THE CONTRIBUTION OF INDUSTRIAL - ORGANIZATIONAL PSYCHOLOGY TO STRATEGY IMPLEMENTATION IN THE COMMERCIAL BANK OF AFRICA

BY

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DECLARATION

This research project is my own original work and has not been presented to any other university for the purposes of examination or otherwise.

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This research project has been submitted for examination with my approval as a university supervisor.

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DEDICATION

To all the inquisitive minds that are looking for something different, it exists. Find it.

ABSTRACT

Industrial – Organizational psychology is the scientific study of the relationship between man and the world of work in the process of making a living, that is, it is the application or extension of psychological facts and principles to the problems concerning human beings operating within the context of business and industry. Incorporated into the strategy implementation phase of the strategic management process, it is expected that Industrial and Organizational psychology can confer major benefits to the phase, lending itself in a big way to impacting this phase. This project, as a case study of the Commercial Bank of Africa, sought to establish the contribution of Industrial – Organizational Psychology to strategy implementation. The Commercial Bank of Africa, among the leading commercial banks in Kenya, at the end of the year 2012, had seven hundred and twenty eight employees, spread across twenty one branches throughout the Republic of Kenya. In the same year, it reported a profit (before income tax expense) of 4.3 million Kenya Shillings. With the help of an interview guide, face to face interviews were conducted with five senior managers drawn from both the Human Resource and Finance and Strategy departments of the bank. Responses were recorded and later analyzed by content. The study found, in line with previous studies and with the theory in the field, that the main contribution of Industrial – Organizational Psychology was the creation of resources (human resources and those surrounding the human agenda such as culture, motivation etc.) that are valuable, rare and difficult to imitate and that facilitate an ease in implementation of chosen strategies. Among the key limitations of the study was the fact that time was a key constraint during fieldwork and most of the manager respondents were unavailable during the initial set up appointments. Moreover, as a case study, it is impossible to make generalizations about the contribution of Industrial – Organizational psychology to other banks, organizations and industries. The study recommends a more in-depth look and appreciation of Industrial and Organizational psychology for the Commercial Bank of Africa, such that it should recognize the field as an important contributor to its human resource agenda and perhaps mete out a fully-fledged department in the Bank. As such, it is important to consider the primary psychological processes and link the broad categories of work design characteristics (task-related, relational and contextual characteristics) to individual effectiveness outcomes. Finally, it proposes other areas of study such as the entire financial industry for trends and benefits of Industrial – Organizational psychology, other industries in the country as well as other phases of the strategic management process both at the Bank and the fore mentioned frontiers.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy is a central concern for practically any organization under current times. In situations where the organization's environment is changing, the organization itself is faced with a need to change. Even in relatively stable environments, an organization is bound to be faced with continuous choices to be made. It should be self-evident that every possible choice made or all change is not for good. Organizational choices should reflect a direction that will ensure the organization's success or at least survival.

Strategy implementation is a vital component of the strategic management process. According to Aosa (1992), once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. Implementation involves putting into action the logically developed strategies.

According to McKeown (2011), strategy is about shaping the future. Implementation of policies and strategies is concerned with the design and management of systems so as to achieve the best integration of people, structures, processes and resources in reaching organizational objectives. At this stage, managing the social and psychological complexities of working with diversely composed work forces is key to the success of organizations. Organizations are getting interested in these social and psychological processes in order to understand their organizations and the people in them in order to make them more productive and competitive. This is all in a bid to thrive in current times.

The banking sector in Kenya is a key sector and plays a major role in the country's economy. It comprises of various players in various institutions. Currently, there exists forty three commercial banks, one mortgage finance company, six deposit taking microfinance institutions, five representative offices of foreign banks, one hundred and fifteen foreign exchange bureaus and two credit reference bureaus.

1.1.1 Industrial – Organizational Psychology

Guion (1965) defines Industrial – Organizational psychology as the scientific study of the relationship between man and the world of work in the process of making a living. It can simply be thought as the application or extension of psychological facts and principles to the problems concerning human beings operating within the context of business and industry.

According to Erffmeyer and Mendel (1990), Industrial - Organizational psychology is concerned with the scientific structuring of organizations and of work to improve the productivity and quality of life of people at work by the application of methods, facts, and principles of psychology to individuals and groups in organizational and work settings. Its practice therefore offers a glove – fit solution to the above mentioned challenges. Industrial - Organizational psychologists facilitate responses to issues and problems involving people at work by serving as advisors and catalysts. Therefore, management will perhaps turn to tools at its disposal, such as Industrial – Organizational psychology, in order to achieve and perform strategically.

1.1.2 Strategy Implementation

Formulating strategies is a task that any organization must undertake in order to be relevant. Although difficult, this task is often the beginning of the strategic

management process. Making that strategy work however, or implementing it through the organization, is an even more difficult task (Hrebiniak, 2006). Unlike strategy formulation, strategy implementation is often seen as somewhat a craft, rather than a science. Implementation is thus arguably the most significant management challenge that all kinds of firms face. Its research history has also previously been described as fragmented and eclectic (Noble, 1999).

From a process perspective, strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives (Kotler, 1984 cited in Noble, 1999). As a process, it takes longer than formulation (Hrebiniak, 2006). From a behavior perspective, it is a series of decisions and resultant actions which commit resources to achieving intended outcomes (Grinyer and Spender, 1979 cited in Wernham, 1985). Combining both perspectives, implementation can be defined as the sum total of the activities and choices required for the execution of a strategic plan. The process by which strategies and policies are put into action (Wheelen and Hunger, 1992 cited in Smith and Kofron, 1996).

