ALIGNMENT OF STRATEGY TO INDUSTRY CRITICAL SUCCESS FACTORS AMONG COMMERCIAL BANKS IN KENYA

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

NOVEMBER, 2014

DECLARATION

This Management project is my original work and has never been presented for an award of diploma or degree in this or any other university.

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This Management project has been submitted for examination with my approval as the University supervisor of the above signed student.

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DEDICATION

This research work is dedicated to my dear wife Rozina and my two sons Elvis and Alvin for their unwavering support, encouragement understanding and their unconditional love for me.

ACKNOWLEDGEMENT

This project has been accomplished with great encouragement, support and contribution from a number of people to whom I am deeply indebted. First special thanks to my Supervisor, Dr Maalu, for the guidance and support that has greatly contributed to the successful completion of this work.

Secondly my sincere gratitude goes the leadership of all Commercial banks in Kenya who allowed me to conduct the study in their respective organizations. Special thanks goes to the CEOs who took time to respond to my questionnaires.

To my colleagues and the management of Consolidated bank, Nkurumah Branch for their understanding and support during the entire program. To my friends Steve, Patrick, Samuel and Ken for their encouraging words and moral support.

Finally to my Parents Mr and Mrs Kagwaini and my Parents in law Mr and Mrs Mwandawiro for their encouragement and prayers in my entire academic journey not to forget my brother and my sister and my brother and sisters in law, may God greatly reward you for your undying love for me.

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
CSFs	Critical Success Factor(s)
CRB	Credit Reference Bureau
DTM	Deposit Taking Micro-Finance
ERP	Enterprise Resource Planning
KBA	Kenya Bankers Association
MFC	Mortgage Finance Company
PIMS	Profit Impact on Market Strategy.
TMS	Top Management Support

ABSTRACT

The research report is about the alignment of strategy to industry critical success factors among commercial banks in Kenya. The objectives of the study were, to determine the extent to which commercial banks align strategy to industry critical success factors and the forces that influence the alignment. By aligning strategy to industry critical success factors, commercial banks can streamline its operations and maintain sustainable competitive advantage within the industry.

The survey focused on all 43 commercial banks in Kenya and the data was mainly primary data. The primary data was gathered through the use of self administered questionnaires to the CEOs of the respective commercial banks. The researcher used descriptive data to find out the extent to which commercial banks align strategy to industry critical success factors and also determine the forces that influence this alignment. The respondents exhibited a high level of knowledge of the critical success factors as well as alignment of these factors to strategy. The response rate was 83% where thirty six of the forty three commercial banks responded. The findings reveal that majority of commercial banks in Kenya align their strategy to critical success factors in that in every critical success factor, majority of the banks have a strategy to support it.

It was concluded that commercial banks that align strategy to industry critical success factors are able to survive and gain a competitive advantage over other commercial banks. From the study, customer service, product range and pricing as well as adoption of ICT emerged as the most important critical success factors. The study also revealed that majority of commercial banks have strategies to support these critical success factors.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The concept of critical success factors was first introduced by Rockart (1979), as a mechanism to identify the information needs of Chief Executive Officers as way of helping them define their information needs for the purpose of managing their organizations. Rockart defined CSFs as limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are those things which must go right for an organization to achieve its mission: the critical factors or activities required for ensuring the success of the business. Strategy is the direction and scope of an organization over a long term (Johnson & Scholes, 1999). For organizational success the CSFs should be leveraged on the strategy to ensure organizational sustainability. In a competitive environment, the first priority of an organization should be to reach its customers effectively by taking maximum advantage of its Critical Success Factors. (Pearce and Robinson 1997).

Environmental changes such as technology and innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations in that organizations have been forced to enhance their business processes in order to survive the environment which has become increasingly competitive (Ansoff, 1987). Boseman (1989) describes an organization to be "open" to its environment in the sense that the internal functioning of the firm affects and in turn affected by the external environment. In order to survive in this very dynamic environment, organizations need strategies to focus on their customers and deal with emerging environmental challenges. To remain competitive in this dynamic environment therefore, there is need for organizations to leverage their strategy to the ever changing industry critical success factors. These success factors keep on changing hence organizations should continuously review their strategies to accommodate these ever changing critical success factors.

The environment within which commercial banks operate is constantly changing, hence the need to constantly scan the environment to identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions. Today's customers in any industry, are becoming more and more knowledgeable, with their tastes, preferences and quality expectations continuing to change hence the need for business organizations to meet these changing needs and expectations. In light of these key developments in the banking industry, and considering that CSFs vary from industry to industry and change from time to time, there is great need for commercial banks to align their strategy to these industry success factors. This will guarantee sustainable competitive advantage for the compliant banks.

1.1.1 Strategy and Industry Critical Success Factors

A strategy is a long term plan of action designed to achieve a particular goal, most often winning. Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for plan of action that will develop a business competitive advantage and enhance it. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Clayton, 1997). Ansoff (1987), views Company's strategy as the game plan management has for the company in the chosen arena for competing successfully, pleasing customers and achieving good business performance. Strategy is the commercial logic of a business that defines why a firm can have a competitive advantage. It is what a company does and how it actually positions itself commercially and conducts the competitive battle (Koch, 1995).

According to Grant (2002), strategy plays a key role in the success of any business firm. He argues that is about winning and further describes strategy as a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organization. Johnson & schools (1999) describes strategic fit as ‘developing strategy by identifying opportunities in the business environment and adopting resources and competencies so as to take advantage of these’. Strategy operates at various levels of the organization. Corporate level strategy is concerned with the overall purpose and scope of an organization and how value will be added to the different parts of the organization. Business strategy on the other hand is how to compete successfully in particular markets through various strategic business units in a firm.

Lastly operational strategy is concerned with how component parts of the organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

Claire (2008) defines Critical success factors as those things a company has to do to successfully meet the expectations of customers and other stake holders. She also argues that in order to satisfy stakeholders, especially customers, while at the same time aiming to outperform competitors, organizations should seek to fulfill the critical success factors for the industry or market, develop competencies that provide competitive advantage and utilize competencies to meet the requirements of specific customers in a profitable manner.

If strategy is about the long-term positioning of the firm, the industry Critical success factors, the prerequisites for survival and success within an industry, must be identified to maintain a sustainable competitive advantage (Johnson & scholes, 2002). In an industry, success factors may be many, but the key ones or those with the strongest effects are few. The factors may include and not limited to management, human resources, technology, product/service quality, volume of operations or sales, financial base, location, processes and systems, corporate image and corporate governance among others. Some customers may be particularly interested in price, others reliability, yet others timely delivery, location and so on. These will be the CSFs in that industry and firms must excel in them so as to outperform competitors and gain competitive advantage. Frequently, a company with perceptive understanding of the industry success factors can gain sustainable competitive advantage by devoting its energies to being distinctively better than its rivals at succeeding in these factors. By identifying CSFs, managers are able to envision the ideal strategy for building competitive edge in the industry hence an integral part of a company's strategy (Thompson & Strickland, 1995).

Bullen (1981) acknowledged that CSFs are a necessary input to the strategic planning process and that, for an organization to be successful, its strategy must be developed to allow it to excel in those areas where high performance is critical. Pearce and Robinson (1997) contend that the Critical success factors for a service industry include: Product quality, customer service, employee morale, competition, and cost control, product performance against specifications, marketing and expansion of a company's product line.

