FACTORS INFLUENCING STRATEGY IMPLEMENTATION AT KENYA COMMERCIAL BANK LIMITED IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for examination for any award of degree in this university or any other university.

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DEDICATION

I dedicate this study to the superb people who have given me a life full of love, affection and support beyond measure and remembrance. My father, Joannes Otieno Ongong’a who instilled in me the values of discipline, hard work and a thirst for knowledge from an early age. To the memory of my late mother, Jane Ogola Okello whose love and guidance I dearly miss. My brother, sisters, nephews and nieces who have been my inspiration. To my lovely wife Sonica for the strength, energy and motivation throughout the course and project. To my son Lesley who inspires me greatly every day.

May God Bless you all.
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LIST OF ABBREVIATIONS AND ACRONYMS

ATM------------------------Automated Teller Machine
CBK------------------------Central Bank of Kenya
CEO------------------------Chief Executive Officer
EAC------------------------East African Community
EQMS-----------------------Electronic Queue Management System
ICT------------------------Information and Communications Technology
IBEAC----------------------Imperial British East Africa Company
IMF------------------------International Monetary Fund
KBA------------------------Kenya Bankers Association
KCB------------------------Kenya Commercial Bank
NBI------------------------National Bank of India
NBK------------------------National Bank of Kenya
RBA------------------------Revenue Benefits Authority
RBV------------------------Resource Based View Theory
SMEs-----------------------Small and Medium-sized Enterprises
ABSTRACT

Strategy has its historical roots in military activities from the early times of Chinese general and strategist Sun Tzu, through to the Italian philosopher, Niccolo Machiavelli. Organizations initiate strategies to survive and achieve competitive advantage. Strategy implementation is how a firm creates the organizational arrangement that allows it to pursue its strategy most effectively in order to create sustainable competitive advantage. It is the manner an organization develops, utilizes and amalgamates organizational structure, control systems and culture to follow strategies that lead to competitive advantage and better performance. The strategy implementation process involves application of management process to obtain desired results by designing organization structure, allocation of resources, utilizing information for quality decision-making and effective management of human resources. This study had two objectives namely to establish the factors influencing strategy implementation at Kenya Commercial Bank Limited and secondly, to determine the influence of such factors on strategy implementation at Kenya Commercial Bank Limited. The case study on KCB Group found out that a number of factors that affect strategy implementation such as leadership, communication, resources, budgets, staff, systems, structure and culture were very critical for implementation by guiding and transforming the shared values to be aligned with the strategic objectives. Top management is the critical guiding element in facilitating strategy implementation at KCB Group. Leadership is key to implementation success since it is more heavily involved in strategy formulation and control processes. Leadership is delegated to middle and lower level management to afford delegation and ownership of the implementation process. The bank favours top-down strategy implementation and control so as to guide the implementation process in line with the strategic objectives and the organization’s values and vision.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are in continual strategic realignment to dynamic and turbulent environments they operate in. A number of factors determine the direction of achievement of strategy implementation. According to Wheelen and Hunger (2008), “Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures.” Formulation of strategy by a firm’s management is a challenging task but the implementation and operationalization of the strategy is even more challenging. Hrebniak (2006) argued that strategy implementation is a formidable challenge and that politics and resistance to change provide a major setback.

The study analyzed the paradigm of how strategy drives structure and the Resource Based View of the firm theory pioneered by (Wernerfelt, 1984) which states that, internal resources within management control and their configuration are important in strategy implementation. The researcher undertook a study on the factors that influence strategy implementation at Kenya Commercial Bank Limited in Kenya. The study examined the whole range of influences on the implementation process, the challenges encountered and tools for successful strategy implementation.

1.1.1 Concept of Strategy

Strategy has its historical roots in military activities from the early times of Sun Tzu, the fathers of military strategy through to Machiavelli, who reasoned that power conflict and
war are at the center stage of any strategy (Clegg, et al., 2011). Organizations initiate strategies to survive and achieve competitive advantage (Otieno, 2012). According to (Porter, 1996) organizations make strategic decisions to differentiate themselves from competition in ways that are long-term and sustainable to the future. Strategy is the game plan by management on how to position a firm in its chosen market place, competing successfully, satisfying customer needs and achieving good business performance with a long-term focus (Thompson and Strickland, 2008). The environment in which a firm operates is dynamic with frequent changes that need effective strategies to stabilize them. The implementation of any strategy is quite important in achieving the desired goals.