Although the literature on strategy implementation is growing, it is not so well developed as the literature on strategy formulation (Certo and Peter, 1991). Strategy implementation has however received some research attention (Lisero, 2012; Kimathi, 2011; Kibor, 2012). The research available on the subject of whatever nature and magnitude corroborates the fact that the success of organizations depends on the effective implementation of strategies.

1.1.3 The Banking Sector in Kenya

The banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya. It was liberalized in 1995 and exchange controls were lifted then. The sector currently comprises of forty three commercial banks, one mortgage finance company, six deposit taking microfinance institutions, five representative offices of foreign banks, one hundred and fifteen foreign exchange bureaus and two credit reference bureaus.

It is worth noting that in Kenya, the financial sector is developing and deepening faster than the overall economy. It grew by 9.0% in 2010 and 7.8% in 2011 while the economy grew by 5.8% and 4.4% in 2010 and 2011 respectively. This has been driven by financial infrastructure that has enabled financial inclusion. The banking sector profit before tax for the quarter ended June 2012 increased by 15.4 percent from Kshs. 24.7 billion in March 2012 to Kshs. 28.5 billion in June 2012.

1.1.4 The Commercial Bank of Africa

The Commercial Bank of Africa Ltd (CBA) was founded in 1962 in Dar es Salaam, Tanzania and immediately thereafter established branches in Nairobi and Mombasa in Kenya, and in Kampala, Uganda. The bank originally commenced business as a subsidiary of Societe Financiere pour les pays D'Outre Mer (SFOM), a Swiss-based consortium bank with interests in financial institutions throughout Africa. With the nationalization of banks in Tanzania, the bank was incorporated in Kenya in 1967 and is currently owned by local investors who hold the majority shareholding. It is one of East Africa's largest privately owned banks and has Operations in both Kenya and Tanzania.

As at the end of the year 2012, the Commercial Bank of Africa had seven hundred and twenty eight employees, spread across twenty one branches throughout the Republic of Kenya. In the same year, it reported a profit (before income tax expense) of 4.3 million Kenya Shillings. With a vision to be a respected and significant financial services business partner in Africa, its mission is to enhance the wealth and fulfillment of life for its customers.

1.2 Research Problem

Ansoff (1984) defined a strategy process as one that was seen as a combination of specific decision-making rules by which organizational behavior is managed. The strategy itself was often created by the top management and was rarely discussed with the operative level (Chakravarthy et al., 1992). Many strategies fail because of a lack of consistency among the chosen strategy and many other important factors such as the organization's structure, reward system and capabilities (Dess and Miller, 1993). It is not possible to spell out all these factors because numerous and different factors affect implementation process in different situations. However, the identification of crucial and critical factors would be of great help in effective implementation of strategies.

The banking sector in Kenya has various players that constitute it. With a total of forty three commercial banks, one mortgage finance company, six deposit taking microfinance institutions, five representative offices of foreign banks, one hundred and fifteen foreign exchange bureaus and two credit reference bureaus, the sector is among the most developed in the region. Among these crucial institutions in the banking sector is the Commercial Bank of Africa. Having been in existence for over

forty years, the bank is one of East Africa's largest privately owned banks with operations not only in Kenya but also in neighboring Tanzania.

A substantial amount of research work has been done on strategy implementation. Lisero (2012) studied implementation of strategic change programs at The Central Bank of Kenya. On the other hand, Kimathi (2011) studied implementation of strategic change at the Parliamentary Service Commission. Kibor (2012) studied strategy implementation at the Municipal Council of Mombasa. Achoki (2010) looked at the challenges of strategy implementation at the Ministry of State for provincial administration and internal security. On the other hand however, and as far as the researcher's knowledge goes, no study has been conducted from an Industrial – Organizational psychology standpoint in any local sector. For all practical purposes, this study is therefore concerned with the challenges of bringing about the intended changes in an organization's everyday work practices.

There is a gap between strategy and work practices in many organizations. Since strategy is seen as a combination of specific decision making rules to manage organization behavior, the scientific structuring of organizations and of work to improve the productivity and quality of life of people at work is central to it. This research is in an attempt to understanding the nature of the gap between these decisions and the respective practices. What is the contribution of Industrial – Organizational psychology to the Commercial Bank of Africa's strategy implementation process?

1.3 Research Objective

The research objective of this study was to determine the contribution of Industrial - Organizational psychology to the strategy implementation process at The Commercial Bank of Africa.

1.4 Value of the Study

The study findings will help policy makers, in Government but especially in the private sector, in formulating favourable policies that promote and enhance the attainment of strategic objectives and goals of firms and industries. To Human Resource Departments and Company Directors, the study will be a useful guide in formulating work place policies that seek to address and link organizational factors and employee attributes in a platform that achieves strategic objectives and plans for their institutions.

In addition, the study would be significant to firm employees as stakeholders. This is in the sense that it will add knowledge in their quest for ideal working environments and towards the attainment of both individual and organizational goals. As such, employees can become more proactive and responsive to a firm's overall strategies when their attributes and interests are in sync with the laid down firm strategies.

Finally, this study will be relevant to other researchers. They can obtain reference material to guide similar studies and additionally, they can build on the findings of this research to carry out other studies on the same or relating phenomenon. Overall, this will contribute towards the growth of the body of knowledge in the subject.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives an evaluation of both the meaning and contribution of Industrial –
Organizational psychology to strategic management. Additionally, it includes an
outline of the strategic management process, with an emphasis on strategy
implementation. It finally expounds on organizational factors and Human Resource
attributes impacting on strategy implementation.

