontrollable factors in the external environment that had an adverse impact on implementation and major problems surfaced which had not been identified earlier.

McGrath *et al.* (1994) indicated that the political turbulence may well be the single most important issue facing any implementation process. Due to fall outs in political camps, advocates and supporters of the strategic decision left the organization during the implementation process. Sandelands (1994) argued that people underestimate the commitment, time, emotion, and energy needed to overcome inertia in their organization and translate plans into action. The stakeholders realized that the implementation took more time than originally allocated.

CHAPTER THREE : RESEARCH METHODOLOGY

3.1 Introduction

This study was to find out the factors influencing strategy implementation in commercial banks in Kenya. The basis of any meaningful research depends on the methods and procedures employed in data collection and a clear definition of the target group of respondents. This chapter outlines the methodology which was used in the study. The following topics were discussed; research design, population, sample design, data collection and data analysis.

3.2 Research Design

A survey design was used in the study. This research design was used because the study mostly involved use of non-numerical data of descriptive nature collected through a questionnaire. In addition, the data required for analysis was collected from a large population, whose features would not be comprehensively observed at an individual level. According to Orotho (2003), descriptive research is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The descriptive design was selected in this study because it enabled the researcher to gather numerical and descriptive data to assess the relationship between the variables. This made it possible to produce statistical information on factors influencing strategy implementation in commercial bank in Kenya.

3.3 Population

The population under study constituted of 42 commercial banks in Kenya. The CBK Annual Bank Supervision Report (2012) listed 43 commercial banks in Kenya (Appendix1), classified into 3 peer groups, according to their market share index i.e. 6 large, 15 medium and 22 small category banks. For the sake of the study one bank was left out as it is defunct thereby concentrating on 42 banks. Given the diversity and nature of the data required to answer the research questions, the use of several target groups was adopted. The target respondents therefore consisted staff from the three cadres in commercial banks; clerical staff, middle managers and senior executives.

3.4 Sample Design

The study used both probability and non- probability sampling techniques to create a sampling frame for commercial banks. Stratified sampling was one of the probability techniques used in order to avail equal chances of selection to banks in different categories of large, medium and small cluster group as per the CBK Annual Supervision Report included in Appendix 1of this paper.

The researcher used a sample size of 33.3% out of the accessible target population. The study used a third of the banks from each strata which resulted into 2 large, 5 medium and 8 small banks selected from the population as shown in Table 3.1.

Table 3.1: Sample Design

Bank Category	**Large**	**Small**	**Medium**	**Total**
No. Of banks	6	15	22	**43**
Banks to sample (1/3 of population)	2	5	8	**15**
Respondents (4 per Bank)	8	20	32	**60**

3.4.1 Sample Frame

The sampling frame of this study included employee in the selected commercial banks who were involved in implementation of strategies. A sample frame is a list that includes every member of the population from which a sample is to be taken. It is the complete list containing all the sampling units of the population (Kothari, 2004). These ranged from branch managers, operations managers, bank clerical staff and general bank staff.

3.4.2 Sample Size

This study collected data from randomly selected respondents from amongst fifteen (15) banking institutions in Kenya who had operations within Nairobi CBD and/or its environs. Four (4) respondents were randomly picked from each sampled institution so as to constitute a total of sixty (60) respondents to whom questionnaires were administered, as shown in the sampling design in Table 3.1.

The individual respondents from each of the selected banks were picked by the use purposive sampling approach to ensure inclusiveness of the various staff cadres involved in strategy implementation. For each bank, the four (4) respondents were randomly picked along established sampling clusters as determined by staff cadre. This included: One (1) Branch manager, one (1) Operations manager, and two (2) clerical staff involved in branch or head office operations as shown in Table 3.1.

3.5 Data Collection

Primary data was used for the purposes of this research. This data was collected using a self-administered questionnaire consisting of both open and closed-ended questions. The questionnaires were administered to the selected respondents through drop and pick later technique. The researcher obtained an informed consent from the respondents before undertaking to collect data from the field. The researcher explained the objectives of the research in order to solicit informed consent from the respondents. High level of confidentiality on the information provided was maintained.

The questionnaires were divided into three sections. The sections sought information on demographic, factors influencing strategy implementation in commercial banks and challenges influencing strategy implementation in commercial banks.

The variables in the questionnaires were mainly developed based on the themes in the literature review section and research objectives. The researcher collected the questionnaires after three weeks from date of issue in order to give enough time to the respondents to fill them. The respondents were expected to respond to the questions based on their knowledge, experience or observation in any strategy implementation processes.

3.5.1 Pilot Study

Before the main study commenced, a pilot study was conducted on three pre-selected banking institutions using the questionnaire to determine the validity and reliability of the questionnaires. The pilot study tested the logic, clarity and objectivity of questions in the questionnaire. The pre-test also allowed the researcher to check on whether the variables collected could easily be processed and analyzed.

Even though the data that was collected during the pilot study was not used in the final data analysis, it served as key pointer as to whether the questionnaire was structured to fit the purposes of the study. After the pre-test, the researcher amended the questionnaire based on the views given by the respondents during pre-testing to improve the questionnaires before actual collection of data. The institutions selected for the pilot study were excluded from the sample to be used for the main study.

3.5.2 Validity and Reliability

According to Mugenda and Mugenda (2003), the accuracy of data to be collected is largely dependent on the data collection instruments in terms of validity and reliability.

A content validity test was used to measure instrument validity. This type of validity measured the degree to which data collected using a particular instrument represented a specific domain of indicators or content of a particular concept (Mugenda and Mugenda, 1999).