1.1.2 Strategy Implementation Process

(David, 1997) posited after a firm survey analysis that 10 percent of strategies are successfully implemented and 90 percent of well-formulated strategies fail at the implementation stage. According to (Charles and Gareth, 2001), Strategy implementation is how a firm creates the organizational arrangement that allows it to pursue its strategy most effectively in order to create sustainable competitive advantage. It is the manner in which an organization develops, utilizes and amalgamates organizational structure, control systems and culture to follow strategies that lead to competitive advantage and better performance (Mintzberg and Quinn, 1991).

According to Nyambane (2012) strategy implementation process involves application of management process to obtain desired results by designing organization structure, allocation of resources, utilizing information for quality decision-making and effective management of human resources.
1.1.3 Factors Influencing Strategy Implementation

According to (David, 1997) in retrospect, some of the factors behind effective strategy implementation include fit between strategy and organizational structure, allocation of resources, organizational culture, leadership, communication, monitoring, evaluation, rewards system and the nature of strategy itself. Firm management has to balance all these factors in operationalizing a strategy. An organizational structure is necessary for purposes of coordinating activities of employees and motivating them to achieve quality, innovation and skill and customer responsiveness. According to (Hill, 2001) an organization structure controls the way people behave and determines how they will act in the organization. A number of scholars argue that organization design directly correlates with bureaucratic costs, whereby a highly hierarchical and integrated organizational structure involving many managers is costly to maintain and erodes profits while a good organizational design can give a firm low-cost advantage.

The other aspect is motivating employees to enable the strategy to work which can’t be achieved by the structure alone but by strategic control mechanisms. Thus, strategic control motivates and receives specific feedback on performance progress. According to (Jones and Hill, 2001), strategic control is how managers monitor work progress, evaluate efficiency and effectiveness as well as initiate corrective measures to improve performance. Strategic control raises efficiency levels and optimizes resource allocation, while consistent quality monitoring enhances continuous quality improvement. Strategic control raises firm innovation by empowering employees to be creative and enhanced reward system inspires high performance.
One increasingly influential model vital in effective strategy implementation, is the Balanced Scorecard Model that was developed by Kaplan and Norton. Organizational culture is the shared norms and values by the company and members that control their behavior and interactions. It functions as a type of control which strategic managers can use to shape the desired norms and values to achieve set goals. Organization culture is a product of strategic leadership and matching the structure with culture will ensure successful strategy implementation.

1.1.4 Banking Industry in Kenya

The banking industry in Kenya is relatively more developed than most of its East Africa neighbours and is among the fastest growing sectors in the continent. The sector traces its roots to early European trade on the East African coast, chiefly Zanzibar, in the later part of the nineteenth century. In 1887 Sir William Mackinnon, with the endorsement of the British Foreign Office, set up what later came to be known as the Imperial British East Africa Company (IBEAC). The formation of the IBEAC captured the attention of the National Bank of India, (NBI) which entered into agreement with the East African representatives of the merchant company, Smith, Mackenzie & Company to act as its banking agent on the East African coast. Interest in banking began to steadily swell at the coast — especially after Britain declared a protectorate over Zanzibar in 1890. Three years later, National Bank of India set up office in Zanzibar at No.10 Portuguese Street. In those formative years, National Bank of India fortunes in East Africa were inexplicably linked to the fortunes of IBEAC, which, despite the patronage of the Foreign Office, was an independent corporate entity complete with its own flag, currency, postage
stamps, private army and capital city consisting of a cluster of a few corrugated iron offices, warehouses and bungalows in Mombasa.

1.1.4.1 Banking Industry Crisis

In the 1980s and early 1990s, several countries in developed, developing and transition economies experienced several banking crisis requiring a major overhaul of the banking systems (IMF, 1998). In a similar manner, Kenya experienced banking challenges since 1986 culminating in major bank failures (37 failed banks as at 1998) following the crisis of 1986, 1993-1994 and 1998. (Kithinji and Waweru, 2007; Ngugi 2001). Most of these banks collapsed as a result of non-performing loans as commercial banks were exposed to the risk of default from borrowers without prudent risk assessment and creation of adequate provisions for bad and doubtful debts to cushion the bank risks.