According to Leidecker and Bruno (1984), identification of critical success factors is an important element in the development of a firm's strategy, as well as being, an integral part of the strategic management process. Some of the techniques used in the identification of critical success factors include: environmental analysis, analysis of industry structure, industry/business experts, analysis of the competition, analysis of the dominant firm in the industry, company assessment, temporal/intuitive factors, and PIMS (Profit Impact on Market Strategy) results (Leidecker and Bruno, 1984).

Critical success factors (CSFs) define key areas of performance that are essential for the organization to accomplish its mission. Managers implicitly know and consider these key areas when they set goals and as they direct operational activities and tasks that are important to achieving goals. However, when these key areas of performance are made explicit, they provide a common point of reference for the entire organization. Thus, any activity or initiative that the organization undertakes must ensure consistently high performance in these key areas; otherwise, the organization may not be able to achieve its goals and consequently may fail to accomplish its mission (Caralli 2004)

1.1.2 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya (CBK), governs the banking industry in Kenya. The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Ministry for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at 31st December 2012, the banking sector consisted of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company -MFC), 5 representative offices of foreign banks, 8 Deposit-Taking Microfinance Institutions (DTMs), 2 Credit Reference Bureaus (CRBs) and 112 Forex Bureaus.
(KBA 2012).

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's .The KBA serves a forum to address issues affecting members. Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking product (KBA 2012).

Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.The main challenges facing the Banking sector today include; New regulations; For instance, the Finance Act 2008, which took effect on 1 January 2009 requires banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012. This requirement, it's hoped, will help transform small banks into more stable organizations. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply, Global financial crisis experienced in late 2008 is expected to affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets, Others challenges includes declining interest margins.

The Kenyan banking sector recorded enhanced performance in 2012 riding out turbulences in the macro-economic environment. The sector recorded a 15.3 percent growth in total net assets from Ksh. 2.02 trillion in December 2011 to Ksh. 2.33 trillion in December 2012.
Similarly customer deposits increased by 14.8 percent from Ksh. 1.49 trillion in December 2011 to Ksh. 1.71 trillion in December 2012.(CBK 2012). The Kenyan banking sector witnessed various developments in 2012. The developments were in line with the banking sector's aspirations of an inclusive, efficient and stable sector as envisioned under Kenya's economic development blueprint, Vision 2030.

Some of the key developments in the banking sector in 2012 include: - Increased number of banks and deposit taking microfinance institutions leveraging on advancements in information and communication technology, especially mobile phone technology. Through these innovations institutions enhance convenience to their customers who are able to access their services anywhere at any time at reasonable costs; Rollout of agency banking networks by four additional banks and operationalisation of the Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions in January 2012; Commencement of the comprehensive review of the credit information sharing regulatory framework to address any obstacles noted since rollout in 2010, widen its scope to include sharing of positive credit data and to incorporate Deposit Taking Microfinance Institutions in the mechanism and lastly increased interest in Kenya by foreign banking institutions, some of which have applied to open representative offices. One foreign bank was granted authority to commence operations of a representative office out of the four applications receive (CBK 2012).

The main success factors in the banking industry includes; leadership, product range, employment of modern technology, branding, convenience to customers, business location, reasonable cost of banking services, corporate governance, service delivery, size of the bank and human resources. Kenyan Banks more than any other business are experiencing severe challenges as competition intensifies both from the traditional competitors and new forms of competition from outside the sector. Much of it has to do with the liberalization of the economy that allows even non-financial institutions to offer financial services which were previously a preserve for the banks (Kiarie, 2009). The industry Critical success factors (CSFs), the prerequisites for survival and success within an industry, must therefore be leveraged to strategy in order for banks to maintain a sustainable competitive advantage. As a result the study intends to establish the extent to which Commercial banks in Kenya align strategy to industry critical success factors as well as the forces influencing the alignment within the Banking industry in Kenya.

1.2 Research Problem.

Claire (2008) argues that in order to satisfy stakeholders, especially customers, while at the same time aiming to outperform competitors, organizations should seek to fulfill the critical success factors for the industry or market, develop competencies that provide competitive advantage and utilize competencies to meet the requirements of specific customers in a profitable manner.

Critical Success Factors are strongly related to the mission and strategic goals of a business or project. Whereas the mission and goals focus on the aims and what is to be achieved, Critical Success Factors focus on the most important areas and get to the very heart of both what is to be achieved and how you will achieve it. By indentifying the key success factors within an industry, managers are able to envision the ideal strategy for building a competitive edge in the industry.

Today, organizations in Kenya as well as elsewhere in the world operate under increasingly competitive and ever changing environment. In order to survive and deliver goods and services effectively, they require engaging in effective strategic management processes. The banking industry is faced by various challenges today. These challenges includes high operational costs brought about by the high cost structure of the banking sector including infrastructural costs, increasing rivalry in the industry, varying customer expectations for quality service and products increasing the buyer power, increased barriers to entry and exit due to regulatory and legal constraints, keeping in pace with the changes and high cost of technology, poor infrastructure in smaller towns delimiting growth among others.

The banking industry faces stiff competition; hence for any bank to survive in this industry, leveraging the strategy to the key success factors within this particular industry becomes paramount. Gone are the days when few banks dominated the banking industry, thus enjoying a form of monopoly.

According to Rockart (1979), critical success factors common to every organization touch on financial image, technological reputation, market share, risk, profit, employee morale and performance. Wheelen (1995) argues that the financial strategy goal is to provide the appropriate financial structure to fund and achieve overall objectives. Thompson, Strickland and Gamble (1989) identified common types of industry critical success factors as technology related, manufacturing, distribution, marketing, skills and capability. Local studies have been undertaken on critical success factors. Kiarie (2009) did a survey of critical success factors adopted by commercial banks in Kenya, he established a number of factors namely; Information Communication Technology, Customer convenience, Robust human resource management ,Product range ,packaging and image, and Cost of services. However the findings of this study may not be generalized to this study because the researcher failed to show the extent to which these commercial banks align Strategy to Industry Critical Success factors.

Muindi (2006) carried out a study of CSFs on hotels in Nairobi. He gave top five hotel industries CSFs as consistency, hygiene and quality, products, employees, and customer service. Due to the fact that CSFs vary from industry to industry, these findings might be different from the ones in the banking industry hence the findings may not be generalized to this study as well. Designing and implementation of Critical Success Factors for individual commercial banks as well as aligning these success factors to strategy is therefore a priority issue to succeed in getting and maintaining a good market share and improving their overall performance. Hence this research is aimed at bridging this gap by tackling the question; “to what extent do commercial banks in Kenya align strategy to CSFs and what forces influence changes of CSFs within the banking industry in Kenya?

1.3 Objective of the study

The objective of the study is:

i) To establish the extent to which Commercial Banks in Kenya align strategy to industry Critical Success Factors.

ii) To establish the forces influencing the alignment of strategy to critical success factors.

1.4 Importance of the study

The findings of this study will not only help commercial banks in Kenya become aware of the CSFs of the industry they operate in , it will also show them the need to align their strategic plans with these factors. Commercial banks shall become aware of the stable and emerging CSFs brought about by the changes within the industry and the changing customer expectations so as to plan and put in place effective strategies leveraged on these CSFs.

Banking as a sector to contributing to the country’s economy cannot be overlooked by the government and other policy making agencies. The findings from this study will therefore be of importance because they will have the capacity of being used to formulate positive national policies which are relevant and sensitive to the forces influencing the banking sector in Kenya.

