CHALLENGES OF IMPLEMENTING AGENCY BANKING AS AN EXPANSION STRATEGY AT KENYA COMMERCIAL BANK GROUP LTD.

BY
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DECLARATION

I Edwin Odhiambo Otieno declare that this project Challenges to Implementation of Agency Banking as An Expansion Strategy at Kenya Commercial Bank is my own original work and I have acknowledged and reported all sources and that this document has not been previously presented for any award at any University to obtain an academic qualification.

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D61/72021/2009

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

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DEDICATION

To my parents the late Richard Otieno and Mrs. Sellina Otieno, your belief and investment in me has propelled me to this level. To my dear wife Suzanne your dedication and encouragement, your many prayers for my success has made us celebrate this victory. To my son Myles, I am grateful for the many times you excused my absence in your life for the search of knowledge. To Talya my daughter, your many smiles have motivated the skills of my pen. Today we give thanks together. To all my friends and relatives thank you for your presence in my studies.

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ABSTRACT

This study set out to explore the challenges of implementing Agency Banking as an expansion strategy at Kenya Commercial Bank Group Ltd. Kenya Commercial Bank is one among 42 other commercial banks in Kenya that form a subset in the set of Financial Institutions. The emphasis of this study was laid on how the structure, leadership, processes and culture affected the implementation of Agency Banking as an expansion strategy in KCB. It also shows how the preceding factors favored or challenged the implementation. The project used the approach of a case study to have an in-depth analysis of how the various factors attributed to strategy, challenged its implementation. Primary data was collected through the use of an interview guide and data collected analyzed through content analysis. Secondary data was collected through the use of circulars, staff magazines emails and staff notes on training for Agency Banking. Key findings of the study revealed that KCB underwent a number of challenges while implementing Agency Banking as an expansion strategy. The study details the use of communication, leadership, training and recognition as factors that helped mitigate the influence of challenges to implementation. These are detailed to show specifically how as key factors, KCB used them to prepare and train the staff and other key stakeholders that were deemed important for the implementation. The importance and dependence of other organizations that would give support to Kenya Commercial Bank Group Ltd are noted in the study and how they too influenced Agency Banking Implementation. The study also presents the competitive environment and how other competing financial institutions played a part in shaping key decisions that would help in implementation. Key competitors are depicted in this study not only as other commercial banks and financial Institutions but also Mobile Phone providers who took a lead in the introduction of mobile money. The study also found out that changes to structure and culture were inevitable for the smooth implementation of Agency Banking. The study concluded that Agency banking faced a number of challenges during its implementation stage at KCB and it recommends that a similar study be carried out to cover other financial institutions that have embraced Agency Banking as a growth strategy. This will help develop policies that will govern and streamline Agency Banking as the same is developing within the economy.

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ACRONYMS AND ABBREVIATIONS

AB -	Agency Banking
ATM -	Automated Teller Machine
BB-	Branchless Banking
CBK -	Central Bank of Kenya
CEO -	Chief Executive Officer
CGAP -	The Consultative Group to Assist the Poor
DTB -	Diamond Trust Bank
GDP -	Gross Domestic Product
GOK -	Government of Kenya
IT -	Information Technology
KCB -	Kenya Commercial Bank Group Ltd.
S & L -	Savings and Loans
USD -	United States Dollar

CHAPTER ONE: INTRODUCTION

1.1 Background of The Study

The environment in which organizations exist is very dynamic and changes are frequent and punitive if there are no strategies to combat or mitigate them. Yet in this turbulent environment, organizations are not only expected to survive but also to have a competitive advantage over their competitors. This necessitates the need for strategy as defined by Porter (1996). Porter (1996) noted that strategic decisions are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. Organizations therefore need strategy to sustain their rapid expansion in the very competitive environment. The current consumer is informed, he keeps abreast with technology and has a broad spectrum from which to choose. This challenges the organizations not only to come up with good strategies but also with mechanisms to implement them.

Conditions to implement strategies must prevail in order for the success of the strategy to be successful. Companies have long known that to be competitive they must re-align structures, systems, leadership behavior, human resource policies culture, values and management processes. This negates the idea that a well communicated strategy equals successful implementation as does a narrow non-systematic and programmatic approach. Implementing strategy would have key challenges that may need to be overcome in order to fully appreciate the results of implementation. An organization that seeks to achieve any strategy in order to attain a key success factor such as growth will need to define its concept of the strategy.

1.1.1 The Concept of Strategy Implementation

Strategy implementation involves the translation of a chosen strategy into organizational action so as to achieve the desired goals and objectives. It can be defined as the manner in which an organization should develop, utilize and amalgamate organizational structure, control systems and culture to follow strategies that lead to competitive advantage and better performance (Mintzberg and Quinn, 1991).

Strategy implementation will bring into focus the desire for the company to adapt to change, or to be a pioneer in change in order to survive the turbulent waters of competition (Muthuiya, 2004). It may take a proactive approach where the company management takes a bold move to functionalize the board room decisions to swim in un-familiar waters or to adapt a wait and see attitude toward change.

It is widely accepted that strategy's role is in mediating an organization's interaction with its environment and thereby propelling it towards having a competitive advantage over its competitors (Ansoff, 1990). To remain at the helm or to grow to the top requires the organization's mechanisms of strategy implementation to overcome the challenges of implementation. To assess growth, the company requires the adoption of a growth strategy that defines the measure of growth whether qualitative or quantitative.

1.1.2 Expansion Strategy

Every business even monopolies believe that there are customers it has not reached; customers that would otherwise be purchasing from them but due to certain reasons are not (Koske, 2003). It believes that there are customers it can attract from competition and a number of customers that it could loose. It therefore needs to attract more customers by appealing to them and reaching them with its products. It needs to expand.

There are a number of strategies for expanding a business and the owners of the business have the responsibility of making sound decisions. The management has a range of choices to pick in line with how they want the business to expand (Gakenia, 2008). A business may use mergers, acquisitions, IPOs, franchising or borrow from Ansoff's Growth Matrix amongst many other strategies of growth. Ansoff's Growth Matrix acts as a good summary for all.

It is in exploring the strategy of growth and expansion that the financial sector in Kenya in support of the government's Vision 2030 came up with the concept of Agency Banking. The financial institution in Kenya was expected to explore and implement innovative models that would deepen its support to the country's savings and investment growth.

1.1.3 Agency Banking

Agency Banking as a strategy, depicts its concept from the Branchless banking model onto which the wordings are used interchangeably. Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches (Ivatury and Mars, 2008). It represents a cheaper alternative to conventional branch-based banking through the use of delivery channels like retail outlets, mobile phones, internet, automated teller machines (ATMs), Point of Sale devices etc. Agency banking is a type of branchless banking where third parties are involved in performing some of the activities that are traditionally performed in banking halls by bank personnel.

The Consultative Group to Assist the Poor (CGAP) indicates that branchless banking or Agency Banking should comprise of the following elements; use of technology, such as payment cards or mobile phones to identify customers and record transactions electronically and in some cases to allow customers to initiate transactions remotely, use of (exclusive or non-exclusive) third party outlets such as post offices and small retailers that act as agencies for financial service providers and that enable customers to perform functions that require their physical presence such as cash handling and customer due diligence for account opening, offer service such as basic cash deposit and withdrawal in addition to transactional or payment services and they should have the backing of a government-recognized deposit taking institution such as a formally licensed bank. The Agency outlets should structure the above so that customers can use these banking services on a regular basis (available during normal business hours) and without the need to go into banking halls (Ivatury and Mars, 2008).