The industry is governed by the Companies Act, the Banking Act and the Central Bank of Kenya Act. Since 1995, Kenya’s banking industry operates in a liberalized environment without the restrictions of exchange controls. CBK formulates, controls, supervises and implements monetary policy in the financial sector. The Kenya Bankers Association is an umbrella association that lobbies on behalf of the banking sector interest. As at May 2014, the sector had 43 banks, 1 mortgage finance company, 7 representative offices of foreign banks, 9 micro-finance institutions, 97 foreign exchange bureaus and 2 credit reference bureaus according to CBK Monthly Economic Review., (May, 2014).
The sector has grown over the years to be among the most profitable sectors and has expanded to neighboring countries. Despite the growth, in numbers a large population of Kenyans remain unbanked.

1.1.4.2 Banking Sector Performance

Two of the four largest banks namely KCB Group and National Bank of Kenya are partially government-owned and the other two are foreign owned namely Barclays Bank of Kenya and Standard Chartered Bank, while most of the smaller banks are family owned. One bank, Equity Group has grown tremendously over the last decade from a Building Society to become the largest bank in the country in terms of customer numbers. Rapidly changing technology, customer demands and entry of well-established global players have made banks to frequently examine their competitive strategies. Commercial banks are evolving from traditional banking hall transactions, savings and loans institutions to untapped areas and partnerships with large retail stores, international card providers such as MasterCard, Visa, telecommunication companies and providers of agency banking.

The banking sector balance sheet expanded by 15.6 percent from Kshs 2.5 trillion in May 2013 to Kshs 2.89 trillion in May 2014. The major components of the balance sheet on the asset side were loans and advances, government securities and placements, which accounted for 58.5 percent, 21 percent and 5 percent of total assets, respectively. The banking sector gross loans and advances rose from Kshs 1.44 trillion in May 2013 to Kshs 1.75 trillion in May 2014, which translated to a growth of 21.6 percent. The growth
was attributed to increase in lending to households, trade, manufacturing and real estate sectors. Loans and advances net of provisions stood at Kshs 1.73 trillion in May 2014, up from Kshs 1.42 trillion registered in a similar period in 2013. A robust banking environment is considered a key pillar for economic growth, wealth creation and the ability of a country to engage in foreign trade and attract Foreign Direct Investment (FDI).

1.1.5 Kenya Commercial Bank Limited

Kenya Commercial Bank Limited was established in 1896 when its predecessor opened its first outlet in Mombasa as National Bank of India. In 1958, Grindlays Bank merged with National Bank of India and upon Kenya’s Independence the government acquired 60 percent shareholding and in 1970 it acquired 100 percent shareholding. It was renamed Kenya Commercial Bank and acquired Savings and Loan (Kenya) Limited in 1972 to offer mortgage finance. Kenya Commercial Bank is the largest bank in terms of asset base and has the largest balance sheet in East Africa Region of Kshs 439 billion as at end June 2014.

The banks vision is “to be the preferred financial solutions provider in Africa with a global reach.” The bank has operations in Kenya, Tanzania, Uganda, South Sudan, Burundi and Rwanda. KCB Annual Report and Financial Statements (2014) indicates that KCB has over 235 outlets in the East Africa region, over 958 ATMs and over the years the government has reduced its shareholding from 100 percent to 17.7 percent following rights issues in the years 2004 and 2008. KCB performance was good until 2002, when
the bank recorded a Kshs 2 billion net loss and nearly collapsed but a change in top management provided a turnaround strategy that firmly put it back into profitability. The bank provides its customers with a wide array of banking and financial solutions in corporate banking, retail banking, trade finance, mortgage finance, asset-based finance, card facilities and agency banking.

The bank has pursued an expansion strategy in the East Africa region as it adopts modern technological innovations like mobile phone banking, ICT convergence and modern customer-driven banking experience in banking halls. Its growth has been enhanced by the economic and political integration process of the East African Community member states. It endeavors to reach the unbanked population in the wider East Africa region in line with its vision. KCB Group won the Best Bank in Kenya at the Euromoney Awards for Excellence 2014 and is rated the world’s 846th largest bank based on assets. Similarly, KCB Group is ranked as the 3rd best bank in Africa based on Return on Assets. It has KCB Foundation arm, which focuses on financing needy projects in five thematic areas namely education, environment, health, humanitarian intervention and enterprise development.

1.2 Research Problem

Kenya Commercial Bank faces a lot of challenges that include stiff competition from 43 banks and rapid evolution of technology trends, ever-changing customer needs and preferences and wider external environment dynamics that are rapidly changing. All these create an environment that warrants effective strategies and effective implementation to
survive and sustain banking competitive advantage. The weakest link in the strategic management process can easily be traced to the strategy implementation process among many organizations. Unless Strategy is translated to measures that employees can understand, it becomes limited to accept its functionality. (Lynch, 2002; Morley and Hepplewhite, 2004) argue that the two key challenges companies face when building strategic capabilities are how to create a tight fit between strategic priorities of the business and management education programs that are powerful enough to change behavior among employees.