As opposed to validity, reliability refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003). This was measured by administering the questionnaires to respondents with similar characteristics as the actual sample size. The test was repeated after two weeks. Scores obtained from both tests were correlated to get the coefficient of reliability. A Spearman's correlation coefficient of 0.7 was found acceptable.

3.6 Data Analysis

Data analysis was carried out once the completed questionnaires are edited for completeness and consistency. The collected data was coded by the researcher for efficiency in order to reduce the replies given by the respondents to a small number of classes. After the coding was completed, the data was classified on the basis of common characteristics and attributes.

The raw data was then assembled and tabulated inform of statistical tables to allow for further analysis. This facilitated the summation of items and detection of errors and omissions. Descriptive statistics was used to analyze the data. This entailed use of measures of central tendency such as the mean, mode, median and measures of normal distribution. The content that was analyzed was converted into written words before it was analyzed. Content analysis was then used to summarize qualitative data in order to identify patterns, themes and biases.

Consequent to the analysis of the research data, the findings were compared with theoretical approach and themes in the literature review. The analyzed data was then interpreted with respect to research objectives and theory. The summary of findings, conclusions and the recommendations were then documented and presented in chapter five.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter reports the findings of the study thematically, according to the two objectives of the study outlined in chapter one. These objectives were to identify the factors and challenges that influence strategy implementation in commercial banks in Kenya.

It expounds on the data analysis, presentation and interpretation of findings on the data collected from factors influencing the commercial banks in Kenya. Questionnaires were sent to 15 banks to solicit for a response from 60 employees working in different cadres at the commercial banks. The data was interpreted as per the research questions. The analysis was done through descriptive and inferential statistics. The findings were presented in form of central measures of tendency to establish the standard deviation.

4.2 Background

The questionnaires were given to a sample of sixty respondents from fifteen commercial banks in Kenya, four from each of the sampled banks. Only twenty two (22) out of the sixty (60) questionnaires were received bank. This indicates that this research had a response rate of about forty per cent. (40%). This subsection shall discuss the demographics of the research .

The questionnaire used had three parts which are sections A, B, and C . Section A solicited ddemographic information about the commercial banks, section B and C had a list of fifteen factors and fifteen challenges influencing strategy implementation by Commercial Banks in Kenya.

4.2.1 Period of Business Operating

In finding out the number of years the commercial banks in Kenya have been in operation, respondents were given provided with an open ended question. They were asked to fill in the blank with the number of years. The responses were coded and the frequency established. The results are shown on Table 4.1.

Table 4.1: Period of Business Operating

Age of the Bank	Frequency	Percentage (%)
0 - 5 Years	0	0
6 - 10 Years	0	0
11 - 15 Years	1	4.54
16 - 20 Years	6	27.28
Over 21 Years	15	68.18
Total	**22**	**100**

Source: Field Data (2013)

From Table 4.1 shown above, the sampled banks have been operating for more than ten years in Kenya. Fifteen of the respondents (68.18%) worked for banks that have been in operation for more than 21 years, six respondents (27.27%) worked for banks that have been in operation between 16-20 years while banks that have been in operation for 11-15 years were represented by 1 responded which is 4.54% . There was no response from banks that have been in operation for 1-10 years.

4.2.2 Number of employees

The respondents filled in a blank space in order for the researcher to find out the total number of employees at the commercial banks in. They were asked to fill in the blank with the total number of employees. The responses were coded and the frequency established. The results are shown in Table 4.2.

Table 4.2: Number of Employees

Number of Employees	Frequency	Percentage (%)
0 - 500	6	27.28
501 - 1000	4	18.18
1001 – 1500	0	0
1501 – 2000	0	0
Over 2000	12	54.54
Total	**22**	**100**

Source: Field Data (2013)

As shown in Table 4.2, of the 22 responses, 54.54% of the employees worked for banks with a work force in excess of 2000 employees. 27.27% of the responses came from those working in banks that have employed less than five hundred (500) employees, while 18.18% (4) are working for banks that employ more than five hundred but less than one thousand employees.

4.2.3 Ownership of the Bank

The respondents filled in a blank space in order for the researcher to find out the total number of employees at the commercial banks in Kenya. They were asked to fill in the blank with the total number of employees. The responses were coded and the frequency established. The results are shown in Table 4.3

Table 4.3: Ownership of the Sampled Banks

Bank Ownership	**Frequency**	**Percentage (%)**
Kenyan	12	54.54
Foreign	7	31.81
Other	3	13.65
Total	**22**	**100**

Source: Field Data(2013)

As shown in Table 4.3 above, twelve of the respondents interviewed (54.54%) work in Kenyan owned banks, 31.82% (7) work in foreign banks with operations in Kenya. The remaining 13.63% (3) work in banks with shared ownership.

4.2.4 Branches in Kenya

The respondents filled in a blank space in order for the researcher to find out the number of branches the bank had in Kenya. They were asked to fill in the blank with the number of branches. The responses were coded and the frequency established. The responses were coded and the frequency established. The results are shown in Table 4.4.

Table 4.4: Number of Branches in Kenya

Branches in Kenya	Frequency	Percentage (%)
0	0	0
1 – 25	5	22.73
26 – 50	8	36.37
51 - 75	0	0
76 – 100	0	0
Over 101	9	40.91
Total	**22**	**100**

Source: Field Data (2013)

As shown in Table 4.4, all respondents interviewed work in banks that have operations within Kenya. 40.91% of the respondents (9) work in banks with more than one hundred branches in Kenya, 36.37 of them (8) work in banks with more than twenty five branches in Kenya. Five of the respondents (22.73%) work in banks that have up to 25 branches in Kenya, but with less than fifty branches (26-50).