The deregulation of some controls within the banking sector introduced a considerable amount of flexibility, e.g. the Finance act of 2009 that became operational in January 2010 amended the banking act to enable the use of Agency bankers by Commercial Banks. The deregulation has increased competition amongst the banks and resulted in rapid product developments and great expansions. This has necessitated the banking regulators to review legislation that seeks to protect customers and also curb forms of money laundering and terrorism financing (Madura, 2008). The controls do not attempt to manage individual banks but impose some discipline so that banks assuming more risks are forced to create their own form of protection against the possibility that such activities should take place (Onyango, 2010). The CBK has also come to enforce regulations against breach of such in institutions that are not Financial Institutions but that have a form of money transaction from one customer to another. Most of such institutions are mobiles phone operators which allow the transaction of money contributing a great deal to Branchless Banking (BB). This has increased the financial services outreach to the unbanked population. This study has limited its scope to challenges in strategy implementation the case of agency banking in commercial banks. However, commercial banks cannot take on agency banking without the help of other market players like telecom companies and technology service providers (Ignacio and Hannah, 2008). Such companies in Kenya assist greatly in the exchange of information between parties.

1.1.4 Overview of Kenya Commercial Bank Group Limited

There are about 42 commercial banks that form the banking industry in Kenya. These banks play a vital role within the country by encouraging the culture of formal saving (Madura, 2008). KCB is among the five largest banks by asset growth and the largest by branch network. The bank was established in 1896 along the East African Coastline when its predecessor, the National Bank of India opened an outlet in Mombasa. It acquired Savings and Loan (K) Ltd in 1972 to specialize in mortgage finance and in pursuit of its Vision: To be the preferred financial solutions provider in Africa with a global reach the bank extended its operations to Tanzania, Uganda, Southern Sudan and Rwanda (KCB website. March 2011). The Government has over the years reduced its shareholding from 100% to 17.74% following the rights issues exercise in the years 2004 and 2008.

The Central Bank of Kenya is the main regulator within the country following the statutes laid down in the Kenyan laws. This limits the freedom within which the commercial banks can operate and also determines how fast the sector can grow. KCB's performance was good during the years before 2000 with its profits marginally improving but in the year 2002 the bank returned a Ksh2 billon loss and nearly went under (KCB Cascade staff Newsletter July, 2008).

The bank provides its customers with a wide array of banking and financial services in Corporate banking, Retail banking, Trade Finance, Mortgage Finance, Asset Based Finance, Card Facilities all through propositions from small to medium enterprises and individual clients. It also focuses on exploring opportunities across the region for further expansion. The bank is run by a CEO who reports to the Board of Directors (KCB website. March 2011)

The banks expansion strategy is to be a broad based regional bank by venturing and expanding its operations in the East African region. It adopts the strategies of market expansion and penetration in embracing modern technology to reach the unbanked population and penetrate to new territories, which it considers potential. Its growth into the East African market is greatly necessitated by the move towards economic integration and trade liberalization (KCB Cascade staff Newsletter July 2008).

1.2 Research Problem

Overcoming challenges in strategy implementation necessitates the successful adoption of strategy. Many strategies are not fully realized due to inability to overcome challenges or poor implementation structures and procedures. Unless strategy is translated to measures that employees can understand, it becomes limited to accept its functionality (Lynch, 2002). This curtails the positive attributes or development that the strategy was to bring. The organization must therefore work or function in a way that mitigates any form of challenges to strategy implementation. Morley and Hepplewhite (2004) have noted that companies face two key challenges when building strategic capabilities these are how to create a tight fit between strategic priorities of the business and management education programs and how to deliver programs that are powerful enough to change behavior. These two work hand in hand to facilitate a smooth implementation of strategy.

Agency Banking has become a new way through which a bank can provide services to its customers without the necessity of the customers coming into the banking halls. Through mobile phones, point of sale materials, internet and cash dispensing machines, customers can transact money through their accounts. The bank operates through defined and regulated Agents to reach its clientele. Developing an Agency channel for a bank and implementation of the same could present a range of technological and operational challenges that are new for a bank. The main challenge being strategic that is in understanding specifically how the new channel would fit within its customer segmentation, service proposition, and branding objectives. (Ignacio and Hannah, 2008). The challenge would particularly be important for KCB as a commercial bank as it works on the implementation of AB as a way to offer banking services. The bank required to tackle basic financial education, develop appropriate products that target their customer needs, find effective ways to reach their customers with effective marketing messages and put in place a good system for checking customer identification.

KCB in following its vision and mission introduced Agency banking in 2010. A team of senior managers from different divisions headed by a divisional director was put in place to form a workable model that could be used to come up with an operational manual to define KCB Agency Banking and implement it. This new strategy would increase ways and means through which the bank's customers could transact without the need to come to the banking hall. It would reduce the need to put up banking premises with staff and work stations and associated costs yet it would still control or mitigate banking risks. It would empower customers to access their monies anywhere within the republic as long as there was a banks' Agency within reach.

Previous studies have dealt with challenges in implementing strategy but none specific has dealt with the study of challenges of implementing agency banking as an expansion strategy within Kenya Commercial Bank Group Ltd. Gakenia (2008) for example did a study on Strategy Implementation by KCB, Kanini (2008) did a study in Implementing Strategic Information Systems in commercial banks in Kenya, Waweru and Kalani (2009) did a study on the Commercial Banking Crisis in Kenya – Causes and Remedies. Nabutola (2004) did a study on Risk and Disaster Management in Commercial Banks and Juma Kiprotich (2008) did a study in Strategic implementation and its Challenges but at the African Braille Centre. CGAP 2010 Notes on Regulation of Branchless Banking in Kenya studies the legal and policy changes through the end of 2009. To the best knowledge of the study, no known study has been done on the challenges of implementing Agency Banking as a growth strategy in Kenya Commercial Bank group Limited. The study seeks to answer the question; what challenges has KCB undergone in implementing agency banking as an expansion strategy?

1.3 Research Objective

The objective of the study was to establish the challenges of implementing agency banking as an expansion strategy at KCB Ltd.

1.4 Value of The Study

This study helps the KCB management to understand the challenges that AB implementation has undergone and how good practice from the same can be used in future implementation developments. It elaborately assists them to assess how effective the implementation strategies have been and if the desired end product was achieved. It also assists them to improve systems in areas where the same is seen as necessary. The study is in line with the bank's overall mission of growing their existing business whilst building the platform to be the preferred Financial Solutions Provider in Africa with a Global reach.

This study enhances knowledge on how the implementation of agency banking as an expansion strategy undergoes a metamorphosis, the key factors that challenge the development of a new strategy and how factors that help to mitigate the negative aspects of implementation can be overcome. This will help to add value to the practice of Agency Banking and its implementation to other organizations that may need to implement it. This study helps other organizations to avoid or prepare for implementation challenges in good time.

This study assists the Government to understand issues on agency banking which can then help in policy formulation as AB is still a new strategy with limited regulations. The study assists the government realize an open avenue to create more jobs for its citizens as more people embrace AB. This can improve the gross domestic product (GDP), due to increased disposable income to individuals, help in eradication of poverty and also work towards the fulfillment of Vision 2030. The Government also stands to make more revenue from increased business in agency banking.

This study benefits Researchers, Academicians and Students especially for those who may want to undertake a similar study in future. It acts as a bench mark, an eye opener for more studies in the same or similar fields and will also act as a lead or pioneer study in the specific field.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter entails studies that have been done in relation to this study and a summary of major issues to what has been established. The chapter also relates the empirical studies on the subject matter in order to expound the already established theories. The sources of this literature review are books, Internet websites, newsletters, reports and journals.

2.2 The Concept of Strategy

Different authors have defined the practice and concept of strategy variedly for example, Ansoff and McDonnell (1990) define Strategy as a set of decision making rules for guidance of organization behavior. Scholes and Johnson (2004) defines Strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the need of markets and to fulfill stake holder expectations i.e. where the business is trying to get in the long term.