The study will act as a useful reference point to researchers and academicians in the business field for better understanding of the industry CSFs, specifically the banking industry, as well as the need to align strategy to these CSFs for sustainable competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers the theories that best relates to the area of study. It covers the environmental dependence theory as well as the dynamic capability theory. The chapter has also discussed the various empirical studies that have been undertaken before as well as the findings of these studies. Lastly it has outlined a number of Critical success factors that are common to each and every industry as well as the alignment of strategy to these factors.

2.2 Theoretical Review

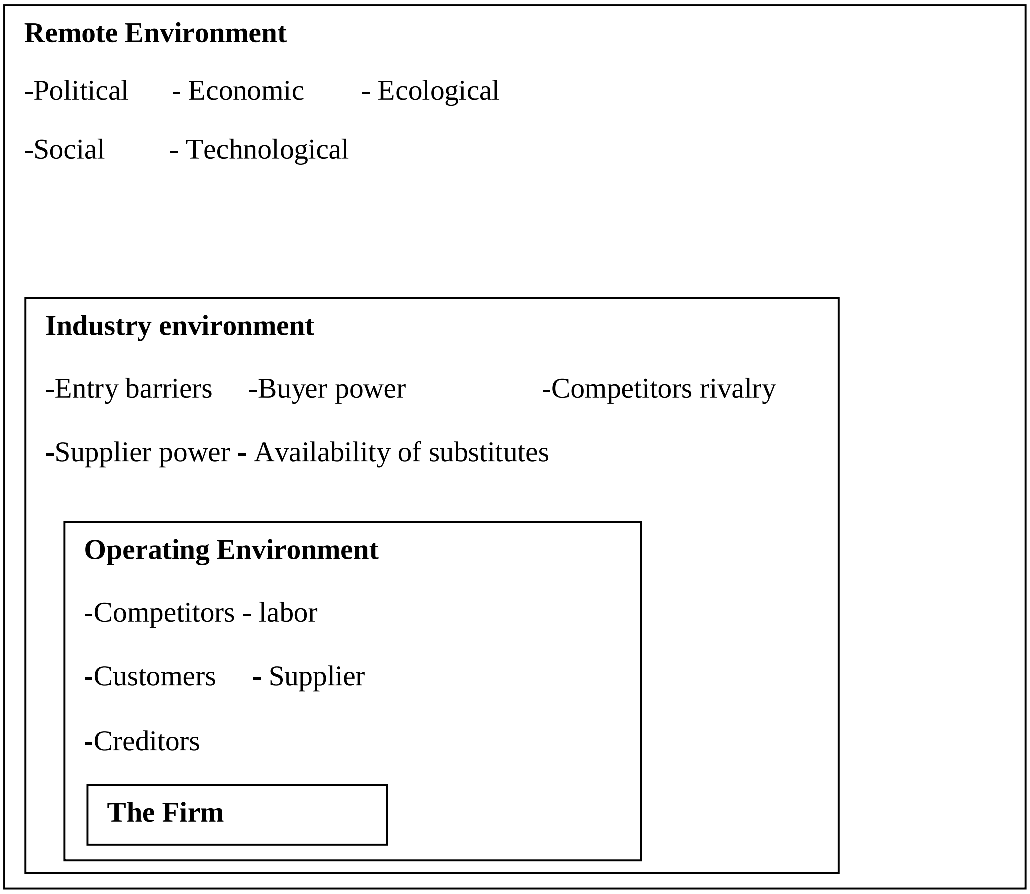
Two relevant theories will be critically reviewed; the Environmental dependence theory and the dynamic capability theory. The dynamic capability theory constitutes an extension to the environmental dependence theory.

2.2.1 Environment Dependence Theory

Environment dependence theory explains of how the external resources of organizations affect the behavior of the organization. The procurement of external resources is an important tenet of both the strategic and tactical management of any company (Davis, G.F et al, 2010). Environment dependence theory emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize returns (Fahy, 2000). A host of factors influence a firms' choice of direction and action, and ultimately its organizational structure and internal processes. These factors which constitute the external environment can be divided into three interrelated categories: factors in the remote environment, factors in the industry environment, and factors in the operating environment (Pearce and Robinson). The remote environment comprise of factors that originate beyond, and usually irrespective of, any single firms operating situation-economic, social, political, technological, and ecological factors. This remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce and Robinson, 2002). The scholars are also of the opinion that factors that more directly influence a firm's prospect originate in the environment of its industry including; entry barriers, competitor rivalry, the availability of substitutes, and the bargaining power of buyers and suppliers. The operating environment comprises factors that influence a firm's immediate competitive situation- competitive position, customer profiles, supplier's creditors and the labour market.

Organizations operate like open systems. A system being a set of components which relate in the accomplishment of some objectives. The components relate and interact within a boundary and can be closed or limited. A closed system does not depend on its environment for survival. On the other hand, an open system crucially depends on its environment for survival. It continuously consumes resources from the environment and releases resources to the environment (Ansoff, 1993).

Figure 2.1: The firms External Environment



Source: Pearce and Robinson, 2002.

As figure 2.1 indicates, general environment is the layer of the external environment that affects the organization indirectly. It includes social, demographic, and economic factors that influence all organizations equally. The task environment is closer to the organization and includes the sectors that conduct day- to-day transactions with the organization and directly influence its basic operations and performance which includes; competitors, supplier and customers (Wit and Meyer, 1998).

The business environment is being subjected to rapid degree of change and managers feel the pace of technological change and speed of global communication mean faster change now than ever before.

Ansoff and Mc Donnel (1990), argues that organizations need to undertake strategic diagnosis which is a systematic approach to determining the changes that have to be made to a firm's strategy and its internal capabilities in order to assure the firm's success in its future environment. Pearce and Robinson (2002), assert that the potential impact of changes in the environment offers a real advantage. It enables managers to narrow the range of available options and to eliminate options that are clearly inconsistent with the forecast opportunities. The environment of company in business like that of any organic entity is the pattern of all external conditions and influences that affect its life and development. This environmental influence revolves around technological, economic, social and political factors. Change in the environment of a business necessitates continuous monitoring of a company's definition of its business to ensure its own survival (Andrews, 1971). He argues that the determination of a suitable strategy for a company begins by identifying the opportunities and risks in its environment.