4.2.5 Branches outside Kenya

In finding out how many of the banks' branches are outside Kenya, respondents were given an open ended question. They were asked to indicate by filling in the number of branches. The responses were coded and the frequency established. The results are shown in Table 4.5

Table 4.5 : Number of Branches outside Kenya

Branches outside Kenya	Frequency	Percentage (%)
0	9	40.91
1 – 25	5	22.73
26 – 50	0	0
51 - 75	0	0
76 – 100	0	0
Over 101	8	36.37
Total	**22**	**100**

Source: Field Data (2013)

As shown in Table 4.6, nine respondents (40.91%) work for banks that have operations outside Kenya. A further 36.37% of the respondents work in banks that have more than one hundred branches outside Kenya. 22.73% of the respondents work in banks that have between one and twenty five (1-25) branches outside Kenya.

4.2.6 Number of Strategies

In finding out the number of strategies the banks were pursuing, respondents were given an open ended question, "How many Strategies is your Bank pursuing right now?" They were asked to indicate by filling in the blank space. The responses were coded and the frequency established. The results are shown in Table 4.6.

Table 4.6: Number of Strategies Being Pursued

Response code	Frequency	Percentage (%)
1	0	0
2	4	18.18
3	6	27.27
4	9	40.9
5	3	13.63
Total	**22**	**100**

Source: Field Data (2013)

As shown in Table 4.6, how many strategies their employers were pursuing, the responses fell within a range of 2 to 5 strategies. The analysis shows that none of the sample banks is pursuing a lone strategy. The largest number from the sample are nine respondents (40.9%) whose employers are pursuing four strategies, Six of the respondents (27.27%) work for banks that are pursuing 3 strategies, while 18.18% work in banks that are pursuing two strategies. Only 13.63% of respondents work for banks that are pursuing 5 strategies.

4.3 Factors Influencing Strategy Implementation

In finding out about factors affecting strategy implementation in commercial banks in Kenya, respondents were given questionnaires listing fifteen (15) factors. They were asked to indicate by ticking the extent to each of the factors influenced strategy implementation in their banks using a five point scale where 1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent. Mean scores were thereafter computed and the higher the mean score, the greater was the application of the strategy by the SME and vice versa. The results are shown on Table 4.7.

Table 4.7: Factors influencing Strategy Implementation

	Factors	Mean Score	Standard Deviation (SD)
1	Communication	4.7727	0.6853
2	Leadership	4.7727	0.5284
3	Organization Structure	4.3182	0.6463
4	Resources	4.0000	0.5345
5	Policies	3.6364	1.0931
6	Politics	3.2273	1.0660
7	Acts of Nature	2.0909	0.6838
8	Economic factors	3.5455	1.0568
9	Social-Cultural Factors	3.0455	0.7854
10	Competition	4.0909	0.6102
11	Change management	4.4545	0.5958
12	Simultaneous strategies	3.6818	0.9946
13	Coordination	3.5909	3.5909
14	Timing	4.7273	0.5505
15	Staff motivation	4.2273	0.5284
	Grand Mean	**3.8788**	**0.9300**

Source: Field Data (2013)

From Table 4.7, the grand mean for factors influencing strategy implementation was 3.8788.This result indicates that the commercial banks in Kenya are greatly influenced by the factors listed in the table when they are implementing strategies. The factors with the greatest influence on strategy implementation from the sampled units were reported to be leadership, communication and timing. This is evident from Table 4.7 where the mean score recorded for the two factors was 4.7727 followed closely by timing (4.7273) and staff motivation (4.2273). The factors with least influence were politics with a mean score of 3.2273, social-cultural factors with a mean score of 3.0455 and acts of nature with a mean score of 2.0909.

4.4 Challenges Influencing Strategy Implementation

The respondents were given questions measuring the extent to which various challenges influence strategy implementation by use of a five-point scale. The respondents ticked the challenges where 1 was ticked for the challenges with no influence and 5 had a very great extent on strategy implementation.

Table 4.8: Challenges influencing Strategy Implementation

	Challenges	Mean Score	Standard Deviation (SD)
1	Competence	4.2273	0.7516
2	Poor Coordination	4.2273	0.6853
3	Commitment	4.0000	0.8729
4	Competing Activities	4.3636	0.5811
5	Policies	3.6364	1.0486
6	Sharing Responsibilities	3.5000	0.8018
7	Emotion	2.3636	0.9535
8	New Regulations	3.4545	0.9625
9	Conflicting strategies	4.0455	0.8985
10	Poor change management	4.6818	0.4767
11	Transfer of strategy Formulators	4.0000	0.6172
12	Alien strategies implemented locally	3.1818	1.2203
13	Transfer of employees	3.1364	0.9902
14	Lack of motivation	3.6818	1.0414
15	Ineffective teamwork	3.9545	1.2902
	Grand Mean	**3.7636**	**0.8795**

Source: Field Data (2013)

From Table 4.2 shown the grand mean for challenges influencing strategy implementation was 3.7636.This result indicates that the commercial banks in Kenya are greatly influenced by the challenges listed in the table when they implement strategies.

The challenges with the greatest influence on strategies implemented by the sampled units were reported to be poor change management, competing activities and competence with a mean score of 4.6818, 4.3636 and 4.2273 respectively. The challenges with least influence were alien strategies implemented locally with a mean score 3.1818, transfer of employees with a mean score of 3.1364 and emotion with a mean score of 2.3636.