Johnson and Scholes (2004) definition identifies three components of strategy. One is the need to define scope and range of organizations activities within the specific environment it operates in, two is the need of customers and markets matched against resource capabilities to determine long term direction and third the role which stake holders have on the strategy circulation because of their influence over the values, beliefs and principles which govern organization behavior and business conduct.

Drucker (1998) traces the word ‘strategy’ from “strategu” meaning ‘to plan the destruction of ones enemies through effective use of resources. This was due to early Greek developing the concept for military commanders to achieve winning in a war. The concept changed in the 1960s to incorporate decisions that corporate organizations adopted in order to compete effectively with others in the same line of manufacturing. It can be seen that formal strategic management has its beginnings in the 1950’s as the early writers of strategy depict. The works of Drucker (1958) collaborate these findings.

Strategy will be conceptualized as a term for operating at both corporate and competitive levels (Lucy, 2008). Corporate Strategy is defined as; the action plans which influence the portfolio of different activities in the firm. Operationally this can be seen as a level of diversity and the management of diversified set assets and businesses.

Pearce and Robinson (1997) define strategy as a set of decisions and actions that result in the formation and implementation of plans designed to achieve a company’s objective. This brings about the concept of planning systematically towards the desired effects if particular decisions are articulated for implementation. Best performances are put in place to assist the decisions taken in order to achieve the desires of the company.

Bryson's (1995) definition of strategy incorporates a broad spectrum of plans of purpose, policies, actions, decisions and/or resource allocations that defines what an organization is, what it does and why it does what it does. Bryson's definition incorporates the definitions of many writers as it shows the practical purpose of planning with a thought process supposed to end at a precedented end. It entails a broad overview of looking at corporate planning.

2.3 Expansion Strategy

The strategic decisions companies make often involve deciding on how to grow and develop the business using the resources and opportunities that it has. Understanding the different ways a company can grow is necessary and needed (Clare, 2008). Companies can spend money on undertaking internal expansion in developing externally. This may include licensing, franchising, alliance building and acquisitions. Businesses may achieve expansion by undertaking the developments themselves this being referred to as organic growth (Clare, 2008) or by contracting other organizations to do it for them.

A survey of 100 companies carried out in the USA from 1909 to 1948 stated that few companies that have stuck to their traditional products and methods have grown in stature (Ansoff, 1954). Ansoff noted that there is no reason to believe that organizations now at the top will stay there except as they keep abreast in the race for innovation and competition. This necessitates the proactive nature for an organization to adopt an expansion strategy. Mc Cathy (1986) pointed out that a basic problem existed in understanding growth. He noted that larger devoted firms are so different from small firms that in many ways it is hard to see that they are of the same genus. In enterprise growth this metamorphosis is explained more gradually in terms of a business life cycle comprising of a number of phases or stages. These stages are then associated with generic management problems and organizational characteristics that manifest with time (Cooper, and Pamela, 1998). This shows that a business is very much an open system that needs to continuously develop a system of internal learning to adapt to an implemented strategy.

Young firms are said to have a high propensity to fail because new organizational members cannot quickly adjust to new roles and working relationships and these organizations lack a ‘track record’ with outside buyers and suppliers making it difficult for the organization to grow (Stacey, 1992). The validity of this phenomenon known as ‘the liability of newness’ has been supported in a number of studies that seek to explain the life cycle of an organization and how strategy can help them grow or expand.

Ansoff’s Growth Matrix (Ansoff, 1990), shades more light on how an organizations can adopt different strategies for expansion. The model was developed by H. Igor Ansoff and it serves to set a firm thinking about the direction on which it could benefit more in embracing growth. The matrix helps the firm to answer to whether it wants to expand to new markets or target the existing market. In its simplest form, the two axes in Ansoff’s growth Matrix are marked by product and market respectively.

Figure 1: Ansoff's Growth Matrix

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

(Adapted from Ansoff and McDonnell, 1990)

There are four quadrants in the matrix describing a growth strategy. In the Market Penetration segment, the firm aims to sell more of its existing products in the markets they are already in. More resources are therefore allocated to sales and marketing. There is minimal risk here as the firm is dealing in a comfort zone. The great draw back in this strategy is that there is a limitation on how much the market can grow (Ansoff and McDonnell, 1990).

In the market development segment, existing products are sold to new markets. The new markets would either be geographical markets or a new target market that had not been sold to before. The firm in this segment requires spending more resources in sales and marketing to persuade the new consumers to purchase its products (Ansoff, and McDonnell, 1990).

In the product development segment, the strategy is to increase the product range as a company cannot rely on one product for its sustenance. A good example is with companies in the cosmetic sector, apparels mobile phone communications banking etc which are always coming up with new products or developing the existing ones in order to remain competitive and relevant. This is necessitated by the changing needs of the market and consumer tastes are paramount in product development.

Diversification is always seen as a high risk strategy where a firm sells entirely new products to new customers in new markets. This may have been driven to great opportunity that has been identified in a new market. It is a strategy that needs high level assessment before a decision to venture in is agreed upon. It could include related diversification where e.g. a chocolate manufacturing industry goes into pastry or unrelated diversification where the firm engages in a completely new venture where it has limited knowledge e.g. when Virgin went into advertising (Scholes and Johnson, 2004).

2.4 Agency Banking Strategy

With the advent of technological advancement as has been seen in the 21st century, it has become possible for several services once considered a preserve of certain providers to be incorporated and used with an ease of accessibility to many more would be channels. Such is the case with Agency banking which is intended to enable institutions provide banking services in a more cost effective and equally cheaper way to its customers. A good example is depicted in Peru where the introduction of Agency Banking increased financial services access from 5% to 14% of the unbanked population (Ivatury and Mars, 2008). In Brazil, a total of 100,000 outlets have been turned into agency banks reaching an extra thirteen million people since 1999.

The goals of agency banking as a strategy is to increase revenue from additional investments, to increase customer base and market share, to improve indirect branch productivity by reducing congestion in the branches and to offer low cost solutions in areas with potentially less number and volume of transactions. It is further intended to enhance easy financial accessibility both for the unbaked and the banked population (Ivatury and Ignacio Mars, 2008). It is said that low income earners often feel more comfortable banking at their local store than walking into a marble branch a fact that is well manipulated by Agency banking.

2.4.1 Agency Banking Models

Agency banking can be categorized into three models such as one-to-one, one-to-many and many-to-many. In the one-to-one model, one bank offers mobile phone banking services in collaboration with a specific super agent e.g. when Equity Bank partnered with Safaricom to offer an M-Kesho product (Mwangi, 2007). The one to one model does not require exclusivity and thereby a bank can have several one to one arrangements with different providers. In the one-to-many model, a bank offers banking services using e.g. mobile connections of several telecom companies. This model offers the possibility of the bank reaching any bankable customer who has a mobile phone. In the many-to-many model, many banks and many telecom companies join hands to offer services to all bankable customers. This model requires a central processing system which should be capable of; settling all transactions on a real time basis, store all proof of transaction and provide a day end transaction of accounts to all banks.

2.4.2 Agency Banking Agents

In its most basic form, a retail outlet serving as an agent for a bank is a transactional channel permitting bank customers to withdraw and deposit cash into or from their accounts, open accounts as well as perform a range of electronic transactions, including enquiries on account balances or recent movements and money transfers between accounts (Ivatury and Mars 2008). This requires that agents be trustworthy to both the bank and its customers. To enhance trust and authenticity, all transactions must be initiated by the customer and are recorded electronically by the bank through the POS terminal. The three parties to a transaction i.e. the agent, the customer and the bank all have two factors of security. These are a secret identification code or card and a pin to authenticate the transactions (Kumar, *et.al*. 2006).

The Agents key role is to act as a go-between the bank and the client ensuring that the client gets the services as fast and as accurate as he would in a banking hall. The agents achieve this through the use of technological devises such as a mobile phone connection that supports information interlink between the customers account at the bank and the Agents main account referred to as a float account (Ignacio, M and Hanna, S. 2008). The interlink provides that the money can be transferred electronically from the Agents float account to the customers bank account in the case of a deposit where the customer gives liquid cash to the Agent.