This is achieved by the review of relevant material including previous studies
conducted in pertinent areas and outlines their importance to this research study. As
such, it aims at addressing and expounding on the identified objective that will equip
the researcher with the general understanding of the salient industrial and
organizational psychology concepts which will lay a foundation of the analysis and
interpretation of data that will be derived from this study.

2.2 Theoretical Foundation

Porter (1980) posits that the essence of formulating comprehensive strategy is relating
a company to its environment. Strategic management permits the systematic
management of change. It enables organization to purposefully mobilize resources
towards a desired future. Strategic management is thus the process of setting and
accomplishing goals through the use of human, technical, and financial resources
within the context of the environment variables. Additionally, strategic management
can be viewed as the process of sharing goals and values, strategy, structure, systems,
staff, skills, styles, and succession.

In general, strategic management is both the process and philosophy for determining and controlling the organizational relationship in the context of its dynamic environment. As a process, it seeks to define techniques and approaches to help management adapt to the dynamic of its day, through the use of objectives and strategies. It can be seen to be comprised of strategy formulation, strategy implementation and strategy evaluation phases. As a philosophy, strategic management influences and often changes how manager looks at competitors, customers, markets and even the organization itself. Its objective is to stimulate management's awareness of the strategic implication of environmental events and internal decision.

Lawrence and William (1988) defined strategic management as a stream of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives. The strategic management process is the way in which strategists determine objectives and make strategic decisions. As such, the main focus of strategic management is the achievement of organizational goals while taking into consideration the internal and external environmental factors. The aim of the process is to build a position that is strong enough and an organization that is capable enough to produce successful performance despite unforeseeable events, potential competition, and myriad internal problems.

2.2.1 Resource-based theory

The resource-based theory of strategic management stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. It posits therefore that rather than simply

evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

The firm is viewed as a bundle of resources and capabilities. These resources and capabilities are made up of among others physical, financial, human and intangible assets. The theory is conditioned on the fact that resources are not homogenous and are limited in mobility. The firm can therefore translate these resources and capabilities into a strategic advantage if they are valuable, rare, and inimitable and the firm is organized to exploit these resources.

2.2.2 The profit-maximizing and competition-based theory

The profit-maximizing and competition-based theory, which is based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. The industrial-organization perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional industrial-organization perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1980).

Understanding sources of sustained competitive advantage for firms has become a major area of research in the field of strategic management (Porter, 1985). This theory

suggests that firms obtain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses.

2.2.3 Contingency Theory

The contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Contingency theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation (Scott, 2005 cited in Smith K. G. and Hitt M. A., 2005). Organizations should then develop managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision. The contingency approach holds that universal solutions and principles cannot generally and simply be applied to organizations. What managers do in practice depends on, or is contingent upon, a given set of circumstances – the existing situation.

The contingency perspective posits that the effectiveness of various managerial practices, styles, techniques, and functions will vary according to the particular circumstances of the situation. Management's task is to search for important contingencies. The main determinants of the contingency view relate to the external and internal environments of the organization. However, the contingency approach is not without its critics. Its major problem is that it often is used as an excuse for not acquiring formal knowledge about management. This formal study of management

helps managers decide which factors are relevant in what situations and its certain elements should serve as a foundation for continued growth and developments.

2.2.4 Human resource-based theory

The human resource-based theory emphasizes the importance of the human element in the strategy development of organizations. The human relations movement grew from the Hawthorne studies. Headed by Elton Mayo, A group of Harvard researchers conducted a series of experiments on worker productivity in 1924 at the Hawthorne plant of Western Electric Company in Illinois. These experiments have come to be known as the Hawthorne studies. The major finding of the study was that almost regardless of the experimental manipulation employed, the production of the workers seemed to improve (Clark, 2000).

The Harvard researchers suggested that the way people were treated had an important impact on performance; individual and social processes played a major role in shaping worker attitudes and behavior. Therefore, management must recognize the importance worker's needs for recognition and social satisfaction.

2.3 Industrial - Organization Psychology Contribution to Strategic Management Process

The field of Industrial - Organizational psychology is certainly a very applied field, but many Industrial - Organizational psychologists also address relatively basic research questions. According to Koppes (2007) and Spector (2006), Industrial Psychology takes a company – oriented perspective and focuses on increasing

efficiency and productivity through the appropriate use of a firm's personnel, or employees.

In other words, these psychologists very much want to produce solutions to problems in the workplace, but they also usually want to develop a fuller understanding of life at work to produce a solid scientific knowledge base. Industrial - Organizational scientist/practitioners like being in an environment that has problems that need to be solved, but they also like to discover and collect scientific facts about work and organizational settings that they can apply to problems yet to be faced. There is a lot of justification for this kind of activity because; the world of work is such a fast-moving target of study that many issues are hard to anticipate.

Industrial Psychology focuses on the measurement of job requirements and individuals' knowledge, skills, abilities and performance so as to match individuals with suitable jobs. It is however different from Organizational Psychology, which is more theoretical and considers psychological processes such as motivation and work attitudes.