4.5 Discussion of Findings

The survival of these banks is evidently critical when the demographic statistics are analyzed. The commercial banks in Kenya play a critical in the economy. The findings reveal that most of the banks operating in Kenya were established at least 10 years ago. In as much as CBK reports indicate that over the past few years the banking sector in Kenya has continued to grow, very few new banks have been established in the last 10 years.

In this study, employment is used as a measure of size, although other measures do exist as discussed earlier in the paper (CBK Annual Supervision Report included in Appendix 1). Consequently, the size of the banks interviewed varies with the largest employing approximately 2000 employees and the smallest employing 500 employees.

In line with the stakeholder theory, majority the banks are Kenyan owned, with about 31.82% being foreign banks while 13.63% enjoy shared ownership (both local and foreign). This creates a need for the directors and management focus on wealth creation, Blair (1995). With banks pursuing 2-5 strategies at a time it’s critical to ensure adequate allocation of resources i.e. time, human and financial resources.

The banks sampled were pursuing between 2 and 5 strategies at the moment which relates to the studies done by Wanyonyi(2011) and Ouyo (2012). These two studies would point us to the kind of strategies the banks might be pursuing. Wanyonyi assessed the various strategies employed by Kenyan banks in attraction and retention of corporate customers. The study discloses that commercial banks in Kenya employ a complex mix of both competitive and adaptation strategies. According to Wanyonyi, the competitive strategies adopted by Kenyan banks include cost leadership, differentiation and focus initiatives, while adaptation strategies in use include defender, prospector, analyzer and reactor strategies. A study by Ouya (2012) hinted on mergers that have been pushed by the new regulations in the Finance Act (2008), global financial crisis and declining interest margins.

The commercial banks in Kenya are greatly influenced by the factors listed in the table when they are implementing strategies. Going by the grand total mean score of 3.8788, the study confirms literature that strategy implementation is greatly influenced by a myriad of factors. The research findings concerning that leadership, communication, timing and effective change management line with the theoretical foundations in Chapter 2 (2.3 Factors Influencing Strategy Implementation) of literature review (Johnson, 2002). Contrary to the literature provided, acts of nature have the least effect on strategy implementation (Lingle and Schiemann 1994). Nevertheless, it is important to note that other than acts of nature, politics and socio-cultural factors are indeed significant albeit not to a great extent as those discussed before. This, according to the researcher, can be attributed to well established structures that are aligned to the strategy as the literature clearly outlines the need to have a fit between the organization structure and the strategy (Ghoshal and Bartlett, 1995). In the researchers view, all the factors need to be analyzed holistically as they have a spiral effect on one another.

It is interesting to note that the challenges are the side effects of the items highlighted as critical factors when implementing strategy. Poor change management, competing activities can be traced back to leadership, communication. In line with the literature provided in chapter 2, competence and coordination have an influence on strategy implementation (Eisenstat, 1993). These two challenges have are associated with resource allocation. Unlike the discussion in the literature, alien strategies implemented locally, transfer of and emotion are not viewed as challenges when implementing strategy. It is the researcher's view that based on the demographic information collected; in addition to commercial banks having diversity in operation, they have the advantage having operated for many years thus have established a culture and structures that support transitions.

In line with other studies, the factors and challenges that influence strategy implementation are also reflected in commercial banks in Kenya. The overall conclusion is that all the factors have to be analyzed holistically. The factors and challenges have a cause- effect reaction on one another. When the commercial bank appoints an effective leader, the other factors and challenges are quickly addressed through proper communication, proper resource planning and successful implementation of the strategy. It is the researchers view that once a leader is mandated with creating change, the process has to be swiftly cascaded to all the other stakeholders in order to boost processes and staff morale.

CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five of this study discusses the summary of the findings, conclusions of the study and gives recommendations for policy and practice based on study findings.

5.2 Summary of the findings

As has been noted elsewhere in Chapter 4 of the Study, all the fifteen factors evaluated had a score above the threshold of 3.0000, with the exception of ‘Acts of Nature’ whose score was 2.0909 on a scale of 1-5. This is an indication that these factors indeed influence the implementation of Strategy in the sampled banks.

As for the challenges, only ‘emotion’ attained a score of 2.3636 which is below the threshold of 3.0000 which on a scale of 1-5 would imply that the challenge has a significant impact on the strategy implementation in the sampled banks. All the other fourteen challenges evaluated had a score above this threshold of 3.0000. This would imply that these challenges indeed hamper the Implementation of Strategy by commercial banks in Kenya.

5.3 Conclusion of the Study

This study set out to determine the factors that influence Strategy implementation by commercial banks in Kenya as well as to determine the challenges that face implementation of strategy by these banks. On its successful completion, the study concludes that both effective communication and proper leadership are key factors to successful implementation of strategies by commercial banks in Kenya. Appropriate leadership will in essence coordinate the process of Implementation of the said strategies so as to ensure proper timing is observed. Timing of a strategy is as important a factor as communication and effective change management.

However, all these must fall into the hands of capable leadership without which the other factors collapse. Effective leadership would also counter the major challenges cited, for instance 'poor change management', 'competing activities' and 'competence' of the staff implementing the strategy. The study further concludes that acts of nature are insignificant factors in as far as implementation of strategy is concerned. With regard to the challenges that were subjected to study, emotions of the concerned parties were found to be an insignificant challenge. It is noteworthy however that various challenges and factors are associated variously, for example, whereas emotions as a factor is inconsequential, they may act as a major contributor to commitment of the implementers lack of which was also a challenge under study and which scored a significant rating.