2.4.3 The Legal Framework on Agency Banking in Kenya

In November 2009, Kenya amended the Banking Act to include provisions on financial institutions' use of Agents to provide banking services. The amended law established 'agency' as an entity contracted by an institution and approved by The Central Bank to provide the services of the institution on behalf of the institution in such a manner as prescribed by the Central Bank. It is also stipulated that banks will need to obtain annual approvals from CBK as to the overall use of agents. It is required that an agent must be a commercial entity that has operated a commercial activity for at least two years. But in all cases banks will still remain ultimately responsible and liable for the actions of their agents and for all compliance responsibilities (Harvey, 1998).

2.4.4 Agency Banking Operations

The main instrument that governs the bank-agent relationship and therefore dictating the agents operations is the contract between them and the technology platform through which all transactions occur. The contract would typically cover the type of transactions the agents can undertake and a list of prohibited activities, the process to be followed for each transaction, the physical and service infrastructure the agent needs to make available and maintain, the process to be applied by both to mitigate risks, the supervisory rights of the bank and the commission structure of the agents. These will detail the type of accounts the agents are allowed to open on behalf of the bank, how the agents will deposit or withdraw funds to and from customers' accounts and how they shall carry out the process of bill payments or loan disbursements. These types of transactions will be the agents daily operations as far as agency banking is concerned and will be the channel through which the agency banking expansion strategy implemented by the bank will be monitored.

2.5 Strategy Implementation

Strategy implementation largely depends on the firm's ability to internalize and functionalize the defined strategies. It is more of an internal affairs activity of the organization that takes into consideration how the organization is run. This incorporates the organizations employees their culture and operations. In early approaches to this study, strategy implementation was treated as an activity that followed strategy formulation but Galbraith *et.al* (1978) asserts that the process of strategy formulation and implementation is a matter of adjustment and manipulation of organization structures and system in tandem with strategic goals.

Thompson and Strickland (1997), asserts that strategy implementation is primarily an operations driven activity revolving around the management of people and business processes. This implies that the implementation of strategy would involve working through people to attain the desired goal. Strategy implementation is thus seen more as a top down function with collaborative effort of all involved in the running of the organization. A manager's great role will therefore be to create a fitting environment for implementation.

Strategy implementation may involve operational changes which could dictate a new system of work and re-definition of duties. It may involve human resource reorganization where a number of jobs are redefined others fall away while others are merged as it was in the case of KCB when there was leadership changes. Through this changes, new practices are introduced which may be classified or defined as adaptive changes, innovative changes or radically innovative changes (Bryars, 1991).

A number of writers distinguish strategy formulation and implementation. Ansoff and McDonnell (1990) state that implementation of strategy does not automatically follow strategy formulation. There could be a time-span between which formulation and implementation takes place as to allow for resource allocation, to allow for mobilization or restructuring in order to implement. Aosa, (1992) argues that strategy needs to be implemented once developed otherwise they remain valueless unless translated into action. In contrast to this school of thought, Mintzberg (1979) argues that if one believes that strategy is explicit, implementation would mean carrying out the predetermined strategic plan. But an emergent view would hold that strategy emerges and evolves without the aid of strategy formulators or in spite of them.

Pearce and Robinson (2003) advice that structure, leadership and culture need to be considered when implementing strategy. In structure, he shows how the different roles of the organization are organized and how they work in unison for the objective of the organization. The leadership is the vision carrier and through communication it helps to coordinate the implementation of the strategy while culture dictates the expected behavior of individuals in the organization. It is crucial that leaders of start up and developed companies alike, understand the process by which strategy is shaped in order to guide their organizations. Understanding the key dimensions of the process of effective strategy implementation can help executives keep their hands more precisely on those levels that control how strategy gets defined and implemented and to adjust the workings of that process as the competitive environment changes. In both emergent and intended strategy, communication becomes a key role in effective implementation. Clare, (2008) note that effective communication is a key requirement for effective implementation.

Factors that affect and ultimately comprise a company's strategy implementation stream continually from either the intended or emergent sources must flow through the resource allocation process (Burnes, 2004). This is because a company's actual strategy is manifested only through the stream of new products, processes, services and acquisitions to which resources are allocated. Aosa (1992) states that strategy implementation is likely to be successful when congruence is achieved between several elements which include; organization structure, culture (shared values), resource allocation, staff competencies and capabilities, support systems, leadership, policies and procedures.

Birnbauma and Associates (2009) condense Aosa's (1992) model to five key supporting factors of strategy implementation as; action planning, organization structure, human resource, annual business plan or budget, monitoring and control. He says that all these determine how effective the implementation can be. He introduces a concept of linkage of all the five factors and defines linkage as the tying together of all the activities of the organization to make sure that all the activities of the organization and organization's recourses are rowing in the same direction (Birnbauma and Associates, 2009). Successful strategy implementation require linkage both vertically and horizontally to establish support between corporate, divisional and departmental plans in an organization.

Firms that successfully implement a corporate expansion strategy can apply both financial and strategic controls. How those controls are used to implement an expansion strategy can be seen through important managerial processes such as evaluating divisional performance and allocating capital across divisions. Each of these processes can be thought of as a monitoring and bonding mechanism that a firm can use to help reduce urgency problems and develop linkages (Birnbauma, A and Associates, 2009).

2.6 Challenges of Implementing an Expansion Strategy

James (2008) noted that it is much easier to think of a good strategy than to implement it. Much of the shortcomings in strategy implementation are attributed to failures in implementation itself. James (2008) indicated that most companies attempting to implement new strategies stumble over common organizational hurdles, competencies, coordination, and commitment. These can be translated into four implementation problems that are; Ineffective coordination and implementation activities, insufficient capabilities of employees, inadequate training and instruction given to lower level employees and inadequate leadership and direction provided by departmental managers.

Al-Ghamdi (1998) stated that most individual barriers to strategy implementation encountered, fit into one of the following interrelated categories; too many and conflicting priorities, lack of good functionality among the top team; a top down management style that forces things down; inter-functional conflicts; poor vertical communication and inadequate management development. These categories are translated into the following four problems; competing activities that distract attention from implementing the decision, Key formulations of the strategic decisions that do not play an active role in implementation, Changes in responsibility of key employees not clearly defined, Problems requiring top management involvement not communicated early enough.

Lingle and Schiemann (1994) expose six areas of vital importance to long term successful strategy implementation which they indicate as; market, people, finance, operations, adaptability and environment. Al-Ghamdi (1998) expounded these areas as uncontrollable factors in the environment which can have adverse effect on strategy implementation. Major problems which had not been identified earlier could also surface while dealing with these six areas and hinder successful implementation.

Galbraith and Nathanson (1978) reasoned that strategies fail for several reasons including, lack of senior management support, effective competitor responses, insufficient resources, failure buy-in, communication timelines and distinctiveness, lack of focus and bad strategy and poorly conceived business models. Kimeli (2008) indicates that the way to get strategy executed is not by telling people what to do but by sharing the strategy in a way that everyone can understand and buy into it. Bossidy and Chavan (2002) emphasize the need to incorporate both people and processes in strategy implementation in order to fulfill the business potential of the organization.

Aosa (1992) exemplifies the importance of culture in implementing strategy. He says that a lack of compatibility between strategy and culture can lead to a high organization resistance to change and the motivation which in turn can frustrate the strategy implementation. The organization culture determines the employee behavior towards changes in new methods of accepting strategy and the rate of adoption to it. It is necessary to project the culture of the organization to forecast how the strategy will be adopted.