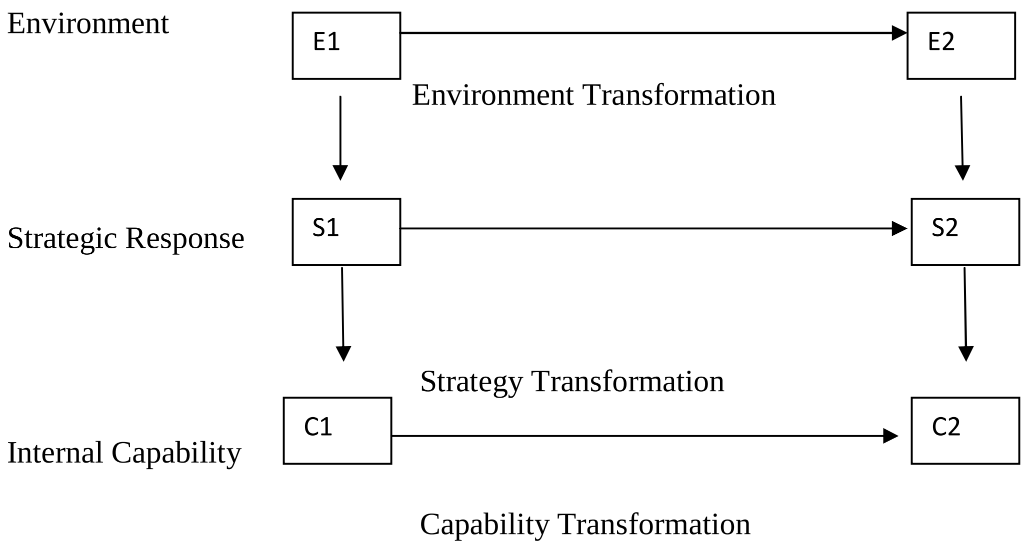
2.2.2 Dynamic Capability Theory

The dynamic capabilities theory constitutes an extension to the environmental dependence theory. A capability is a set of learned processes and activities that enable a company to produce a particular outcome. Dynamic capabilities, unlike ordinary capabilities, are unique to each company and rooted in the company's history. They're captured not just in routines, but in business models that go back decades and that are difficult to imitate (Teece et al., 1997).

While some see dynamic capabilities as the key to competitive advantage others seem to doubt that there is actually such a thing.

The term ‘dynamic’ refers to capacity to renew competences so as to adapt to the changing business environment. The term ‘capabilities’ emphasizes the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational skills, resources and functional competences to match the requirements of a changing environment (Teece et al., 1997). The dynamic capabilities approach is not merely an inward-looking view of the organization and its strategy. Its central focus is on the degree of ‘fit’ over time between an organization’s changing external environment and its changing portfolio of activities and capabilities (Porter, 1996). These dynamic capabilities allow the firm to move away from previous change practices, towards new dynamic capabilities. Regenerative dynamic capabilities are likely to be deployed by firms whose managers perceive that the environment is turbulent, where external changes are non-linear and discontinuous (D‟Aveni, 1994). As Zahra *et al*. (2006) explain in volatile environments such as in high-technology industries firms need to repeatedly reconfigure their set of valuable resources and as a corollary they need to be able to have the capacity to modify their current dynamic capabilities. The presence of these dynamic capabilities can be inferred, as it may help explain why some firms find success in the face of environmental turbulence, whilst their competitors fail (Danneels, 2002).

Figure 2.2: Managing the firm's adaptation to the environment



Key

E1	Current Environment	E2	Future Environment
S1	Current Strategy	S2	Future Strategy
C1	Current Capability	C2	Future Capability

(Source: Ansoff and Mc Donnel 1990)

As shown in figure 2.2 above, when there is an environmental shift from E1 to E2, the organizations strategy has to be changed from S1 to S2 in order to adapt to the change in environmental conditions; unless this is achieved then there will be a strategy gap. However, this is only possible when the organization capability is changed from C1 to C2. Environmental turbulence is a combined measure of the changeability and predictability of the firm's environment; it can be described by the difference between present and future critical success factors within a strategic business area.

According to Johnson and Scholes (2002) analyzing strategic capability of an organization is important in terms of understanding whether the resources and competencies fits the environment in which the organization is operating, and the opportunities and threats which exists. They argue that the strategic capability can be related to three main factors; the resources available to the organization, the competence with which the activities of the organization are undertaken, and the balance of resources, activities and business units in the organization.

2.3 Critical Success Factors

Critical Success Factors are those functions, activities or business practices, defined by the market and as viewed by the customers that are critical to the vendor/customer relationship. Critical Success Factors are defined by the market and by the customer, not by the company. They revolve around skills, processes and systems. Outstanding performance in those areas results in “order winners” (Johnson & Scholes 2002). It is commonly understood that critical success factors are rooted to the nature of industry in which a firm is operating. However, there are generic critical success factors that are applicable to every organization. According to Rockart (1979), critical success factors common to every organization touch on financial image, technological reputation, market share, risk, profit, employee morale and performance.

Peace and Robinson (1997) on their part argue that critical success factors identify the performance areas of greatest importance in implementing the company’s strategies and must therefore receive continuous management attention. Pearce and Robinson (1997) also emphasized that each critical success factor must have measurable performance indicators and can communicate the critical elements for which operational managers are responsible thus creating a foundation for teamwork among managers in meeting the firms' strategic objectives. Porter (1985) observes that determining the industry's key success factors, given prevailing and anticipated industry and competitive conditions, is a top-priority analytical consideration. At the very least, managers need to understand the industry situation well enough to know what is more important to competitive success and what is less important. They need to know what kinds of resources are competitively valuable.

Misdiagnosing the industry factors critical to long-term competitive success greatly raises the risk of a misdirected strategy. In contrast, a company with perceptive understanding of industry CSFs can gain sustainable competitive advantage by training its strategy on industry CSFs and devoting its energies to being distinctively better than rivals on one or more of these factors. Indeed, companies that stand out on a particular CSF enjoy a stronger market position for their efforts - being distinctively better than rivals on one or more key success factors presents a golden opportunity for gaining competitive advantage. Hence, using the industry's CSFs as cornerstones for the company's strategy and trying to gain sustainable competitive advantage by excelling at one particular CSF is a fruitful competitive strategy approach (Porter, 1985).

Market share in business is very critical to the firm's success. A firm may choose to maintain or increase the market share sometimes at the expense of greater profits if industry status or prestige is at stake (Rudelius et al, 1994). Market share is the ratio of sales revenue of the firm to the total sales revenue of all the firms in the industry. Wendy and Raman (2008), emphasize that to understand the importance of market share, one needs to understand the impact of the learning curve which suggests that the more often we perform a certain activity the more efficient we get at doing it for reasons of labour efficiency, work specialization, methods improvement and economies of scale. They further argue that in any one market, the greater the market share the lower the costs so that the company with the largest market share should have the lowest cost structure and hence an advantage over its competitors.

According to Porter (1979), making a decision to become a technological leader or follower may be a way to achieve either a low cost or differentiation. He argues that creative technological adaptation can support the possibility for new product or for improvements in existing products, or in manufacturing and marketing techniques. A technological breakthrough can have a sudden and dramatic effect on a firm's environment. Technology in banking is a key resource in terms of magnitude and importance (Quinn et al, 1991). The investment in advanced technology is geared towards integrating the front and back office systems into seamless service delivery process therefore bringing quality and convenience to the customer. Technology in the banking sector includes the use of ATMs as compared to over the counter services, have created such convenience that give competitive edge which makes financial institutions strive to go the electronic way in almost all transactions (Market Intelligence, 2003). From a business strategy point of view, technology can change the basis of competition from low cost to product differentiation to specialization or vise vasa. Technology changes the way business firms compete or do business (McFarlan, 1991).

One of the key success factors of high performing organizations is putting their people first. Today HR executives are challenged to develop efficient and effective, simple yet powerful solutions to the people side of business. However it remains difficult to determine the exact contribution of the HR function to achieve these objectives. Human resources represent a valuable intangible asset. Latest study research shows that human resources are progressively becoming the critical success factor in organizations especially in strategy implementation. In the past, one of the main reasons why strategy implementation failed was that the human factor was conspicuously absent from strategic planning (Lorange, 1998). However employees have to be motivated in order for them to work hard. The employee motivation comes in terms of rewards. Some employees are motivated through recognition which often may be through financial rewards (champoux, 1996). A robust human resource management contributes to the performance of the firm in two ways: skills and competencies, and good practices which build competence and reinforce role behavior consistent with customer demands are likely to be successful. Consistency across practices is as important as individual employee practices (Frei et al, 1995).