5.4 Recommendation for Policy and Practice

The following recommendations from the study should advise both management theory and the practice of management roles. First, the study upholds both the Stakeholder Theory and the Resource advantage theory. The findings of this research are that Allocation of resources towards Implementation of strategy is a significant factor. The research also evaluated the impact of staff motivation and commitment which scored a significant rating thus directing focus towards the Stakeholder Theory that was amongst the key theories underpinning this research.

For purposes of management practice, the researcher recommends use of the research findings to improve strategy implementation at all levels within the banking sector and similar industries. Communication as a leadership tool has been picked by this research as the single most important factor that influences Strategy implementation. Effective leadership in organizations is also recommended, in which case the various management cadres that are charged with Strategy implementation roles ought to discard the traditional notion of a ‘manager’ as the boss but instead adopt a style that will embrace the ideas from those under him.

5.5 Limitations of the Study

This research project was constrained by resource limitations, both financial and non-financial. Limitations of time, funding and scope of the study required the research study to focus on a limited number of objectives. Moreover the research problem and questions often directly or indirectly involve multiple areas of financial management. Because of limited access to scare resources, this study could not research all banks whose branches located in close proximity of the CBD. It also focused on one respondent in each cadre (4 respondents) per bank.

Similarly, due to limited resources this study used the stratified sampling technique which resulted into 2 large, 5 medium and 8 small banks as the sample from each market share index. Given more time and funds, the sample would broaden.

There were several practical problems in filling in the questionnaires that might have weakened the data. For instance, five questionnaires were filled in at the time of collection and while the respondent was working and had to answer to a telephone or meet an employee. These things may have disturbed the interviewee's concentration and distorted the answers.

However, the respondents were officers fully involved in strategic planning and implementation. Their status was validated, because the researcher met every respondent in person. Thus the target persons were suitable for the research. Attitudes among the respondents towards the questionnaires were positive and the questionnaires were constructive in general. These issues may improve the quality of the data.

5.6 Suggestions for further Research

This study suggests some lines of enquiry for further research. The research only involved a sample of 15 banks with operations in Kenya and sampled only four staff from each bank sample to constitute a total of 60 respondents. The feeling of the researcher is that if this sample is broadened with regard to number of banks and respondents per bank and branch, the findings would provide better grounds on which to confirm if the results of this research can be generalized across the whole country.

In addition, the researcher is of the opinion that further research could determine if the findings of this research are consistent across similar institutions outside the Kenyan borders. The operating environment in Kenya is unique in many ways and may have significant impact on how the banking business is done. A research involving banking businesses elsewhere in the world would broaden the scope of this work and add value not only to the academic thought but also to any of the Kenyan banks that might be contemplating establishing global networks.

REFERENCES

Amit R, Schoemaker PJH (2003). Strategic assets and organizational rent. *Strategic Management Journal*., 14(1): 33-46

Anderson, J. (1983), *The Architecture of Cognition*, Harvard University Press, Cambridge, MA.

Anderson, E. W., Sullivan, M. W. (1993). The antecedents and consequences of customer satisfaction for firms. *Journal of Marketing Science*., 12(2): 125-143.

Ansoff , H and Mc Donnell E, (1990*)* *Implanting Strategic Management*, Prentice Hall Cambridge, UK, 2nd Edition

Barney J (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academic Management Review*., 11: 656-665.

Barney J (1991) Firm resources and sustained competitive advantage, *Journal of management, vol 17 no 1, pp 99-120*

Blair (1995:322) *The Innovator's Dilemma Boston*: Harvard Business School Press Control Prentice Hall of India, Private Limited New Delhi

Bowen, H., Clark, K., Holloway, CH., Wheelwright, S. (1994), "Development projects: the engine of renewal", *Harvard Business Review*, No.September - October, pp.110-20.

Bowonder, B., Miyake, T. (1994), "Innovations and strategic management: a case study of Hitachi Ltd.", *Technology Analysis & Strategic Management*, Vol. 6 No.1, pp.55-78.

Brown, J., Duguid, P. (2005), "Organisational learning and communities of practice: towards a unified view of working, learning and organisation", *Organisation Science*, Vol. 2 No.1, pp.40-57.

Buzzell, R.D., and B.T. Gale., (1987) *the PIMS Principles* New York: Free Press

Capon, Claire (2008): *Understanding Strategic Management*, Prentice Hall Financial Times, *2008*. ISBN, 0273694987, 9780273694984. Length, 419 pages. Subjects.

CBK (2012) Central Bank of Kenya Annual Report

Christensen, Clayton M., and Tara Donovan. "The Process of Strategy Development and Implementation." Harvard Business School Working Paper, No. 00-075, April 2000.

Finkelstein, Sydney (2003), *Why Smart Executives Fail*, Portland, Oregon

Gerry Johnson, Kevan Scholes and Richard Whittington(2008). *Exploring Corporate Strategy*. Prentice Hall Financial Times, 8th Edition.

Hunger, J. David and Thomas L. Wheelen (2000) *Strategic Management*, Prentice hall

Iansiti, M. (1993), "Real-world R&D: jumping the product generation gap", *Harvard Business Review*, Vol. 71 No.3, pp.138-48.

Jaskolski, S. (1996), "New role for R&D: the challenge of growth", *Research Technology Management*, pp.13-21.

Karanja P.W. (2002) *Competitive Strategies for Real Estates*: The Perspective of Porters Generic Model, *Unpublished MBA Thesis, University of Nairobi*

Kibe (2008), "Product sequencing: co-evolution of knowledge, capabilities and products", *Strategic Management Journal*, Vol. 21 No.10, pp.961-79.