Gakenia (2008) indicated that the political turbulence is an important aspect facing any strategy implementation process. The politics in an organization are tactics that strategic managers engage in to obtain and use power in order to influence organization goals and change to change strategy and structure to further their own interests (Hill and Johnes 1991). Al-Ghamdi (2003) indicates that organization politics may cause the advocates and supporters of the strategic decisions to leave the organization. This will cause the internal wrangles of power to d lay the implementation of the strategy.

It is paramount that top managers and executives communicate the same language when implementing strategy. Poor communication serves as a key impediment to employees in the organization. With poor communication, the wrong message may be sent thereby resistance to change developed. Structure and strategy must also be matched to enhance smooth implementation. Growth may influence structure or structure may influence growth otherwise structure may distort and dilute intended strategy. A leader's great role is to implement structures that will align with strategy. His other role of selecting right talent and right mix of the same catalyses the companies acceptance into adopting and implementing the right strategy for growth. Bryson (1995) says that changes do not implement themselves it is people that make them happen.

Challenges to effective Strategy implementation have not widely been investigated but several issues have surfaced among many studies (Muthiga, 2004). A good strategy should be better than just a paper write-up and the same should be implemented for its good results to be used. Scholes (2004) indicates that implementation of the appropriate strategies remains one of the most difficult areas of management. It takes effort time and at times patience to first communicate the strategy or break it down to units within the organization that require to digest the information. Communication plays a vital role and is divided into how it will be carried out and at what intervals and how the intended recipient will absorb the said communication.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter entails the methodology that had been used in order to depict the findings of the study. It was necessary to adapt to a methodology that would entail an in-depth study into what challenges KCB underwent in order to implement agency banking as growth strategy. In this regard this study chose a case study as its research design.

3.2 Research Design

A case study involves an in-depth study rather than a single superficial evaluation to understand the required findings. Mugenda (2003) defined a case study as an in-depth investigation of an individual, group, institution or phenomenon. Yin (1989) said that a case study allows an investigation to retain the holistic and meaning of real life events. This study is more descriptive than explanatory.

The case study provided a systematic way of looking at events, collecting data, analyzing information and reporting the results. This helps the study to present a sharpened understanding of why the event happened as it did and what might become more important to look at in future studies (Gerring, J. 2005). Although case studies may bring quantitative evidence, the design of this study has utilized the qualitative aspects of a case study. Gerring (2005) defined a case study as a research approach situated between concrete data taking techniques and methodological paradigms.

3.3 Data Collection

This study incorporated the use of both primary and secondary data. An interview guide was used to gather primary data as guided by the objectives of the study. This study was mainly concerned with the challenges that KCB Group Ltd. faced in implementation of Agency Banking as a growth strategy. The information was collected from a one on one discussion with the senior management team. Such information is best collected using an interview guide.

The respondents were the Head of Agency Banking and The Regional Agency Banking Managers. This is because they played a key role in implementing the Agency Banking expansion strategy and the challenges they face daily in their line of work were of great significance to this study.

In documentary analysis, the study incorporated supporting documents from the bank to get more information on Agency Banking and its implementation. Staff circulars were a good source of information and how it was carried out together with the content of the information that was carried out. This helped to strengthen the fact that there was a form of communication to KCB staff in preparation for the launch of Agency Banking Implementation.

3.4 Data Analysis

After collection of data, the study checked for completeness, clarity, accuracy and consistency in preparation for analysis. The collected data was analyzed using content analysis in order to come up with conclusions and recommendations. According to Cooper and Schindler (2003) content analysis measures the semantic content or the 'what' aspect of a message. The content analysis carried out shows the challenges KCB went through in implementing Agency Banking as an Expansion Strategy.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

This study was guided by the objective of the study which was to establish the challenges of implementing Agency Banking as an expansion strategy in KCB. This chapter presents the analysis of the qualitative data collated with secondary data obtained from the organizations documents, circulars, newsletters, press releases and media adverts.

In following the objective of this study, detailed or in-depth interviews were done with the Head of Agency Banking together with senior management in the team. This senior management in the team comprised of the Regional Agency Banking Managers in the organization. KCB has divided the country into five regions which are the Coast Region, Central Region, Nairobi Region, Western Region and Rift Regions. Each of these regions is headed by a Regional Agent Banking Manager who reports to the Head of Agency Banking. The interviews were suited according to each of the positions and this was helpful in gathering detailed information.

4.2 Agency Banking at KCB Group Limited

The Finance Act 2009 that became operational in January 2010 amended the banking act to allow the use of third party agents by banks. This was an advantage to KCB and it set the pace for the bank to adopt Agency Banking as an expansion strategy. KCB adopted the Agency banking model in the same year in 2010 and set out to plan its implementation. A series of meetings were put in place to plan on how KCB would adapt to the new strategy. The planning had the backing of the Chief Executive who himself appointed the lead members of the planning committee. Several factors were considered to asses the viability of the strategy such as where the strategy had been implemented before in the world and what were its success factors in the various countries.

A skeleton team was formed under the Divisional Director Special Projects in KCB. This team was used to spearhead the implementation and piloting of the strategy with a number of Agents. The team divided the country into regions and selected a number of key businesses which they approached, recruited, trained and commissioned to carry out the business of Agency Banking. Since then, KCB has continually been increasing its Agent numbers and this has favored the bank's growth.

4.3 Challenges of Implementing Agency Banking at KCB Group Ltd.

From the in-depth studies carried out, several key challenges are picked as a present threat to an expansion strategy implementation. This study elaborates on these challenges and the roles that each of them played during Agency Banking implementation in light of several other factors such as the operating environment, the demand of the banks customers and its stake holders and employees expectations. Competition also fueled the wheels of change which saw the expansion of other commercial banks, micro finance institutions and mobile phone companies joining the bandwagon by introducing mobile money.

The introduction of mobile money came as a double-edged sword in regards to Agency Banking as an expansion strategy. This is because the mobile services providers were the first to embrace the technology of transferring money via the use of mobile phones. At the time, this was seen as a sure way of winning the 32% of Kenya's bankable population that was totally outside the orbit of financial services. This would embrace the technology faster as it came as a sure way of sending and receiving money without the hassle of lining up or filling forms in a queue. The sector was also not regulated then and was seen as a way of limiting the banks towards expanding in this sector. On the contrary, Agency banking heavily depends on the use of mobile phones in accessing, sending and receiving money to and from clients' bank accounts. Therefore the introduction of mobile money has helped its implementation.

The in-depth interview revealed that the informed customer of today has a product diversity requirement that needs frequent developing. He is dynamic and not averse to risks yet the bank is an institution that depends heavily on history of performance. As much and as fast as technology is dynamic, the today customer too is dynamic and what would have taken weeks or months to achieve in recent months is archived in a matter of hours. A dynamic customer requires very dynamic strategies that are sometimes overtaken by events even before they are implemented.

Government regulations are sometimes a major hindrance to strategy implementation. It is the government through the central bank that regulates the banks Agents and determines the minimum criteria that one requires in order to be approved to conduct

Agency banking. Some of these regulations sometimes hinder a certain number of personnel that would have qualified to conduct the Agency business. It was found out that some of these regulations dictate the license fee charged by the central bank and an additional fee for the municipal or county license. A number of potential agent bankers thus view this as additional overheads that are expensive to maintain each year.

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

The pressing social needs of the economy made KCB start a department to address these needs. The Corporate affairs division deals with issues of sponsorships, environmental care, medical camps and general public wellness. This stem from a corporate responsibility platform that demands an organization give back to the community from which it operates. Sad as it may seem, a number of competitors have taken this as a platform for the show of might almost to dictate that levels of profits should be commensurate with Corporate Social Responsibility (CSR). The drawback here is that money which would have been used for strategy implementation may suffer as a result of the organization giving more outside that it retains.