Traditionally, Industrial - Organizational psychologists have focused on understanding individual behavior and experience in organizational settings. That is, the worker has received the most attention. This, of course, continues today. Today more than ever, however, these psychologists explicitly acknowledge the importance of considering the whole work system. For example, they conduct research at the group and organizational levels of analysis as well as at the individual level. Also, they formally address the impact on work of environmental factors such as labor markets, economic conditions, and governmental regulations. In fact, operating within a systems

approach to understanding people at work has allowed Industrial - Organizational psychologists to contribute to cutting-edge issues in the design of work. For example, Industrial - Organizational psychologists have contributed to the design and development of team-based organizations and have developed strategies for designing organizational structures for work that are flexible enough to ride through turbulent environmental times.

In the early studies on strategic management, a strategy process was seen as a combination of specific decision-making rules by which organizational behavior is managed (Ansoff, 1984). The strategy itself was often created by the top management and was rarely discussed with the operative level (Chakravarthy et al., 1992). The strategic planning perspective considers the strategy process as an orderly, mechanistic process (De Vit and Meyer, 2004) in which employees were seen as executors of orders. Hence, the early theories of strategic management reflected a mechanistic view of human beings.

Strategy process is always affected by the behavioral and cultural aspects as well as the context. Accordingly these elements should be taken into account in strategy process research. The mechanistic approach has been criticized by, among others, strategic instrumentalism, which emphasizes "confronting people's cognitive maps, questioning organizational culture, threatening individuals' current interests, and disrupting the distribution of power within the organization" when studying the strategy process (De Vit and Meyer, 2004).

Despite the different approaches, research on the behavioral aspects of the strategy process is still insufficient. The researchers often make groundless assumptions about

existing subject-object relations in organizations. Their research is concerned with how an individual or a group communicates their intentions to the rest of the organization. They examine a strategy process as a transparent process in which the source of input and the purpose connected to it are clear, instead of considering strategy formation as a relational, collective phenomenon (Chakravarthy et al., 1993).

It is acknowledged that a good strategy does not guarantee its successful implementation. Making a strategy successful would become even more complex in a situation where middle managers are not supported sufficiently and effectively by top managers. Johnson and Frohman (1989) stress the importance of top managers providing assurance of support to middle managers in order to feed the implementation process. Top management's responsibilities should include communicating strategy clearly to middle managers, helping them link job responsibilities to the strategy, and creating a fitting relationship among strategy, structure and control (Johnson and Frohman, 1989). Shared understanding among implementing managers, the need for managers to pursue self-serving objectives and commitment to carry out effective jobs (Guth and MacMillan, 1986) are prerequisites for the creation of an environment that enhances implementation.

Factors influencing successful strategy implementation have been extensively treated and point out some desirable prerequisites for a strategy to be successfully implemented. These include adequate communication and the ability to calculate performance, including structure, style, resources, staff, confidence, others delivering, shared values, skills, identification of major problems, motivation, time allocation sufficient for leadership and implementation completion direction skills, sufficient involvement of people and co-ordination back system (Berry, 1995).

2.4 Organizational Factors and Strategy Implementation

Strategy implementation is an administrative task and inherently behavioral in nature (Pearce and Robinson, 1986). The implementation tasks put to test the strategists' abilities to allocate resources, design structures, formulate functional policies and take into account the leadership styles required, besides dealing with various other issues. For planning the implementation of their strategies effectively strategists need to review and assess various factors/issues which affect the implementation process of their strategies. The ensuring sub-sections break down these organizational factors. They further proceed to elaborate on them and show the tie with strategy implementation.

2.4.1 Commitment Theory

Discussions of commitment in the management literature tend to vary. However, two common themes associated with it are a willingness by individuals to exert high levels of effort on behalf of the organization, and a sense of identification with the organization's objectives, so that individual and organizational goals are closely aligned (Morris and Steers, 1980).

Studies have indicated that there is an association between levels of individual commitment and various organizational and individual characteristics. Some characteristics that are associated with a high level of commitment are trust in senior management, satisfaction with degree of participation in decision-making, higher degrees of organizational decentralization, and positive attitudes toward the organization among other individuals worked with in the first year after joining the organization (Morris and Steers, 1980). One particularly interesting finding is

presented by Mohrman (1979). Mohrman found that a key factor related to commitment is 'political access', that is, being able to raise issues and to secure serious attention to those issues.

According to Mohrman's analysis, being able to participate in a wide range of decisions is not what makes for commitment. Rather, what matters is the possibility of gaining an appropriate forum on those issues that are important to the individual. Although none of the studies mentioned explicitly document a relationship between commitment and organizational performance, there clearly is a relationship between commitment and willingness to exert high levels of effort on behalf of the organization so that, all other things being equal, the inference is that an organization with a high level of commitment from the individuals in it should perform better than one with indifferent individuals.

2.4.2 Organizational Learning and Strategy Implementation

Strategy process has also been researched as learning, which means that the cohesive strategies of many organizations were often developed within informal, emergent processes. Here the concept of learning refers usually to organizational transformation process, not to the processes of an individual. The organizational learning approach has become a more and more popular field within strategy studies.

The idea that active learning is at the core of strategy work both as a goal, e.g. to create competitive advantages or innovations, and as a means to attain those goals, is, of course, not new. However, the process preceding this goal and its implications for strategic management are less self-evident. Hence, a reason why the results of strategic management have rarely lived up to their own high expectations (Senge,

1990), is because the preconditions for meaningful learning are not considered when conducting the process.