Kim, D., Kogut, B. (1996), "Technological platforms and diversification", *Organisation Science*, Vol. 7 No.3, pp.283-301.

Kogut, B., Zander, U. (2006), "Knowledge of the firm, combinative capacities, and the replication of technology", *Organisation Science*, Vol. 7 No.3, pp.283-301.

Kothari C.R. (2004). *Research Methodology*: Methods and Techniques.2nd Ed.New Age International (P) Limited, New Delhi

Kotler P., (2000). *Marketing Management:* Analysis, Planning and Control. Prentice Hall, Engle Wood Cliffs, New Jersey.

Kraaijenbrink, J, Spender J-C, Groen, A. J. (2010). The Resource-Based View: A Review and Assessment of Its Critiques. *Journal of Management.*, 36(1): 349-372.

Lindsley, D., Brass, D., Thomas, J. (1995), "Efficacy-performance spirals: a multilevel perspective", *Academy of Management Review*, Vol. 20 No.3, pp.645-78.

Raps, A. and Kauffman, D (2005) *Strategy implementation – an insurmountable obstacle?,* Handbook of Business Strategy, Volume 6, Number 1, pp 141-146

Sanchez, R. (1993), "Strategic flexibility, firm organisation, and managerial work in dynamic markets: a strategic options perspective", in Shrivastava, P., Huff, A., Dutton, J. (Eds),*Advances in Strategic Management*, JAI Press, Greenwich, CT, Vol. 9 pp.251-91.

Sanchez, R. (1995), "Strategic flexibility in product competition", *Strategic Management Journal*, Vol. 16 pp.135-59.

Schreyögg, G, Kliesch-Eberl, M. (2007). How dynamic can organizational capabilities be? Towards a dual-process model of capability dynamization. *Strategic Management Journal*., 28: 913-933.

Shayne G. M. (2005) "Implementation Strategy and Performance Outcomes in Related Diversification" *Strategic Management Journal*. J.26: 643-664 (2005)

Sinkula, J. M. (1994). Market information processing and organisational learning. *Journal of Marketing* 58: 35-45.

Sirmon, D. G, Gove, S. and Hitt, M. A. (2008). Resource management in dyadic competitive rivalry: The effects of resource bundling and deployment. *Academic Management Journal*., 51(5): 919-935.

Situma S. (2002) A study of the turnaround strategy adopted at Kenya Commercial Bank. *Unpublished MBA thesis, University of Nairobi. Available at:* www.uonbi.ac.ke/faculties/turntopdf.php?project_id=6245

Strickland, A.J. (2001) *"Case in Strategic Management"* McGraw-Hil.