Price wars have not left the banks unscathed and hindered the implementation of strategy. By analyzing the product range in AB in the different banks that have embraced it, it was depicted from the interview that implementation of AB was delayed due to the pricing structure that have been accepted by the target group and still be profitable as to earn revenue for the bank. The drawback was what would happen if competition came with the same product but priced it lower. When would the product be expected to break even and would its growth be sustainable at the chosen price? This was a question the in-depth interview picked from the concerns of the strategy implementers concerns.

Technological advances have presented challenges to strategy implementation. In the case of AB in KCB, the team had to shop for a good system that would support the interface between mobile phone services and bank account information. This would necessitate the smooth running of AB through mobile phones. This presented a two faced challenge: one was to depend on another organization for the implementation of the bank's strategy and the other was to find if actually that type of system was in existence and how much would it expose the bank and its customers to risks. The question then arose of which service provider to choose or would the system cut across all the service providers? And as the implementation would involve another organization, how would the payment to the other organization be sustained? As the in-depth interview sought to find out this information, it became clearer that the involvement of another organization would present a challenge as their interest would have to be chattered for in a way that KCB would not have known at the time of formulation and would only have become evident after implementation when the other organization acted or reacted to it in case they had not been involved.

System acceptance was depicted as a major challenge to AB implementation. This would be widely viewed as bringing in a big change to the traditional method of banking where for any withdrawal, the customers image would be seen by the teller, his identification and other security credentials viewed before the cash is released to him. The new system was bringing in a form of cash withdrawal where the customers image was not going to be paramount, his signature would not be an identifier but a confirmation; a system where ones mobile phone number would become almost synonymous to his personal identity. This was not going to be an easy sell to traditional bankers who had been brought up through countless paper transactions that provide reasonable audit trails.

The use of Banking Agents to accept deposits and withdrawals into customers' accounts brought an integrity challenge. The interview depicted the issue of acceptability of the chosen agents bearing in mind that they shall be working in a community where their integrity is known. If for example he passes all the banks vetting process of a good agent yet his community does not want to do financial business through him as he is known for letting clients' information out what would the bank do? The challenge posed the issue of vetting that the interview guide depicted. At the end of the day, the perception for the agent will be seen as the perception the customers have of the bank. This would have had minimal challenge in implementation as an alternative agent would have to be sought but would have been a big challenge in a favorable market that is controlled by a monopoly yet it is the monopoly depicting such a character. A monopoly meaning that he controls all the business in a particular area i.e. he owns the shop, the butchery, the pharmacy etc.

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

A five-year strategic plan for the bank had put growth and expansion as a key strategy for development. The divergent approach from this is that the plan does not detail the methodology to be used for expansion. This brought a view to assess the risks inherent in implementing AB. Part of the senior management had the notion that implementation should be kept on hold for some time until the model is well developed. The senior management support was strong but the disagreement on the timing of implementation was a slight set back. This made the team that was spear heading the strategy development take more time to study foreign models and how the same regions had taken their time to mitigate the risks. A node from the senior management was necessary to convince the Board on the positives that would be achieved through if the strategy was implemented. A shift would have had to be attained from the status quo.

The budget to be used to implement the strategy was seen as a challenge. The Bank was coming from a period where it had spent a substantial amount in implementing a new IT operating System and the same was not fully out of the teething problems. The same system had cost the bank a colossal amount and the engineers implementing it had not fully handed its operations over. Going to face the Board of Management with another budget of a different system was going to be a tall order. This ensured that the budget would have to be lean but workable. It would include all the necessary requisites to pull the strategy from the boardroom to the streets while at the same time giving an allowance for adjustments.

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

The structure would have to be changed to accommodate the new strategy. It was found from the interview that the then structure would have to be changed to accommodate AB. The issue of reporting lines to the new personnel, and where the team to spearhead the implementation would sit had to be discussed. There was the discussion that the same would need to be a whole new division with a divisional director an argument that would see the light of day. AB was then placed under the Divisional Director Special projects but it was required to run closely with the retail division as the projections were that AB needed a bigger support that could only be attained by being together with the Retail Division.

The institutionalization of the strategies formulated in the five-year development plan faced an inherent challenge of strategic fit between strategy and culture. The findings of this study revealed that the culture in the bank was not compatible to the changing industry and operating environment. There was a government or parastatal culture that was still evident in parts of the bank. This involved a don’t care attitude that was common in the public sector in the 1980s and 1990s. The culture was enforced by lack of performance appraisal system and lack of rationalization of salaries and allowances. AB was bringing with it a major culture challenge to promote a market driven approach of performance and accountability. This would be viewed suspiciously as it was going to shake the comfort zones of many staffs.

The human resource performance was a major challenge in the implementation. The implementation was coming at a time when a consultant firm was developing a new organization structure for KCB. It was feared that a number of personnel would lose their jobs due to the restructuring that would henceforth follow. This reduced the staff morale of the workforce and increased anxiety levels that brought in a hush for employees to concentrate on exit plans in case the axe fell on them. Low morale coupled with the increased levels of anxiety would slacken the pace of implementation. The new structure was being implemented slowly and at different management levels starting with the directors. It was feared then that cases of absenteeism disrespect coupled with under productivity would become apparent in the bank. The challenge to management would become how to recruit, select, train, discipline, transfer, promote and even lay off some employees to achieve the new organization structure as was being proposed with the consultants. This would have an effect on AB implementation as it had been decided that the staff to run with the new department would all be from within the bank.

The issue of physical resources to be used in the implementation presented another challenge. This was because the strategy required the use of handsets, pos terminals or computers whichever of these would be suitable. The challenge came about as either to purchase them for the Agent Bankers or to let them acquire their own sets. If the same had to acquire their own sets, would they be compatible with the system or would modifications be required. The issue of affordability of the POS terminals at all agent outlets was seen as a budgetary issue that would be tackled through two throngs i.e. to lease the machines at a premium as it still belongs to the bank or to let agents who could afford the same purchase for themselves. The interview also depicted the issue of merchant outlets. These were outlets that were doing business and already had the machines installed at their premises and would only require a systems upgrade in order to carry out the AB transactions. A similar approach had been done by Post Bank and was working out well albeit during the banking hours only.

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

External communication was also viewed as a challenge. The right information was required to reach the customer. This would be the basis through which the customer would build a basis for trust to the agents. Communication via the media both audio and visual would stamp the ability of the Agents to perform the function on behalf of the bank. It would show that the transactions through the Agents would be as trustworthy as transactions through the banks premises. To stamp this the Agents would also form a channel for external communication. The customers they would serve would pass the same information of how the service was to another person who would then want to try the service. It would then be a big challenge if what was being advertised as being offered would be different from the experience that the customer would receive once at the Agents outlet.

KCB has a wide product range covering about 110 products. The interviews revealed that there was a challenge in defining the product segment that would fit well with the new strategy. An approach had to be decided on what would best benefit the bank while at the same time remain appealing to the customers. The current customer is informed and geared towards a product range that would meet his requirements while at the same time remain affordable. He is a consumer who is geared towards instant satisfaction; he is a consumer who is concerned with time and how fast he can attain what he requires. This presented the challenge of online real-time presentation of information that the customer would deem satisfactory. Incidentally the customer had the view that KCB had the inherent culture of a parastatal of being slow. The new strategy would have to address this challenge and present it as a system of a gone error. This would require that for any transaction via AB, the feedback would be instantaneous and accurate.

The simple products of withdrawal and deposits were chosen to pilot the performance of the strategy before implementation. In the process it would detail the technicality of what information was needed by the Agent that would be offered by the customer. At this pre implementation stage, the interview gathered that a number of customers did not know their account numbers off head and had to move around with their ATM cards to be sure of the account numbers. Some customers in their feedback forms indicated that they normally would not move around with their ATM cards for security reasons. They said that in the case where they lost their ATM cards the process of disarming the cards would require them to call the KCB head office of which the numbers they did not know. Thus the implementation team had a task of finding out how best to serve such customers.