Bringing new ideas into organizations is largely dependent on employees' skills and motivation to adopt and process the ideas at several different levels in their daily work. Research on learning has shown that acquiring and developing skills, knowledge, attitudes and beliefs is an active process on the part of the learner. This means that learners always actively select, code, interpret and test the information and the feedback gained from their actions. Even though learning is not always a highly intentional or consistent process, it still always involves the learner's own active sense-making – effort after meaning (Bransford et al., 2000). Accordingly, the strategy cannot be "transmitted" successfully to employees, but rather is reconstructed by them. Hence, the success of the strategy process is highly dependent on the meaning and significance given to the strategy by the employees.

The reconstruction and implementation of the strategy is mediated by the employees' prior knowledge, expectations, interests, values and situational factors, as well as by the social framework. Hence employees' prior learning experiences for example, personal experiences with management, change, and the strategy process, mediate new learning. This means, for example, that employee's misconceptions about the object of activity, if not processed and reconstructed, may inhibit meaningful strategy implementation.

On the other hand, without a profound understanding about the strategy, the employees are not likely to consider the strategy a personally significant part of their work. Moreover, the lack of knowledge on behalf of employees as to why they are

doing what they are doing is likely to cause the implementation of the strategy to remain as only superficial, because they are lacking the understanding they will need to deepen, sustain, and modify new practices in changing contexts. In turn, it is highly important for successful strategic management to know what employees experience as problematic, what the questions to which they seek answers are, and what kind of strategies they use and need to adopt, in order to be able to facilitate a strategy process that fosters continuous learning.

Employees' active involvement in strategy construction and implementation is important because they provide valuable information for instance from the customer interface for the analysis of the business strategy process environment. A precondition for successful strategy is that all who are involved with it have a chance to externalize their existing understanding of the strategy process and receive feedback about this understanding from peers and superiors. Therefore, as a starting point for the strategy process, it is important to collaboratively process all staff members' ideas about the object of activity, from the top manager to a messenger.

2.4.3 Organizational Environment and the Strategy Process

Strategy as a process always takes place within a particular context. It is influenced by the social practices of the work community in question. A work community provides a learning environment that includes various complementary elements such as management and knowledge practices. Accordingly, the quality of social interaction within the community is one of the main determinants of powerful learning environments. As a result, the quality of learning is heavily dependent on the properties of the organization as a learning environment. It has been shown that open

learning environments that require a learner's own initiative, planning, experimentation and reflection in collaboration with peers and other members of the community may promote meaningful learning (Brown, 1994). This is, however, dependent on whether the concept of employees as a community of learners and the organization as a learning environment for employees is considered more seriously as a premise for strategy process.

The most important contexts of learning are those interactions in which the learner participates actively. This suggests that the emphasis in the strategy process should be on developing a culture of thought; that is, it should focus on creating intellectually stimulating environments, by asking provocative questions and fostering employees' responsibility for and agency over their own learning (Costa, 1992). This kind of knowledge creation involves not only individual learning but also participation in which employees intentionally promote active and shared learning. It is likely that employees who consider themselves active agents of a learning community will be more successful in coping with change and implementing innovations in their work (Scardamalia, 2002). This suggests that strategic management should encourage and empower employees to become collaboratively oriented, active and self-regulative learners.

2.5 Employee and Human Resource Attributes To Strategy Implementation

Research focusing on the strategy impact of human resource practices has become popular in recent years (Appelbaum and Batt, 1994; Ichniowski et al., 1994). These studies focus on the performance effects of specific human resource practices, such as

training and information sharing and the influence of systems of such practices on organizational outcomes.

Although many studies have reported a positive association between various human resource practices and objective and perceptual measures of the level of strategy implementation, some authors such as Wagner (1994) have expressed concern that results may be biased because of methodological problems. In addition, the absence of a widely accepted measure of the "progressive" human resource practices construct makes it difficult to compare findings across studies of different approaches, (Appelbaum and Batt, 1994; Ichniowski et al., 1994). Nonetheless, the literature can be generally categorized as optimistic concerning the potential for progressive human resource practices to enhance the performance of employees and organizations in strategy implementation.

Scholars from different disciplines have suggested various conceptual frameworks as explanations for the links between progressive human resource practices and firm-level outcomes. Jackson and Schuler (1995) reported that approaches as divergent as general systems theory, role behavior theory, institutional theory, resource dependence theory, human capital theory, transaction cost economics, agency theory, and the resource-based theory of the firm have been used to study the potential role of human resources practices in the determination of firm performance in strategy implementation.

Although a review of each of these frameworks is beyond the scope of this study, the prior conceptual work generally converges on the importance of Human Resource Management practices in the determination of both employee and firm strategy

outcomes. Conceptually, such practices can be classified in terms of their impact on employees' skills and ability, motivation, and the way that work is structured (Ichniowski et al., 1994). Organizations can adopt various Human Resource Management practices to enhance employee skills. First, efforts can focus on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or on both. Employees can be hired via sophisticated selection procedures designed to screen out all but the very best potential employees. Selectivity in staffing is positively related to firm performance. Second, organizations can improve the quality of current employees by providing comprehensive training and development activities after selection.

The effectiveness of skilled employees will be limited, however, if they are not motivated to perform their jobs. Protecting employees from arbitrary treatment, perhaps via a formal grievance procedure, may also motivate them to work harder because they can expect their efforts to be fairly rewarded (Ichniowski et al., 1994). Finally, the way in which a workplace is structured should affect goal attainment and organizational performance to the degree that skilled and motivated employees are directly involved in determining what work is performed and how this work gets accomplished.