APPENDICES

APPENDIX 1: CBK Annual Supervision Report

	BANKING SECTOR MARKET SHARE - DECEMBER 2012 - Ksh. M											
		MARKET SIZE INDEX	NET ASSETS	% OF THE MARKET	TOTAL DEPOSITS	% OF THE MARKET	TOTAL CAPITAL	% OF THE MARKET	TOTAL NUMBER OF DEPOSIT ACCOUNTS (Millions)	% OF THE MARKET	TOTAL NUMBER OF LOAN ACCOUNTS (Millions)	% OF THE MARKET
	Weighting		0.33		0.33		0.33		0.005		0.005	
	Large Peer Group>5%											
1	Kenya Commercial Bank Ltd	13.64%	304,112	13.1%	223,493	13.1%	52,926	14.6%	1.283	8.09%	0.221	10.6%
2	Equity Bank Ltd	10.06%	215,829	9.3%	140,286	8.2%	42,672	11.8%	7.025	44.29%	0.782	37.3%
3	Cooperative Bank Ltd	8.74%	199,663	8.6%	162,267	9.5%	28,967	8.0%	2.326	14.67%	0.259	12.4%
4	Standard Chartered Bank (K) Ltd	8.29%	195,493	8.4%	140,525	8.2%	30,603	8.4%	0.171	1.08%	0.038	1.8%
5	Barclays Bank of Kenya Ltd	8.08%	185,102	7.9%	137,915	8.1%	29,583	8.2%	1.134	7.15%	0.273	13.0%
6	CFC Stanbic Bank Ltd	5.01%	133,378	5.7%	75,633	4.4%	18,101	5.0%	0.088	0.55%	0.031	1.5%
	Sub-Total	**53.72%**	**1,233,577**	**52.94%**	**880,119**	**51.5%**	**202,853**	**56.0%**	**12.028**	**75.83%**	**1.604**	**76.5%**
	Medium Peer Group> 1% & < 5%											
7	NIC Bank Ltd	4.32%	101,772	4.4%	77,466	4.5%	15,066	4.2%	0.052	0.33%	0.026	1.2%
8	Diamond Trust Bank Ltd	4.10%	94,512	4.1%	72,506	4.2%	14,878	4.1%	0.092	0.58%	0.013	0.6%
9	Commercial Bank of Africa Ltd	4.08%	100,486	4.3%	79,996	4.7%	11,641	3.2%	1.064	6.71%	0.089	4.2%
10	I&M Bank Ltd	4.08%	91,520	3.9%	65,640	3.8%	16,591	4.6%	0.058	0.37%	0.007	0.3%
11	Citibank N.A.	3.42%	69,580	3.0%	44,012	2.6%	17,346	4.8%	0.002	0.01%	0.001	0.0%
12	National Bank of Kenya Ltd	3.00%	67,155	2.9%	55,191	3.2%	10,450	2.9%	0.475	2.99%	0.063	3.0%
13	Baroda Bank Ltd	1.92%	46,138	2.0%	38,382	2.2%	5,758	1.6%	0.039	0.24%	0.002	0.1%
14	Chase Bank Ltd	1.87%	49,105	2.1%	36,506	2.1%	5,101	1.4%	0.056	0.35%	0.011	0.5%
15	Bank of Africa Ltd	1.83%	48,958	2.1%	35,100	2.1%	5,010	1.4%	0.037	0.23%	0.013	0.6%
16	Prime Bank Ltd	1.71%	43,463	1.9%	36,715	2.1%	4,175	1.2%	0.023	0.15%	0.003	0.1%
17	Housing Fin. Co. of Kenya Ltd	1.49%	40,686	1.7%	22,968	1.3%	5,146	1.4%	0.054	0.34%	0.005	0.2%
18	Imperial Bank Ltd	1.44%	34,590	1.5%	27,581	1.6%	4,554	1.3%	0.041	0.26%	0.009	0.5%
19	Family Bank Ltd	1.42%	30,985	1.3%	24,630	1.4%	4,860	1.3%	1.150	7.25%	0.109	5.2%
20	Bank of India	1.08%	24,877	1.1%	18,282	1.1%	4,063	1.1%	0.014	0.09%	0.001	0.0%
21	Ecobank Kenya Ltd	1.06%	31,771	1.4%	21,475	1.3%	1,999	0.6%	0.074	0.47%	0.036	1.7%
	Sub-Total	**36.82%**	**875,566**	**37.6%**	**656,451**	**38.4%**	**126,639**	**35.0%**	**3.229**	**20.36%**	**0.389**	**18.6%**
	Small Peer Group<1%											
22	African Banking Corporation Ltd	0.76%	19,071	0.8%	15,255	0.9%	2,112	0.6%	0.018	0.12%	0.002	0.1%
23	Fina Bank Ltd	0.74%	17,130	0.7%	13,747	0.8%	2,304	0.7%	0.017	0.11%	0.002	0.1%
24	Consolidated Bank of Kenya Ltd	0.66%	18,001	0.8%	13,325	0.8%	1,574	0.4%	0.045	0.28%	0.013	0.6%
25	Gulf African Bank Ltd	0.56%	13,562	0.6%	11,684	0.7%	1,561	0.4%	0.041	0.26%	0.005	0.3%
26	Giro Commercial Bank Ltd	0.54%	12,280	0.5%	10,420	0.6%	1,775	0.5%	0.009	0.06%	0.002	0.1%
27	Equatorial Commercial Bank Ltd	0.52%	14,109	0.6%	12,963	0.8%	722	0.2%	0.010	0.06%	0.005	0.2%
28	Fidelity Bank Ltd	0.48%	11,772	0.5%	10,527	0.6%	1,185	0.3%	0.008	0.05%	0.001	0.1%
29	Guardian Bank Ltd	0.48%	11,746	0.5%	10,374	0.6%	1,219	0.3%	0.008	0.05%	0.001	0.0%
30	Victoria Commercial Bank Ltd	0.48%	10,323	0.4%	7,561	0.4%	2,036	0.6%	0.003	0.02%	0.000	0.0%
31	Development Bank of Kenya Ltd	0.47%	13,417	0.6%	6,953	0.4%	1,634	0.5%	0.002	0.01%	0.001	0.0%
32	Habib A.G. Zurich	0.43%	9,702	0.4%	7,748	0.5%	1,530	0.4%	0.007	0.04%	0.000	0.0%
33	K-Rep Bank Ltd	0.42%	9,546	0.4%	6,650	0.4%	1,527	0.4%	0.211	1.33%	0.047	2.3%
34	Trans-National Bank Ltd	0.42%	8,801	0.4%	6,535	0.4%	1,834	0.5%	0.037	0.23%	0.004	0.2%
35	First Community Bank Ltd	0.41%	9,959	0.4%	8,833	0.5%	1,078	0.3%	0.047	0.30%	0.002	0.1%
36	Paramount Universal Bank Ltd	0.32%	7,255	0.3%	6,084	0.4%	1,136	0.3%	0.010	0.06%	0.001	0.1%
37	Habib Bank Ltd	0.32%	7,014	0.3%	5,195	0.3%	1,348	0.4%	0.004	0.03%	0.000	0.0%
38	Oriental Commercial Bank Ltd	0.31%	6,220	0.3%	4,806	0.3%	1,385	0.4%	0.006	0.04%	0.000	0.0%
39	Credit Bank Ltd	0.29%	6,407	0.3%	4,781	0.3%	1,179	0.3%	0.009	0.06%	0.002	0.1%
40	Jamii Bora Bank Ltd	0.27%	3,480	0.1%	1,213	0.1%	2,093	0.6%	0.098	0.62%	0.013	0.6%
41	Middle East Bank (K) Ltd	0.26%	5,870	0.3%	3,907	0.2%	1,124	0.3%	0.002	0.01%	0.000	0.0%
42	UBA Bank Kenya Ltd	0.18%	2,924	0.1%	1,343	0.1%	1,219	0.3%	0.003	0.02%	0.000	0.0%
43	Dubai Bank Ltd	0.15%	2,584	0.1%	1,361	0.1%	917	0.3%	0.006	0.04%	0.000	0.0%
44	Charterhouse Bank Ltd	0.00%	0	0.0%	-	0.0%	-	0.0%	0.005	0.03%	0.000	0.0%
	Sub-Total	**9.46%**	**221,192**	**9.5%**	**171,264**	**10.0%**	**32,691**	**9.0%**	**0.605**	**3.81%**	**0.102**	**4.9%**
	Grand-Total	**100%**	**2,330,335**	**100%**	**1,707,834**	**100%**	**362,182**	**100%**	**15.861**	**100%**	**2.096**	**100%**
	Market share index is the composite of net assets, deposits, capital , number of loan accounts and number of deposit accounts											
	Source: Banks Published Financial Statements											