Customers choose financial services based largely on availability and accessibility. The concept of convenience has, however, extended beyond availability and location due to advances in technology and innovation to include a wide range of products and services available at any time from any place (Frei et al, 1995). The development of ATMs, mobile banking services, Real time gross settlement services, EFTs, is a clear indication that banks are committing to bring financial services closer and closer to the people. Convenience is a value perceived by the customer hence different customers perceives this value differently. Therefore success of an organization depends on how well it identifies and satisfies the conveniences of different customers (Frei et al).

Customers prefer an organization with a product or products that meet their different and changing needs. Successful organizations have strong brand differentiation. They position their products and services to present a positive image that would go a long way in keeping the customer loyal to the product (KPMG, 1998). Various charges together constitute a significant level of financial costs to the customers and is one of the factors for choosing or not choosing a bank (Market Intelligence). Financial profits are a result of the pricing strategy used by the company. The company must perform an analysis of strategic factors in the pricing decision process. The firm must know the prices offered by the competitors and then strategize on how to charge a lower price than competition to increase customer loyalty and market share (Porter 1985). Banks with minimal cost structures and are able to pass on the benefits to the consumers in form of low charges for various services are likely to have higher profitability than those which levy high charges to cover inefficiencies (Frei et al, 1995).

2.4 Alignment of strategy to industry CSFs

By identifying CSFs, managers are able to envision the ideal strategy for building competitive edge in the industry hence an integral part of a company's strategy. Frequently, a company with perceptive understanding of the industry critical success factors can gain sustainable competitive advantage by devoting its energies to being distinctively better than its rivals at succeeding in these factors (Thompson & Strickland, 1995). Understanding these aspects of the industry environment is a prerequisite for an effective business strategy.

Since every firm comprises a unique set of resources and capabilities, every firm must pursue unique CSFs or generate unique strategies to pursue similar CSFs to establish a unique position of competitive advantage. Competitive strategy is about being different; it means deliberately choosing a different set of activities to deliver a unique mix of value (Porter 1996).

Pearce & Robinson (1997) argue that the CSFs identify the performance areas that are of great importance in implementing the strategies of a company and therefore must receive continuous management attention.

However, no one strategy can last forever and any corporate strategy needs to be reviewed on a regular basis, not only to ensure it is still relevant but to also ensure that the original strategy has not become blurred by misconceived operational responses to threats and opportunities that are not in keeping with the original strategy (Porter, 1996). According to Leidecker and Bruno (1984), Identification of Critical success factors is an important element in the development of a firm's strategy, as well as being, an integral part of the strategic management process. Some of the techniques used in the identification of critical success factors include: environmental analysis, analysis of industry structure, industry/business experts, analysis of the competition, analysis of the dominant firm in the industry, company assessment, temporal/intuitive factors, and PIMS (Profit Impact on Market Strategy) results (Leidecker and Bruno, 1984).

2.5 Empirical Studies

Even though critical success factors and the need to align them to strategy is an important area in the field of strategic management, this area has not attracted many researchers and the aim of the present work seeks to gain insight on the alignment of strategy to industry critical success factors within commercial banks in Kenya. According to Rockart (1979), critical success factors common to every organization touch on financial image, technological reputation, market share, risk, profit, employee morale and performance. Wheelen (1995) argues that the financial strategy goal is to provide the appropriate financial structure to fund and achieve overall objectives. Thompson, Strickland and Gamble (1989) identified common types of industry critical success factors as technology related, manufacturing, distribution, marketing, skills and capability. Local studies have been undertaken on critical success factors. Mbugua (2005) conducted a study on petroleum products retailing in Nairobi. He found the Critical success factors to be location, use of effective financial controls and assessments of periodical returns, competitive product pricing and monitoring, efficient and effective customer service, consistent product quality offering, maintenance of and effective customer service, consistent product quality offering, maintenance of an efficient credit management policy and diversification of services.

Muindi (2006) carried out on hotels in Nairobi. He gave top five hotel industries CSFs as consistency, hygiene and quality, products, employees, and customer service. Mutuku (2006) carried out studies on CSFs among heavy duty construction equipment dealers in Kenya. He found the factors to be; quality after -sales service, product attributes, product availability and dealer resources. Kiarie (2009) did a survey of critical success factors adopted by commercial banks in Kenya, he established a number of factors namely; Information Communication Technology, Customer convenience, Robust human resource management ,Product range ,packaging and image, and Cost of services.

Maina (2006) attempted to establish the KSFs of commercial banks in Kenya and outlined a number of factors, namely; good service delivery, low cost of services, robust human resource management, offering a wide product range, use of modern technology and good corporate governance. Ndungu (2003) conducted a study on the determinants of commercial banks profitability in Kenya. The findings were ; qualified personnel, ICT and quality service delivery among others Kiptugen (2003) studied the strategic responses of commercial banks to a changing competitive environment.

The key finding of this study was that banks have responded to the changing environment by restructuring and embracing new information technology. Nyaga (2006) carried out studies on resource planning systems in Kenya. He found the factors critical for successful implementation of Enterprise Resource Planning to be teamwork and composition between the implementing partners, change in management programme and culture, availability of user training, education and support, facilitating change and communication and leverage of corporate culture, top management support, business plan and vision, BPR and minimum customization, effective communication, project management, software development and IT legacy systems.

From the empirical studies review, it’s clear that most of these studies have majorly focused on the critical success factors within various industries including the banking industry. However the extent to which organizations align their strategies to these key factors have been overlooked, hence the study is aimed at filling this gap by establishing the extent to which commercial banks align strategy to industry critical success factors and also establish the forces behind the change in the critical success factors.

2.6 Summary of the Literature Review

From the literature reviewed it can be concluded that there is need to carry out studies concerning the alignment of strategy to the industry critical success factors as well as the forces influencing the alignment. The knowledge gap unearthed from the review includes the need to align strategy to industry critical success factors. Most of the studies done before tend to focus just on the critical success factors within various industries, but the need for alignment of these factors to strategy have been overlooked. The current study intends to fill the identified gap by seeking to establish the extent to which commercial banks in Kenya align strategy to industry critical success factors.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research design that was adopted by the researcher, the methods that were used for data collection as well as how the researcher undertook data analysis.

3.2 Research design

To meet the objective of the study, the researcher used a survey design. Many studies in the past have utilized this design in wide surveys to derive their evidence on various strategic management issues affecting the banking industry. A survey design was the most appropriate because it enabled the researcher to carry out an in depth exploration of the extent to which commercial banks align strategy to industry critical success factors.

3.3 The target population

The study target was the 43 Commercial banks licensed to operate in Kenya by the Central Bank of Kenya (CBK) as at June (2013). These banks operate in accordance with Cap 488 (Banking act of Kenya).

3.4 Data Collection

Research data for this study comprised mainly the primary data. The Primary data was collected through structured questionnaires. The researcher used these questionnaires because they were easier to analyze since they are in an immediate usable form, easier to administer and lastly they are economical to use in terms of time and money. These questionnaires were self administered.

The questionnaires were sent to the respondents through mail or hand-delivery, and they completed them on their own.

The respondents were the Chief executive officers of the respective commercial banks. These respondents were considered as the respondents because of their wide experience in banking and the crucial role they play in the strategy formulation process.