The success of implementation would also require a KCB platform referred to as KCB Connect. This was an earlier introduced system that connected the customers' mobile phone numbers to their KCB accounts using the service providers. Through the KCB Connect system, customers could access information about their account balances, they could know if there was a credit or a debit into the account, they could send money to their m-pesa or any other KCB account and they could also pay a number of bills. KCB Connect was therefore structured in such a way that it sorted out most issues that required e-money and only fell short when the customer required liquid cash. This would then force the customer to visit an ATM machine or a bank. The challenge that the new strategy presented was one where all customers who desired to withdraw cash from an Agent outlet would have to have been connected to KCB Connect. The numbers of customers who were already connected was very minimal in comparison to the number of account holders in KCB. Apart from the number being minimal there was also the issue of utilization of the KCB Connect Service. Only a limited number was using the service then and to make AB known and appreciated, customers would need to be informed of the positives of having KCB Connect.

The in-depth interview also revealed a greater challenge in its operations; the challenge of frauds and money laundering. CBK was more concerned about this issue as internationally the threat of terrorism was very real. It was easy that a person suspected of having done such criminal activities would have his pictures shred in the system of the banks and the staff would then be on a look out for such individuals. Through an Agent outlet, the same would not be possible as only a limited amount of information would be let out. Before the strategy was to be implemented it was found necessary that an Agents handbook be developed. This would help mitigate risks in frauds and money laundering. The agents would also need deeper training on how to mitigate the same. The international Anti Money laundering Policies issued after the twin attack in the United States of America have been more responsible in ensuring that countries and more so banks follow a particular system, rules and procedures when dealing with international money. KCB being an international bank would also comply with the same to ensure its continuous existence.

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

4.4 Discussion

All organizations must continually be geared towards improving their products and services in order to ensure survival (Johnson and Scholes, 2002). This is because the current consumer is dynamic and he at all times requires to do things differently with improved efficiency. The Y generation is for example very informed with matters that involve IT. Products that are geared towards this demographic segment must therefore entail these needs in order to look relevant to them as they are making the next big purchasing decisions. The study shows that KCB is targeting AB segment of this population by the introduction of AB. Through AB, KCB Group Ltd is making use of modern technology to reach this market segment as much as it appreciates reaching its entire network of clients.

This study supports the argument that the ability to build and manage effective teams is an important part of implementing strategies (Swartz, 1985). Effectively managing the teams may include recruiting, selection, training, discipline transferring and promotion of team members to achieve the organizational objectives. While implementing AB, KCB was undergoing a restructuring process that allowed a good structure to be put in place to facilitate AB implementation. The structure too of AB changed severally in KCB from being headed by a director, then a Unit Head and finally a Divisional head. This metamorphosis was to identify a suitable working system that would propel the strategy to attain its objective.

Leadership has always been associated with success or failure of a strategy. The top leadership always takes the credit for a successful strategy or responsibility for the same. Leadership entails making decisions from among options and mobilizing others to get the job done. When the organization feels the leaders support in a project, the same will be embraced with both hands but the absence of leadership throws the strategy into ambiguity. This is because the vision is carried by the leadership and leadership has the responsibility of communicating the vision to the organization. The leadership in KCB took up the role of communication to the staff in a way that the staff had a feeling of ownership of the strategy. They were built as a team with the aim of success in achieving the organizations objective. The findings of this study do agree with that of Dr. Lucy (2008) in her study of challenges to implementation of strategy in JKL found out that leadership plays a big role in strategy implementation especially through communication. The leadership in KCB emphasizes the need for strategy implementation by emphasizing the need for the same.

Strategic Planning is an important tool through which a number of challenges to strategy implementation can be overcome. During the planning process the organization was able to identify quick wins through which implementation would have to pass through. A research conducted by Gray in 1986, (Gray 1986) showed that planning helps mitigate implementation problems. About two thirds of the respondents in Gray's research traced their implementation problems to poor or lack of planning. A successful implementation relies heavily on how the, systems, relationships and structures in an organization are institutionalized and how easily they can adapt to change (Johnson and Scholes, 2003). The flexibility or the rigidity of these factors can support or challenge the effectiveness of implementation.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of the findings, conclusions reached as well as the recommendations there-of. The chapter concludes with the limitations of the study and suggestions for further studies.

5.2 Summary of Findings

The objective of the study was to establish the challenges of implementing Agency Banking as an expansion strategy in KCB. The results were analyzed and presented in order of the objective. The findings showed that challenges faced were both from the external and internal environment. The identification of these challenges was paramount so that methods to mitigate or to minimize them would be overcome.

From the discussion it is noted that the external challenges to implementation included political factors which dictated the political environment of doing business, government policies issued through the Central Bank that dictated the requirements of the prospects who could be allowed to do the Agent Banking business, the use of other company's networks which the bank has no power or control over and other factors such the competitive market. These were identified to be unfriendly to implementation as they dictated certain regulations that brought limitations to how much the expansion could be attained. Some regulations discouraged potential agents, e.g. the licensing regulations required payments upfront and these reduced the pace of implementation as Agents did not have ready money to pay. The findings indicate that the competitive environment was a challenge to the implementation as it encouraged a high staff turnover. AB was new in the Kenyan market and therefore staff movement from KCB Group Ltd to other organizations was common and slowed down implementation. The result was that more staff needed to be trained to mitigate on the movements.

The internal challenges to the implementation included behavioral resistance to change from the common norm of slackness in a public sector culture to the dynamic culture that is expected of companies operating in a competitive environment. The initial management structure was changed severally to include AB as a Division that could stand on its own and later as a unit under a broader division. The system was also inappropriate and needed modification in order to support implementation. There were challenges in communication and how the information was received. The study depicts a misunderstanding of the communication as portrayed by those receiving it. There were inadequacies in human resource capital as all staff needed training yet the time span had not been enough. Physical resources were limited due to the use of new technology and financial resources were strained as the initial budgets had not included AB.

The findings of this study indicate that implementation of strategy is not easy and many factors have to be in place for a smooth implementation. The study showed that the strategy implementation came with some structural changes. This did help to accommodate the new strategy in a way that it faced minimum resistance especially when a unit was created to undertake the implementation and success of the new strategy. It was noted that there was some resistance from personnel which may have been due to the organizational culture or the fear of the unknown. To overcome this, the leadership took an active role in spearheading the change and gave constant communication so that the staff were well aware of the benefits that the strategy would bring into the organization.

5.3 Conclusion

The key findings of this study were that KCB faced challenges in implementing Agency Banking which included the government regulations through the Central Bank, this stands for the external environment, competitors who were playing a different ball game by head hunting employees or pricing their products affordably and coming up with systems that are easier to manipulate, the systems itself which brought the challenge of introducing it to the people, training and then ensuring that it was up all the time in order for it to be appreciated and recruiting and structuring the staff in order to appreciate the required benefits of implementation. These findings support the argument that key factors such as structure, processes and organizational culture need to change in order for strategy implementation to take place successfully. It also supports the argument that the benefits of a strategic decision can only be seen when strategy is implemented. In implementing an expansion strategy planning must become paramount and not only on the strategy itself but also on other key factors such as personnel. It is seen that personnel or staff play a key role in strategy implementation and the aspect of their morale, feelings or ownership of the project should be into considered in the planning stage. Methods such as employee recognition or compensation act as motivators for performance and morale which adds to the support that staff give to their organization. The aspect of involving employees in key decisions or in the planning stage of a strategy helps overcome challenges that would otherwise be eminent from resistance.

The study also depicted that during a period of strategy implementation certain negative forces work towards hindering implementation. It is seen from the study that staff exits to other organizations either voluntary or forced is inevitable. This is due to new job profiles created while others fall away. This raises the issue of uncertainty on the personnel as they often become anxious and unwilling to participate wholly in the firms operations until their fate is known. Good and timely communication helps to mitigate this as a risk of the organization not performing to the correct standards.