Kenya Commercial Bank has initiated a raft of new strategies with an orientation towards continued international expansion, capacity building in ICT infrastructure, renewed customer focus, partnerships and products, human capital management, small and medium-sized enterprises (SMEs) and corporate social investment. However, KCB has good products and services such as KCB M-Benki, Advantage Banking and KCB Internet Banking. Some of the products and services, were poorly planned and implemented or rolled out while some experienced success in implementation. In-order to achieve its intended objectives, it needs to effectively implement its chosen strategies to sustain its competitive advantage and remain the biggest bank in the region. The study will examine the execution of various past strategic programs by KCB group and discover the factors and their influence that led to the programs successes and failures.
Previous studies have been done on challenges of implementing strategy by a number of scholars such as Wambugu (2013). Strategic responses adopted by KCB to cope with the competition in the banking industry; Upendo (2012). Response strategies adopted by KCB to competitive environment, Kipng’en (2011). Challenges of the implementation of centralized credit process at KCB Otieno (2010)., The role of Balanced Scorecard Model as a strategic management tool at KCB Njihia (2009), Strategic responses of KCB to changes in the Kenyan banking industry Gakenia (2008), strategic implementation at KCB Muguru (2007). The role of executive development on corporate strategy implementation: A comparative study of KCB and NBK. From the above studies, none has dwelt on “Factors influencing strategy implementation at Kenya Commercial Bank Limited in Kenya” hence the researcher’s motivation to undertake the study and uncover new research insights. The study sought to answer the question; what influences strategy implementation at KCB?

1.3 Research Objectives

The objectives of the study were:

i. To establish the factors influencing strategy implementation at Kenya Commercial Bank Limited.

ii. To determine the influence of such factors on strategy implementation at Kenya Commercial Bank Limited.
1.4 Value of the Study

The study is useful to the KCB management in understanding influential factors that contribute to the development of strategy implementation. Some of the challenges brought about by these factors and how the overall strategy implementation process can be improved. The study uncovered some of the difficulties, lower and middle-level employees encounter during the implementation process that management may not be aware of. The study has immense value to scholars in uncovering new insights in strategy management process and examining theory and practice linkages with regard to the strategy implementation process. Investors in the banking industry, policy makers and other banking industry stakeholders find the study useful in their application areas and assist in the development of policies that enhances effective strategy implementation process.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examines various literature by scholars, authors and publications on the concepts of strategy, strategy implementation and literature on factors that influence the implementation process. The study was anchored on a theoretical framework consisting of various theories. Thompson and Martin (2010) define strategy to be “means to an end”. All organizations have a purpose articulated by the vision and mission statements and strategies are created and implemented in pursuit of this purpose.

2.2 Theoretical Framework

According to (Hunger and Wheelen, 2003: p. 121) strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which strategies and policies are put into action through the development of programs, budgets and procedures. Normally before implementation, strategists consider three important questions namely; who are the people who will carry out the strategic plan? What must be done? How are they going to execute? The first question is how to involve the entire organization even though many are not involved in the formulation stage. It is important to involve middle-level management in strategy formulation as well as in implementation to achieve better organizational performance. What must be done involves developing programs, budgets and procedures for the strategy implementation and achieve synergy among different units or departments. According to Alfred Chandler paradigm structure, strategic changes in corporate strategy leads to changes in organizational structure according to Hunger and Wheelen (2003).
Chandler’s paradigm implies any particular strategy a firm chooses whether diversification, stabilization or retrenchment, will affect the organizational structure by either requiring additional functional rearrangement in the organization or removal of certain positions to enhance effective operationalization that will achieve intended objectives. According to David (2003) strategy implementation involves translating strategic thought into strategic action. Managers and employees of the firm must have the understanding and commitment to implement the strategy. Constant and open communication in a learning environment makes the translation into action easier.

2.2.1 Resource Based View Theory (RBV)

Resource Based View Theory views resource as very significant in differentiation of a firms’ unique advantages and competences. “RBV is often known as the inside-out approach which views the firm internal orientation rather than external orientation as a bundle of assets or resources inscribed in the organization culture, human resources and intellectual property to provide long-term superior performance over competitors (Clegg, et al. 2011, p. 84). He argues that for a resource to have a competitive advantage, it should possess the following qualities referred to as the “VRIN model”, namely Valuable (adds value by enhancing efficiency and effectiveness), Rare (rare and in high demand), Imperfectly imitable (difficult to imitate) and Non-substitutable (not readily substituted).