3.4 Data Analysis

Due to the fact that the questionnaires were quantitative, the data was analyzed through descriptive statistics (mean, percentages and frequency tables) using: Excel, SPSS and other applicable computer based analytical software. During analysis the researcher presented the information in a pictorial manner using charts and graphs accompanied by narratives explaining them.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The chapter introduces and discusses the results of the study. It provides the research findings and the results from the respondents based on the questionnaires administered to them. The study targeted a population of all the 43 commercial banks in Kenya. The response rate was an impressive 83% where thirty six (36) of the forty three (43) commercial banks responded.

4.2 Profile of the respondent commercial banks

The profile of the respondent commercial banks was obtained by looking at the following variables;

4.2.1 The period bank has been in business

Age of an organization is a key aspect in coming up with a profile of the respondent commercial banks. The section was aimed at determining the age of the respondent commercial banks. As table 4.1 indicates, it was established that majority (55.6%) of the respondents said that their banks have been in the business for over 15 years, (19.4%) of the respondents said between 21-25Yrs while 25% said 16-20years.

Table 4.1 Bank operating period

Period in existence	Frequency	Percent
Over 15 Years	20	55.6
21-25 Years	7	19.4
16-20 Years	9	25
Total	36	100

Source:Research Data

This implies that the banking industry in Kenya is more mature as most of the banks have been in existence for over a period of fifteen years. It can also imply that there exist significant barriers to entry for the new entrants like the legal and administrative requirements.

4.2.2 Number of products offered

The main aim of this section was to help the researcher get an insight of the products range offered by the respondent commercial banks. The respondents were asked to respond to the question; How many products does your bank offer?

The findings were, 41.7% stated 5-10 products while over 58.3% stated over 15 products. The findings are shown on the table 4.2 below.

Table 4.2 Number of products offered.

Number of products	Frequency	Percent
5-10 Products	15	41.7
Over 15 Products	21	58.3
Total	36	100

Source: Research Data

This shows that banks' customers have variety of products they can transact with the bank. One of the reasons that might have contributed to variety of products being offered could be the rising demand and the changing needs of the customers as well as the increasing level of competition within the industry which prompts banks to come up with more innovative products.

4.2.3 Market served

The aim of this section was to get an overview of the markets that the respondent commercial banks serve. To capture this information, respondents were asked to respond to the question; which customers do you serve? They were expected to say whether they serve; corporate customers, SME customers or both.

The findings of the study was that, 16.7% served corporate customers, 25% served SME customers while 58.30% showed that they were serving both the corporate customers and the SME customers as shown in fig 4.3 below.

Table 4.3 Market served.

Market served	Frequency	Percent
Corporate Customers	6	16.70
SME Customers	9	25
Both	21	58.30
Total	36	100

Source: Research data

This implies that banks have broadened their market base and are no longer concentrating on just one particular group of customers. They could be doing this to diversify the inherent risks as well as to gain a competitive advantage over their rivals.

4.2.4 Banking business environment

The business environment can be stable, unstable or turbulent. The main aim of this section was to help the researcher get a glimpse of the banking business environment in terms of stability. To capture this information the respondents were to respond to the question; how would you describe the banking business environment? They were expected to say whether the environment is stable, fairly stable, unstable, turbulent or very turbulent.

The response was that majority (64%) said that the business environment is stable, (33%) said the environment is fairly stable while (3%) said that the business environment is turbulent as shown on table 4.4 below.

Table 4.4 Business environment

Environment	**Frequency**	**Percent**
Stable	23	64
Fairly Stable	12	33
Turbulent	1	3
Total	36	100

Source: Research Data

This implies that banking industry operation is favored by the environment. Another implication is the critical success factors within the industry are also expected to remain stable over time and banks' managers are therefore advised to take the advantage of this scenario even as they align strategy to these success factors.

4.3 Extent of alignment of Strategy to Critical Success Factors

4.3.1 Factors critical for success in the banking industry

Critical success factors doesn't remain the same over time rather they change from time to time and they vary from industry to industry. This section was aimed at establishing the current CSFs within the banking industry in Kenya. Various factors were tabulated and the respondents were expected to tick those factors they feel are critical to the success of their respective bank within the industry. They were expected to respond to the question; Which of the following factors do you consider critical for success in the banking industry? The study established that 14% of the respondents stated customer service is the most critical factor for success in the banking industry, 9% said the cost of products/service, 10% said the product range packaging, 8% location of the bank, 6% size of the bank, 11% range of products/services and employees each, 7% corporate social responsibility, 12% ICT and leadership each. Table 4.5 has a summary of the factors critical for success in banking industry.

Table 4.5 Critical Success Factors in the Banking industry

Critical for success	No of times mentioned	Percentage
Customer Service	30	14
Cost of Products/Services	20	9
Product packaging	25	10
Location of the Bank	19	8
Size of the Bank	14	6
Range of Products/Services	26	11
Employees	26	11
Corporate Social Responsibility	15	7
Information Communication Technology	27	12
Leadership/Top Management support	28	12
Total	230	100

Source: Research Data

This implies that customer service; information communications technology, leadership and the range of products in that order are the most critical factors for the success of commercial banks in Kenya. Hence managers should exert more effort towards continuous monitoring and improvement of their banks on these four fronts.

4.3.2 Level of importance bank place critical success factors during strategy formulation and implementation

During strategy formulation and implementation, various critical success factors come in to play depending with their level of significance. This section was aimed at establishing the level of importance of various CSFs within the banking industry during strategy formulation and implementation. Respondents were expected to respond to the question; what level of importance does your bank place on the following CSFs during strategy formulation and implementation?

Likert scale was used for answering, where (1 = very low, 2 = low, 3 = Neutral, 4 = High, 5 = Very High). This question was analyzed by using the mean to identify the rank of each attribute. Table 4.3 below has a summary of the study findings on the level of importance bank place critical success factors during strategy formulation and implementation. As a result, from the study findings, it was established that customer service was ranked first (4.83), leadership /top management support was ranked second (4.75), HRM and customer convenience were ranked third (4.58), product range was ranked fifth (4.42), ICT and branch network were ranked sixth (4.25), cost of products/services was ranked eighth (3.58), location was ranked ninth (3.17)while corporate social responsibility was ranked the least with a mean of 3.00 from the Likert scale. It is also important to note that respondents were in agreement with all the statements under level of importance bank place critical success factors during strategy formulation and implementation.

This is attested by the statements having means of 4.83-3.00 respectively which stands for 'high' from the Likert scale (Msc>3.00).The findings are summarized on table 4.6 below.

Table 4.6 Level of importance bank place critical success factors during strategy formulation and implementation.

Critical factors	Mean	Std. Deviation
Customer service	4.83	.378
ICT	4.25	.937
Cost of products/services	3.58	1.131
HRM	4.58	.500
Customer convenience	4.58	.500
Branch Network	4.25	.439
Products range	4.42	.770
Leadership/top management support	4.75	.439
Location	3.17	.811
Corporate social responsibility	3.00	1.014

Source Research Data

The findings reveal that customer service stands out to be the critical success factor most important during strategy formulation and implementation. This clearly shows that in the banking industry customer service is of essence and managers should put more emphasis and focus more on customer service during strategy formulation and implementation.