KCB has faced challenges in the implementation of AB as an expansion strategy in the bank. These challenges as discussed were both internal and external to the organization therefore limiting the control within which the bank would have had over implementation. It is notable to say that although the challenges were many and diverse, the implementation took a reasonable length of time, effort and budgetary measures that the KCB has considered as a learning process. KCB is a growing from the tags that had been accorded to government institutions of slowness and lack of interest to its customers, to an organization that is focused on growth, modernization and technological advancement. The ability of KCB to appreciate the need for strategy is a catalyst for appropriate expansion.

5.4 Recommendation for Policy and Practice

KCB stands to benefit a lot from the implementation of Agency Banking. The bank is set to see its customers reduce the time spent in queues in the banking halls for services that can be rendered by its agents. This will free a number of bank staff to concentrate on other key activities of the bank such as sales and customer visits thereby improving its customer service and relationship management. KCB thereby needs to develop policies that help train its agents to treat its customers with the acceptable standard of the bank and also come up with methods that audit the service quality of each agent.

There will be a remarkable reduction of the operational costs to the benefit of the bank. With the introduction Agency banking, the bank will see no need to put up in buildings that attract rent, additional staff or other operational costs. This will improve the banks balance sheet and thereby its value of shares hence benefiting its shareholders. The bank therefore needs to develop channels that enhance a good network of its presence in areas where it is seen as uneconomical to put up branches. By establishing geographical boundaries and the maximum number of agents that can operate in a particular place, the bank will not only provide motivation to its agents but also regulate the business in a way that is acceptable to the public without the normal abrasive relationships among competitors.

The government’s vision 2030 has been a catalyst to the inception and acceptance of Agency Banking. It is clear that the Agents conducting business on behalf of the banks will have to handle money that is owned by the public, they will come into the knowledge of the public's documents and bank accounts. This information needs to be regulated and policies put in place on how these operations are conducted. Information as this was generally considered confidential and will need to be treated as so even at this times when the world is becoming a global village.

Many other commercial banks and institutions will want to join in the fray of Agency banking. Regulations should be put in place by the GOK through the CBK to regularize entry into AB. Without this, many banks entering into the Kenyan market will not see the need to put up buildings but will operate through agents and the liquidation of such sin simple. The economy may suffer from such an influx of banks whose setting up does not require a large capital infrastructure. This study recommends that strict adherence to banking regulations should still be the basis for allowing Agency Banking within other FIs.

Other organizations that deal with mobile money such as Safaricom, Airtell, Orange or Tangaza and are not financial institutions but mobile service providers also need to be regulated through the Central Bank when this product is considered. This is because strict adherence to regulations some punitive as prescribed by the Central Bank give the Mobile phone service providers an easier operating ground in comparison with the banks yet the principle in operating the two products are the same. There is therefore a need to develop regulations and policies for any organization that wants to enter into the mobile money market and the same should be adhered to in order to have uniformity in the sector.

The government should also come up with supportive mechanisms to encourage such ideas that aid in attaining its vision 2030. This study recommends that strategies such as these that improve the level of technology, create employment, expand services to the remote areas and also improve the levels of education should be given tax exemptions or rebates for a number of years till the same implemented and takes root. As the government gives tax holidays to international companies and organizations that set operations in the country, the same should be used to encourage local companies that show support to government strategies in support of developmental goals.

5.5 Limitation of the Study

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

The findings of this study are also limited to KCB as an organization. The factors that were in operation at the time of the study would be different for any other organization at a similar or different time. These negate the possibility of any generalization for other organizations undertaking a similar strategy and therefore limits the findings to KCB.

The findings of this study are also based on the study alone and not on any other similar study that may have been carried out before. If a similar study would have to be undertaken for a different organization, the findings of this study would either be different or similar but would not be exactly equal to the other one.

5.6 Suggestions for Further Studies

There is need to undertake further studies in the challenges to strategy implementation in the banking sector. This will necessitate the understanding of the challenges as a way to help reach the population that does not use banking services due to the lack of buildings housing financial institutions. It would be important to study Agency Banking in other financial institutions as this will provide more in-depth analysis of AB as a strategy that can be used in expansion. It will also help to generalize key findings from cross-sectional and longitudinal findings from different studies.

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

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APPENDICES

APPENDIX I: Letter of Introduction

I want to thank you for taking the time to meet with me today.

My name is Edwin Otieno, I am a Postgraduate Student in the school of Business at The University of Nairobi .I am undertaking an academic study on the challenges of implementing an expansion strategy. I would like to talk to you about your experience in the bank more especially on the challenges you underwent during the implementation of Agency Banking as an expansion strategy.

The interview should take less than an hour. Although I will be taking some notes during the session, I may not write as fast as possible to capture everything, in this regard I may request for some clarity.

All responses will be kept confidential. This means that your interview responses will only be shared with the study team members and we will ensure that any information we include in our report does not identify you as the respondent. Remember, you do not have to talk about anything you do not want to and you may end the interview at any time.

Might you have any questions about what I have just explained?

Are you willing to participate in this interview?

APPENDIX II: Interview Guide for the Head of Agency Banking.

1. What does Agency Banking entail?
2. What role do you play in implementing Agency Banking?
3. What would you say are some of the reasons that could lead an organization to adapt an expansion strategy?
4. How do you operationalize your strategic plans?
5. Please describe briefly how implementation plans were developed and who were involved.
6. What was the leadership's role in the implementation of AB?
7. How was the staff prepared for the implementation of Agency Banking?
8. In your own words can you say to what extent communication advanced or hindered Agency Banking?
9. Were there any barriers e.g. staff turnovers, lack of key support or lack of technical assistance experienced during the implementation? How did you overcome the barrier(s)? Please explain.
10. What role would you say training played in the implementation process? Would you say the training period was adequate?
11. Would you say that the management and staff had the required skills to oversee the implementation of AB? Please explain
12. Could you say that there were some policies and procedures that had to be changed to allow for implementation? Please explain.

13. Can you share with me how the organization structure supported or did not support the implementation? Have there been any changes on the structure since?
14. What plans (if any) were put in place to reward employees who played key roles in the implementation? How would you say this boosted their motivation?
15. Did you experience any uncontrollable factors in the external environment that adversely impacted on AB implementation? Please explain.
16. What measures were taken to mitigate these uncontrollable factors?
17. Is there a monitoring system or plan put in place for AB to ensure it is in tandem with the corporate plan?
18. What can you say did not work well to support the implementation?
19. What practices, procedures, tools, etc., would you recommend be sustained and/or scaled up? Please provide a justification for your response.
20. What recommendations do you have for future efforts such as these? Is there anything more you would like to add?

Thank you again for your time.

APPENDIX III: Interview Guide for Regional Heads of AB.

1. What in your opinion would you say was or were reasons that led KCB into adopting Agency Banking?
2. How would you say the management prepared for the implementation of Agency Banking?
3. How sufficiently would you say the other staff prepared for the implementation of Agency Banking?
4. How was the implementation communicated to you? Could you say there was enough or lack of it that advanced or hindered the implementation?
5. Was there any kind of assistance that you were expecting and was it forthcoming during the implementation? Please explain.
6. What role would you say training played in the implementation process? Would you say the training period was adequate?
7. Would you say that operations policies and procedures favored the implementation? Please explain.
8. Would you know of any plan(s) that was (were) put in place to reward employees who played key roles in the implementation? How would you say this boosted their morale?
9. What can you say did not work well to support the implementation?
10. What practices, procedures, tools, etc., would you recommend be sustained and/or scaled up? Please provide a justification for your response.
11. What recommendations do you have for future efforts such as these? Is there anything more you would like to add? Thank you again for your time.