Employee participation systems, (Wagner, 1994), internal labor markets that provide an opportunity for employees to advance within a firm and team-based production systems are all forms of work organization that have been argued to positively affect strategy implementation. In addition, it has been argued that the provision of job security encourages employees to work harder. Ichniowski et al. (1994), noted that

"Workers will only expend extra effort. . . if they expect. . . a lower probability of future layoffs".

However, the exact mechanisms creating that positive association may vary somewhat across practices. Recent conceptual work has also argued that complementarities, or synergies, both among a firm's Human Resource Management practices and between a firm's Human Resource Management practices and its competitive strategy, can have an additional and positive effect on strategy implementation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was used to carry out the study. It includes the research design, data collection methods and procedures and data analysis.

3.2 Research design

A case study of the Commercial Bank of Africa was the design utilized to conduct this study. Creswell (2012) connotes that a case study is an empirical enquiry investigating a contemporary phenomenon in depth and in its real life context. The study sought to obtain information concerning the current status of the phenomena and describe what exists with respect to the study variables in question.

With this research being qualitative in nature, a case study was useful in identifying variables and hypothetical constructs. It helped in obtaining the current status of the contribution of industrial and organizational psychology to strategy implementation at the Commercial Bank of Africa. This approach was ideal in meeting the specific research objective.

3.3 Data collection

By use of an interview guide, the study collected and relied entirely on primary data. Interviews were conducted with all of the five managers as was envisioned in the proposal, drawn from both the Human Resource and Finance and Strategy departments of the Commercial Bank of Africa. These departmental managers were

the right respondent group since they are the custodians of strategy as well as the employee aspects within the bank.

3.4 Data Analysis

Data analysis is the systematic organisation and synthesis of the research data and the testing of the research hypothesis using those data (Mugenda and Mugenda, 2003). From this study, the data obtained was analysed through content analysis. Cooper and Schindler (2003) describe content analysis as a flexible tool that measures the sematic content or the 'what' aspect of the message.

Inferences have been made by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. Lisero (2012) observes that the breadth of such analysis makes content analysis a flexible and wide ranging tool that may be used as a methodology or a problem-specific technique. In addition, it guides against selective perception of the respondent, provides rigorous application of reliability and validity criteria.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This study had the main objective of determining the contribution of Industrial - Organizational psychology to the strategic implementation process at the Commercial Bank of Africa. Data obtained from the face to face interviews conducted with all of the identified five managers of the bank, as per the research proposal, was analyzed and results are presented in this chapter. The chapter closes with a discussion of the same.

4.2 Respondents' Demographics

The basic demographic information collected from the respondents revealed that the average length of service with the bank (in whatever capacity) was four years. However, in the specific role as a manager, the length averaged at two and a half years. A robust mix of both male and female managers was also revealed with a ratio of almost 1:1 i.e. there were three female managers and two male managers. Of the five respondents interviewed, four were from the Human Resource department while one was from the Strategy and Finance department.

4.3 Contribution of Industrial – Organizational Psychology to Strategy Implementation

The approach to strategy at the Commercial Bank of Africa has shifted from emphasizing the formation phase to more of the execution phase of the process. This conclusion has been arrived at from lessons learnt from the previous five year

corporate strategy that guided the organization. As a result, all employees of the bank are now more directly involved in the strategic position and performance of the bank. Among the various tools used to cascade strategy across the organization, is the yearly performance plan that each employee has to develop. This has seemingly gone a long way in fostering clarity and understanding of expectations since each individual plan draws from the departmental strategy, which draws from the corporate strategy.

Because the human agenda is evidently significant and central to strategy at the Commercial Bank of Africa, it is apparent from the study that the greatest contribution that embracing tenets of Industrial – Organizational psychology has been the development of a performance culture that is typified in the qualities associated with successful strategy implementation. Among the top four are development and personification of relational skills which involves an ability to communicate and propagate one's agenda while engaging with others positively. The next is results orientation which involves clarity of expectations and the consequent commitment, enthusiasm and passion that is required in order to achieve results. The third is entrepreneurial skills which involves ability to innovate, think conceptually and follow through on the ideas. Finally, the last quality, and that closely relates to the later, is an ability to think on ones feet, which calls for creativity, business acumen and being comfortable to even navigate through the unscripted.

The employee culture at the Commercial Bank of Africa is evidently geared toward service excellence. With most of the employees from the generation Y, the results orientation in a friendly working environment is not an accidental occurrence but rather a purposeful doing. Anchored on the values that the bank holds (specifically elegance, prestige, confidence and comfort), behaviors seem to have been shaped and

tied to elements that ultimately will lead towards embodiment and achievement of strategic goals.

4.3.1 Contribution of Industrial Psychology

The core elements of performance management, including goal setting, feedback, developing employees (even through coaching), evaluating performance, and rewarding performance were some of the clear practices of Industrial psychology identified at the Commercial Bank of Africa.

The recruitment and hiring process of the Commercial Bank of Africa appear to seek to create and sustain competencies that are valuable, rare and hard to imitate. Drawing from ideas from person-environment fit, organizational image, and job design, this process is used to attract a workforce that delivers a consistent and unique, delightful product to customers. As such, it is a key component of the value creation process driving the bank's competitive advantage.

The industrial approach focuses on determining the competencies needed to perform a job, staffing the organization with employees who have those competencies and increasing those competences through training. These came out clearly and as observed by Wernerfelt (1984), the possession of resources that are valuable, rare and difficult to imitate are required, in terms of the human resources are present and facilitate the effective implementation of all types of strategies.