4.3.3 Critical factors the bank has a strategy to support

In the banking industry it's imperative that in each and every critical success factor identified there should be a strategy to support it. This section was aimed at establishing whether the respondent commercial banks have strategies to support each and every CSF identified. The respondents were asked to respond to the question; in each of the following CSFs the bank has a strategy to support it. Do you, strongly disagree, disagree, don't know, agree or strongly agree?

Likert scale was used for to rate the responses where (1 = strongly disagree, 2 = disagree, 3 = don't' know, 4 = agree, 5 = strongly agree). Thus, this question was analyzed by using the mean to identify the position of each attribute. Table 4.4 below has a summary of the study findings on the critical factors the bank has a strategy to support. As a result, from the study findings, it was established that customer service was ranked first (4.83), customer convenience was ranked second (4.67), ICT was ranked third (4.58), product range was ranked fourth (4.42), HRM was ranked fifth (4.33), cost of products/services was ranked sixth (4.25), branch network and accessibility were ranked seventh (4.08) while corporate social responsibility was ranked the least with a mean of 3.42 from the Likert scale. It is also important to note that respondents were in agreement with all the statements under critical factors the bank has a strategy to support.

This is attested by the statements having means of 4.83-3.42 respectively which stands for 'agree' from the Likert scale (Msc>3.40). Table 4.7 below summarizes the findings.

Table 4.7: Critical success factors Bank has strategy to support

Descriptive Statistics

Strategy to support	Mean	Std. Deviation
Customer service	4.83	.378
ICT	4.58	.500
Cost of products and services	4.25	.732
HRM	4.33	.756
Customer convenience	4.67	.478
Branch Network	4.08	.649
Products range	4.42	.500
Accessibility	4.08	.649
CRS	3.42	.874

Source: Research Data

The findings imply that at least all the respondent commercial banks have in place strategies to support each and every critical success factor. Customer service, customer convenience and ICT had the highest mean scores which imply that all the respondent commercial banks place more emphasis on these factors as far a alignment to the relevant strategies is concerned.

4.3.4 Banks rating in alignment of strategy to CSFs

To remain competitive within the industry, banks need to continuously align strategies with the critical success factors. The section was aimed at determining how well the banks are performing as far as the alignment is concerned. To capture this information the respondents were asked to respond to the question; in a scale of 1-5, how would you rate your banks performance as far as alignment of strategy to industry CSF is concerned?

From the findings it was established that majority (50%) of the banks rated very good, 22% indicated excellent, 17% indicated good while 11% indicated average. Table 4.8 below summarizes the findings.

Table 4.8 Bank performance rating as far as alignment of strategy to CSFs is concerned.

Bank performance	Frequency	Percent
Excellent	8	22
Very good	18	50
Good	6	17
Average	4	11
Total	36	100

Source:Research Data

From the study it can be revealed that a good percentage of commercial banks align strategy to industry critical success factors. This could one of the reasons the performance of the banking industry have been on the rise. The banks have also realized that to remain relevant and competitive in the industry, this alignment is imperative.

4.4 Factors that influence changes in the critical success factors within the banking industry over time.

Critical success factors tend to change from time to time as the environment changes. In other words CSFs are quite dynamic but the level of dynamism changes from industry to industry. Previous findings show that the banking industry is relatively stable. However this doesn't necessarily mean that the CSFs remain the same, but they tend to change with time. This section was meant to establish the forces that influence these changes and as a result influence the alignment. The respondents were asked the question; the following factors influence changes in the critical success factors within the banking industry over time. Do you strongly disagree, disagree,don’t know, agree or strongly agree? Likert scale (1-5) was used to establish the position of the respondents where, (1 = strongly disagree, 2 = disagree, 3 = don’t’ know, 4 = agree, 5 = strongly agree). Thus, this question was analyzed by using the mean to identify the position of each attribute. Table 4.9 below shows the result on the factors that influence changes in the critical success within the banking industry over time. As a result, from the study findings, it was found that competition and changing customer needs and preferences were ranked high (4.83), followed by technology (4.67), followed by economic factors (4.42), political factors got (3.83) while social factors and globalization were ranked the least with a mean of 3.67 from the Likert scale.

It is also important to note that respondents were in agreement that all the factors outlined influence changes in the critical success within the banking industry over time. This is supported by the statements having means of 4.83-3.67 respectively which stands for 'agree' from the Likert scale (Msc>3.50).

Table 4.9 Factors influencing changes in CSFs over time

Descriptive Statistics

Factors influencing changes	Mean	Std. Deviation
Technology	4.67	.478
Competition	4.83	.378
Changing customers needs and preferences	4.83	.378
Economic factors	4.42	.500
Social factors	3.67	.862
Globalization	3.67	.862
Political factors	3.83	.697

Source: Research Data

From the findings it can be argued that, from the factors mentioned, technology, competition and the changing needs and preferences of the customers are the major factors that influence these changes, and commercial banks should stay abreast by continuously scanning the environment to adopt the latest technology, monitor competitor actions and act accordingly and lastly come up with more innovative products to satisfy the changing customer needs and preferences.

4.5 Discussion of the key findings

Commercial banks in Kenya generally target both the corporate customers and the SME customers to fully tap on the banking market and gain competitive edge in the industry. The banks continue to operate in competitive environment which has posed adverse challenges and opportunities businesses in Kenya. There has been need to develop capabilities to manage threats and exploit emerging opportunities promptly to ensure survival and success. To ensure sustainable competitive advantage, only those organizations that leverage strategy to industry critical success factors will achieve this. The findings reinforce literature from other scholars that the environment within which businesses operate is constantly changing hence there is need for commercial banks to keep on reviewing the industry CSFs in order to remain competitive. The findings of this study clearly show that the critical success factors within the banking industry are highly dynamic and commercial banks are constantly reviewing them from time to time. The study also shows that some of the leading drivers of this change in the critical success factors overtime within the industry are technology and competition. Constant scanning of the environment is therefore necessary to purposely identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions, within a fit with the organization's internal capabilities and the identified CSFs.

The findings of the study concur with Kiarie (2009) who found that the critical success factors for commercial banks in Kenya are mainly customer service, cost of products and services, range of products and services, employees, information and communication technology (ICT) and finally top management support. The findings of this study have also revealed that the CSFs in the banking industry have not remained constant. The findings indicate a dynamic change of the CSFs as occasioned by the forces at play in the environment. This observation is in agreement with a study done by Maina (2006) who observed that CSFs vary from time to time and from industry to industry. Technology change and the rising level of competition are the major forces that have led to the level of dynamism of the critical success factors within the banking industry. This has called for continuous scanning of the environment so as to work out clear strategies that would meet both the emerging and current KSFs. Since the CSFs are strategic in nature, they must be aligned to the strategy for organizational success and to ensure sustainable competitive advantage. The findings indicate that commercial banks in Kenya have aligned the major critical success factors with strategy. They have achieved this by ensuring that for every critical success factor there exists a strategy to support it. The main CSFs that commercial banks have heavily aligned to strategy includes customer service, ICT, cost of products and services and the range or the diversity of the products.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMEDATIONS

5.1 Introduction

In this chapter the findings of the study are summarized and conclusions made. The chapter also covers the limitations of this study, recommendations for further research and recommendations for policy and practice.

5.2 Summary and Conclusion

Considering that the response rate was 83%, the conclusions made from the respondents' banks will infer to the entire industry that the research had targeted. All the respondents, CEOs of Commercial banks of Kenya, were experienced enough to know about the extent to which their respective commercial banks align Strategy to industry critical success factors. It can thus be concluded that the respondents provided sound and appropriate responses in the questionnaires.