APPENDIX 2: Bank Categorization

Institutions in Terms of Shareholding

a) Foreign owned institutions

i) Foreign owned not locally incorporated

1 Bank of Africa (K) Ltd.

2 Bank of India

3 Citibank N.A. Kenya

4 Habib Bank A.G. Zurich

5 Habib Bank Ltd.

ii). Foreign owned but locally incorporated institutions (Partly owned by locals)

1. Bank of Baroda (K) Ltd.
2. Barclays Bank of Kenya Ltd.
3. Diamond Trust Bank Kenya Ltd.
4. K-Rep Bank Ltd.
5. Standard Chartered Bank (K) Ltd.
6. Ecobank Ltd
7. Gulf Africa Bank (K) Ltd
8. First Community Bank

iii). Foreign owned but locally incorporated institutions

1 UBA Kenya Bank Limited

b). Institutions with Government participation

1. Consolidated Bank of Kenya Ltd.
2. Development Bank of Kenya Ltd.
3. Housing Finance Ltd.
4. Kenya Commercial Bank Ltd.
5. National Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.

c). Institutions locally owned

1. African Banking Corporation Ltd.
2. Jamii Bora Bank Ltd.
3. Commercial Bank of Africa Ltd.
4. Co-operative Bank of Kenya Ltd.
5. Credit Bank Ltd.
6. Charterhouse Bank Ltd.
7. Chase Bank (K) Ltd.
8. Dubai Bank Kenya Ltd
9. Equatorial Commercial Bank Ltd.
10. Equity Bank Ltd.
11. Family Bank Ltd.
12. Fidelity Commercial Bank Ltd.
13. Fina Bank Ltd.
14. Giro Commercial Bank Ltd.
15. Guardian Bank Ltd.
16. Imperial Bank Ltd.
17. Investment & Mortgages Bank Ltd.
18. Middle East Bank (K) Ltd.
19. NIC Bank Ltd.
20. Oriental Commercial Bank Ltd.
21. Paramount Universal Bank Ltd.
22. Prime Bank Ltd.
23. Trans-National Bank Ltd.
24. Victoria Commercial Bank Ltd.

II. Institutions listed on the NSE

1. Barclays Bank of Kenya Ltd.
2. CFC Stanbic Bank Ltd.
3. Equity Bank Ltd.
4. Housing Finance Ltd.
5. Kenya Commercial Bank Ltd.
6. NIC Bank Ltd.
7. Standard Chartered Bank (K) Ltd.
8. Diamond Trust Bank Kenya Ltd
9. National Bank of Kenya
10. Co-operative Bank of Kenya Ltd

APPENDIX 3: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 17/09/2013

TO WHOM IT MAY CONCERN

The bearer of this letter ATAMBA CYNTHIA

Registration No. D61/60008/2011

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
17 SEP 2013
MBA OFFICE
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX 4: Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

For questions in this section, please answer to the best of your knowledge as required.

1. For how long has your bank operated in Kenya? ……………… number of years.
2. What is the total number of employees in your bank? …………number of employees.
3. How would you describe the ownership of your bank? A. Kenyan B. Foreign

   C. Others (Specify)………………………………..
4. How many branches does your bank have in Kenya? ……………number of branches.
5. How many of this banks' branches are outside Kenya? …………number of branches.
6. How many strategies is your bank pursuing right now? ………...number of strategies.

SECTION B: FACTORS INFLUENCING STRATEGY IMPLEMENTATION

For questions in this section, please answer to the best of your knowledge as required.

7. To what extent does each of the following factors influence strategy implementation in your bank? Use a five-point scale, where: 1= Not at all 2 = Little Extent 3 = Moderate Extent 4 = Great Extent and 5= Very Great Extent. Tick accordingly.

Factors	**1**	**2**	**3**	**4**	**5**
1. Communication					
2. Leadership					
3. Organization Structure					
4. Resources					
5. Policies					

6. Politics					
7. Acts of Nature					
8. Economic Factors					
9. Social-Cultural Factors					
10. Competition					
11. Change management					
12. Simultaneous strategies					
13. Coordination					
14. Timing					
15. Staff motivation					

Others (please specify)

……………………………………………………………………………………………

……………………………………………………………………………………………

SECTION C: CHALLENGES FACING STRATEGY IMPLEMENTATION

For questions in this section, please answer to the best of your knowledge as required.

8. To what extent does each of the following challenges influence strategy implementation in your bank? Use a five-point scale, where: 1= Not at all 2 = Little Extent 3 = Moderate Extent 4 = Great Extent and 5= Very Great Extent. Tick accordingly.

Challenges	1	2	3	4	5
1. Competence					
2. Coordination					
3. Commitment					
4. Competing Activities					
5. Policies					
6. Sharing Responsibilities					
7. Emotion					
8. New Regulations					
9. Conflicting strategies					
10. Poor change management					
11. Transfer of strategy formulators					
12. Alien strategies implemented locally					
13. Employee Transfers					
14. Lack of motivation					
15. Ineffective teamwork					

Others (please specify)

……………………………………………………………………………………………

……………………………………………………………………………………………

Thank You