4.3.2 Contribution of Organizational Psychology

The Organizational approach creates an organizational structure suitable for the Bank. Since both effective and successful strategy is dependent on structure, and in order to achieve any effective economic performance the organization needs to alter its

structure, it is evident that the Commercial Bank of Africa informed by the contributions of Organizational Psychology has developed a suitable organization structure. Going hand in hand with this, is the fact that implementation of strategies is made easier and even possible with the correct structure to support chosen strategies.

In addition, another contribution is the creation of a suitable culture that will motivate employees to perform well, give them the necessary information to do their jobs, and provide working conditions that are safe resulting in an enjoyable and satisfying work environment. This leads to improving the performance and the quality of work life, goals and results that are immediate and clear. The knowledge created through application of Organizational Psychology is aimed to improving organizational effectiveness and the work life of all individuals.

Aiming to create or improve the Bank into a socially responsible organization ready to meet the challenges of an increasingly diverse workforce, global economy, and global community, organizational psychology has gone a long way in creating a friendly environment, with an open door policy to management that ensures employees feel and work in a relaxed yet results oriented space.

4.4 Discussion

4.4.1 Comparison with theory

Koppes (2007) and Spector (2006) observe that Industrial Psychology takes a company – oriented perspective and focuses on increasing efficiency and productivity through the appropriate use of a firm's personnel, or employees. The human agenda at the Commercial Bank of Africa is evidently geared towards this end. From the formal orientation on joining the organization, to the numerous formal and informal trainings

of staff courtesy of the organization, to the friendly environment within a performance culture, to the various tools of managing performance, there is a clear synchrony in the theory and practice of the input and results.

Wernerfelt (1984) emphasized the fact that for the effective implementation of all types of strategies, the possession of resources that are valuable, rare and difficult to imitate are required. This includes the necessity of human resources so that the effective implementation of strategies is highly required. This study is in line with the theory surrounding the area as in contributing towards its strategic advantage, strategy implementation at the Commercial Bank of Africa relies heavily on the uniqueness of its personnel, who are credited with much of the reason for its distinction and success as an organization.

During the 1980's Industrial – Organizational psychology stopped merely complaining about the 'criterion problem' and began thinking about occupational or work role performance as a construct that could be substantively modeled. Subsequently, there has been considerable theory dealing with the latent structure of performance, performance dynamics and performance management issues. Despite differences in terminology and points of emphasis, there is virtually complete convergence concerning the principal components of performance (Campbell, 2012).

In line with the above, the study found that a company oriented perspective was taken by the Commercial Bank of Africa industrial and organizational psychology practices and focused on increasing and improving efficiency and productivity through appropriate use of resources, especially the human resource. As observed during the study, the human resource at the Bank come out as a valuable rare and difficult to

imitate resource, which according to theory, is necessary for effective implementation of strategies.

Moreover, as Campbell (2012) observes, the study revealed that performance and performance management issues are addressed through the application of industrial organizational psychology practices at the Commercial Bank of Africa. A clear corroboration of these practices has been seen from the study as a lock step comparison is evident from the theory in the field and the results as shown from the study.

4.4.2 Comparison with other studies

According to Rucci (2008), the purpose of industrial – organizational psychology is 'to enhance the dignity and performance of human beings, and the organizations they work in, by advancing the science and knowledge of human behavior'. The goal of Industrial – Organizational psychology is to increase the productivity and well-being of employees. As such, it contributes towards strategy implementation by increasing its effectiveness. This is at least in part affected by the quality of people involved in the process (Govindarajan, 1989). Quality here refers to the skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position.

While Alexander (1985) study on implementation of strategies in corporations revealed that over half of the corporations studied experienced challenges frequently, for instance, the employees involved had insufficient capabilities to perform their jobs, lower – level employees were inadequate, departmental managers provided inadequate training, leadership and direction while Govindarajan (1989) noted that the

effectiveness of strategy implementation was at least in part affected by the quality of people involved in the process. Viseras, Baines and Sweeney (2005) found that strategy implementation success depends crucially on the human or people side of project management.

Like other studies in the area, this study corroborates on the key issues it sought to establish. It enhances the dignity and performance of staff (Rucci, 2008), affects the quality of people involved in the processes of the organization (Govindarajan, 1989), mitigates challenges of implementation (Alexander, 1985) and that ultimately, strategy implementation success depends on the people side of the organization (Viseras et al., 2005).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the entire study. It highlights the conclusions and recommendations on policy and practice and proposes further areas of research. It is basing on study objective and on the findings of the previous chapter that the following conclusions and recommendations are made.

5.2 Summary of Findings

The Organizational Psychology approach has created an organizational structure and culture that will motivate employees to perform well, give them the necessary information to do their jobs, and provide working conditions that are safe resulting in an enjoyable and satisfying work environment. The Industrial Psychology approach has focused on determining the competencies needed to perform a job, staffing the organization with employees who have those competencies and increasing those competences through training.

These in combination, have created a culture at the Commercial Bank of Africa that is evidently geared toward service excellence. The results orientation in a friendly working environment is not an accidental occurrence but a purposeful doing. Anchored on the values that the bank holds (specifically elegance, prestige, confidence and comfort), behaviors seem to have been shaped and tied to elements that ultimately will lead towards embodiment and achievement of strategic goals.