The study revealed that customer service, information communication technology, leadership and the range of products/services are the top critical success factors within the banking industry in Kenya. In addition the study shows that commercial banks in Kenya give more emphasis to the following critical success factors during strategy formulation and implementation; customer service, customer convenience, ICT, human resources and top management support. In each of the critical success factors identified, the research shows that commercial banks in Kenya at least have a strategy to support it, with customer service again getting the most emphasis together with information communication technology. Overall, the research revealed that a good percentage of commercial banks align strategy to industry critical success factors. Technology was identified as the key most factor that influences change of industry critical success factors over time, with competition and changing customer needs and preferences also contributing to this change.

From the research findings, it can be concluded that to remain competitive, commercial banks in Kenya have adopted the concept of strategic planning and have strategic plans that give them a business direction. Commercial banks need to continuously identify the dynamic critical success factors in the banking industry and make deliberate efforts to align these strategies with the identified CSFs in order to remain relevant and competitive in this dynamic industry. It can also be concluded that a good number of commercial banks in Kenya have corresponding strategy for every success factor in place. CSFs that are mostly aligned to strategy within the banking industry includes, customer service, ICT, cost of products and services, products range and to a lesser extent accessibility. It can also be concluded that critical success factors are quite dynamic within the banking industry and hence they should be reviewed from time to time in order to ensure that the banks remain relevant and competitive over a longer period of time. It has now become imperative that to survive in the dynamic banking industry, alignment of bank strategies to industry critical success factors is critical for profitability and survival of commercial banks in Kenya today.

5.3 Limitations of the study

The researcher had anticipated a response rate of 100%, however 17% of the respondents didn't respond. This could be explained by the fact that the respondents, who were the CEOs of all commercial banks in Kenya, operate under a very tight schedule hence they didn't find ample time to respond to the questionnaires or the declined to offer information as they considered the subject matter highly confidential. Time and financial resources were not adequate for an elaborate study.

5.4 Recommendations for further research

From the insights gained from this study, the researcher offers the following suggestions which should act as direction for future researchers.

i) The relationship between critical success factors (CSFs) and the key performance indicators (KPIs) within the banking industry in Kenya.

ii) Challenges in identifying the Critical success factors within commercial banks in Kenya.

5.5 Recommendations for Policy and Practice

From the summary of the findings and the conclusions thereof, the researcher recommends that:

i) Commercial banks should identify and align the industry critical success factors with strategy in order to gain sustainable competitive advantage in the market.

ii) Industry critical success factors are quite dynamic especially within the banking industry, hence commercial banks in Kenya should strive to keep abreast with these changes and adjust accordingly. One of the major drivers of these changes is technology; as a result commercial banks should strive to update their operations as technology changes.

iii) Customer service and the range of products and services offered by commercial banks in Kenya were seen as the major Critical success factors within the industry. Consequently commercial banks should strive to excel on these two fronts, if they are to remain relevant and competitive within the industry.

iv) Commercial banks’ management should also take a critical look of the country’s political landscape and strive to integrate their strategic plans within a country’s political indicators as these has become critical to the success of organizations.

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APPENDICES

Appendix 1: Questionnaire

PART A: Banking Business

1. Does your bank have mission and vision statements ? Yes ( ) No ( )
2. Whats your target market?
   Corporate customers ( ) SME customers ( ) Both ( )
3. Do you offer preferential treatment to your corporate clients? Yes ( ) No ( )
4. How best would you describe the financial performance of your bank for the last 5 years?
   Improving ( ) Declining ( ) Stagnant ( )
5. How many products does your bank offer? Please tick appropriately.
   Less than 5 products ( ) 11-15 products ( )
   5-10 products ( ) Over 15 products ( )
6. Has your bank developed new products within the last three years? Yes ( ) No ( )
7. How long has your Bank been operating in Kenya
   Less than 5 Years ( ) 5-10 Years ( )
   11-15 Years ( ) 16- 20 Years ( )
   21- 25 Years ( ) Over 25 Years ( )
8. In a scale of 1- 5, how would you rate the importance of the following as far as strategy formulation and interpretation is concerned in your organization?

   1= Not important **5= Very important**

		1	2	3	4	5
1	Vision					
2	Mission					
3	Core Values					
4	Organization culture					
5	Organization Structure					
6	Leadership					
7	Technology					
8	Competitor actions					
9	Power and Politics					

9. How would you describe the banking business environment?

Stable	( )
Fairly stable	( )
Unstable	( )
Turbulent	( )
Very turbulent	( )

10. In your own view do you think there are benefits that accrue from Strategy formulation and implementation? Yes ( ) No ( )

PART C: Critical Success Factors and Strategy

NB/ Critical Success Factors are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization.

1. Which of the following factors do you consider critical for success in the Banking industry?

Customer service	( )
Cost of products/services	( )
Product range packaging	( )
Location of the bank	( )
Size of the bank	( )
Range of products/services	( )
Employees	( )
Corporate social responsibility	( )
Information Communications Technology	( )
Leadership/Top management support	( )

Others (please specify)…………………………………………………………………………………………

…………………………………………………………………………………………………….

2. Do you consider alignment of Strategy to industry critical success factor important?
Yes ( ) No ( )
3. Do the Critical success factors within the banking industry change over time
   Yes ( ) No ( )
4. If yes above does your bank constantly reviews its strategy to match the changes in the success factors? Yes ( ) No ( )
5. What level of importance does your bank place on the following critical success factors during strategy formulation and implementation?

(1=Very low, 2=Low, 3=Neutral, 4=High and 5= very High)

	1	2	3	4	5
Customer Service					
ICT					
Cost of products/Services					
HRM					
Customer Convenience					
Branch Network					
Products range					
Leadership/Top management support					
Location					
Corporate Social responsibility					

6. In each of the following Critical Success Factors the Bank has a strategy to support it. Do you (1=Strongly Disagree, 2=Disagree, 3=Don't know, 4=Agree, 5=Strongly disagree)?

	1	2	3	4	5
Customer Service					
ICT					
Cost of products/Services					
HRM					
Customer Convenience					
Branch Network					
Products range					
Accessibility					
CSR					

7. The following factors influence changes in the critical success factors within the banking industry over time. Do you (1=Strongly Disagree, 2=Disagree, 3=Don't know, 4=Agree, 5=Strongly agree)?

	1	2	3	4	5
Technology					
Competition					
Changing customer needs and Preferences					
Economic factors					
Social factors					
Globalization					
Political factors					

8. Are there other factors you think influence changes in the critical success factors within the industry apart from the ones mentioned above? Yes ( ) No ( )

   If yes please outline them below.

……………………………………………………………………………………………………

……………………………………………………………………………………………………

9. In a scale of 1-5, how would you rate your banks' performance as far as alignment of strategy to industry critical success factors is concerned? Where, 1=poor, 2=Average, 3=Good, 4= Very good, 5=Excellent

   1. ☐ 2.☐ 3.☐ 4.☐ 5.☐

Appendix II: Commercial banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank Kenya
6. CFC Stanbic Holdings
7. Chase Bank Kenya
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank Kenya
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank Kenya
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank Ltd
27. Habib Bank AG Zurich
28. Housing Finance Company of Kenya
29. I&M Bank

30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank

(Source: Central Bank of Kenya, 2013)