5.3 Conclusion

Industrial – Organizational psychology does not stand out as a singular field recognized by the Commercial Bank of Africa. Instead, its tenets and elements are evident and embodied in its practices as an organization. It is therefore concluded that although the organization has recognized the value of emphasis being laid on the strategy implementation phase of the strategic management process, greater benefits stand to be gained if the Industrial – Organizational Psychology aspects of the Human Resource agenda at the organization can be considered.

At a surface level, these benefits and contributions are as discussed in earlier sections of this study. At a deeper level, reinforced and more pronounced benefits can be obtained from a thorough practice of Industrial – Organizational Psychology.

5.4 Recommendations

In view of the myriad potential benefits to the embracing of Industrial – Organizational psychology by any organization, the Commercial Bank of Africa should firstly seek to understand the field, giving it recognition as an independent and potentially autonomous segment of its Human Resources Management approach. This may not necessarily be in the form of a fully-fledged department or sub-department, but rather, even the enlistment of a practitioner in the field, to start with, would be ideal. This, as observed earlier in the value of the study, is a key input in to the policy that the Bank should adopt.

It is evident that many of the relevant themes for Industrial - Organizational psychology research, such as learning, communication, cognition, etc. have an impact on strategy implementation. Having a personnel fully dedicated to this function will

serve the important role of highlighting these all important areas, in the specific context of the Bank, asking pertinent questions and obtaining customized solutions that would propel the strategic position of the organization even further ahead. This is necessary as recent decades have witnessed dramatic shifts in how work is typically organized and performed within most occupations and industries, reflecting broader societal, environmental, technological and economic changes.

For the Commercial Bank of Africa, as with any other organization, it is important to consider the primary psychological processes and link the broad categories of work design characteristics (task-related, relational and contextual characteristics) to individual effectiveness outcomes. This will go a long way in creating a harmonious working dynamic forming a link between the employee, his job, his supervisor and the organization in general.

5.5 Limitations of the Study

Being a case study of the Commercial Bank of Africa, it is impossible to make generalizations about the contribution of Industrial – Organizational psychology to other banks, organizations and industries. The data collected was also historical and can therefore not be used for predicatory purposes even within the studied bank, with the guarantee of accurate outcomes.

Another limitation of the study arose from the fact that the respondents being senior managers at the Commercial Bank of Africa had little time to spare for further and more in-depth probing. This limitation was however overcome by the fact that the interview guide used to collect data was very specific on the nature and content of

information it sought. On a few occasions, interviews did not take off on the set dates and time but rather at different ones.

5.6 Suggestions for further study

Being a relatively new field in the practice of psychology and even to many organizations within Kenya, Industrial – Organizational psychology as a field of inquiry is an area that industry wide studies should be conducted in within the country. This can allow for unearthing of industry trends and possibly facilitate the making of unique generalizations within the same industries. This way, a better understanding of the research phenomena can be fostered.

In addition, and specifically within the Commercial Bank of Africa, Industrial – Organizational psychology's contribution can be studied to include the other phases of the strategic management process such as formulation, monitoring and evaluation. Studies can also go beyond strategy and look at other organizational elements that Industrial – Organizational psychology affects either directly or indirectly.

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Appendix I: Interview Guide

Section A: Demographics

1. Title of Interviewee……………………………………………………………………
2. Department of Interviewee………………………………………………………………
3. Length of Service in Position……………………………………………………………

Section B: Industrial Psychology

4. How does CBA go about describing the tasks that will be involved in any job within the organization?
5. Did you undergo a formal orientation/training when you joined CBA? Which other trainings have you undergone in your current position?
6. How did you learn about the majority of details required for you to execute your job at CBA?
7. What is your opinion on the employee performance appraisal system at CBA?

Section C: Organizational Psychology

8. How do your relationships with your workmates influence your job satisfaction?
9. Apart from monetary/economic results, which other important factors in your opinion has CBA established as a best practice in conducting its business?
10. What approaches/leadership styles does the management of the CBA employ?
11. What methods does CBA propose for stress handling by its employees?

Section D: Strategy Implementation

12. Has CBA implemented any strategy during your tenure in current position?
13. How has the active culture that CBA has tried to instill in its employees contributed to strategy implementation in the organization?
14. Does the CBA link particular employee job responsibilities to strategies that it implements?
15. What employee characteristics are associated with successful strategy implementation at CBA?

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DATE.10/05/2013.

TO WHOM IT MAY CONCERN

The bearer of this letter .....Mr. Allan Mosoba Mwita.............

Registration No.....D61/73027/2012..

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

10 SEP 2013

Appendix III: Authorization to Conduct Study

ALLAN MWITA MOSOBA <mosoba@students.uonbi.ac.ke>

Request for Authorization to Conduct a Study of the Commercial Bank of Africa.

Allan Akoko <allan.akoko@cbagroup.com>
To: "mosoba@students.uonbi.ac.ke" <mosoba@students.uonbi.ac.ke>
Cc: "Elizabeth M. Waititu" <elizabeth.waititu@cbagroup.com>

Mon, Aug 26, 2013 at 11:24 AM

Hi Allan,

We spoke earlier.

We are happy to inform you that you have our approval to speak to 5 managers as per your request. As indicated during our conversation, this approval is given on the following conditions:

- The questionnaires should not make reference to CBA. You can reference Bank A, B, C without indicating which is A, B, C when preparing your final report.
- You will provide to us a preliminary copy of your findings for our review before submitting to the University.

Please let me know when you would like to carry out the interviews so that we can plan with the relevant managers.

Regards,

Allan Akoko

HR Business Partner