It can be argued that the value of a strategic resource provides a multiplier effect, contribution to a firm’s competitive advantage. Well-developed competences in implementation (experienced human capital), unique to a firm, can be easily replicated in a new different strategy implementation program by the same firm to fit the definition of
a strategic resource. The Resource-based View Theory over the years has given forth to what some scholars define as the Resource Advantage Theory (Chandler, et al., 1990). The strategy implementation stage offers the litmus test on how efficiently and effectively the firm will utilize tangible and intangible resources to take advantage of opportunities in the market place and maintain a sustainable competitive advantage.

### 2.2.2 Mckinsey’s 7S Model

The McKinsey 7S Model is a management tool that was developed by Robert and Peters (1984). The 7s model is an assessment and monitoring tool an organization can use with significant relevance to strategy implementation. It is a holistic framework that continually analyses and improves the effectiveness of an organization, Tomas, Robert and Julien (2011). The seven fundamental elements referred to as 7S of this framework comprises of skills, structure, systems, strategy, shared values, style and staff. These elements can be categorized as the soft elements such as skills, staff, shared values and style while the hard elements are strategy, structure and systems.

The framework is a vital tool in strategy implementation since a firm with the right skill set and staff numbers, shared values aligned properly with the good structure, strategy and operational or monitoring systems can operationalize its’ implementation objectives well. Thus a firm’s management looks to which degree a firm has these elements that it can count on as internal strengths and plan for future strategic changes. According to (Arthur, et al.2010), lack of shared values and systems is a liability which makes a firm vulnerably weak during strategy implementation. Shared values are central to all the
elements, they represent the company’s culture, vision, beliefs that define the organizations future orientation and what it stands for. The hard elements are easier to change while the soft elements are much harder to change since they consist of humanistic elements, corporate culture, values, beliefs and competencies acquired over time. All the elements are mutually reinforcing and a change in one affects the functions of the others.

2.3 Theories on Strategy Implementation

A number of factors that affect strategy implementation include structure, strategy, resource allocation, corporate culture, leadership, and communication and rewards system.

2.3.1 Strategy Formulation

According to Hrebiniak (2006), “good execution cannot overcome the shortcomings of a bad strategy or poor strategic planning effort.” Implying that part of implementation challenges that firms experience are due to poorly designed strategies by managers, which sometimes, is a result of lack of inclusivity of lower middle managers input. Strategy formulation is key to the success of implementation. A number of scholars such as (Alexander, 1985) and (Alio, 2005) hold the common view that the kind of strategy that is developed and how it is developed in the formulation process will influence the effect of implementation.
Table 2.1 Strategy Implementation Outcome

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<th>Good</th>
<th>Poor</th>
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<tr>
<td>Good</td>
<td>Success</td>
<td>Roulette (Gamble)</td>
</tr>
<tr>
<td>Poor</td>
<td>Trouble</td>
<td>Failure</td>
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As illustrated, success is only one out of four possibilities. Only a good strategy which is also well implemented contributes to the success of the firm. While implementation of strategy is such an important activity, it is not easy. Hence, many excellent strategies fail when attempts to implement them are made. Strategy should be effectively operationalized and institutionalized in the organization for effective implementation.

2.3.2 Resource Allocation

According to (Okumus, 2003) resource allocation ensures provision of time, financial, human and knowledge resources vital for strategy implementation. (Sterling, 2003) notes that chronic lack of resources, capital and capacity hinders effective strategy implementation. “Effectiveness of strategy implementation is least in part affected by the quality of people involved in the process” (Govindarajan, 1989). “Quality in this case refers to the skills, attitudes, experience, capabilities and other characteristics of people required for a specific task or position” (Peng and Litteljohn, 2001).
2.3.3 Leadership and Strategy Implementation

Hrebiniak and Snow (1982) found out that “interaction and participation by top management typically leads to greater commitment to the firm’s goals and strategies which in turn leads to successful strategy implementation.” Cited in (Dess, et al.1986) found that the level of effort an individual manager exerts depends on the perception of both his or her individual and organization ability and capacity to perform in strategy implementation and the individual’s desired performance outcome. If the managers feel their self-interest will be compromised they can re-direct the strategy, delay implementation timelines, reduce quality or sabotage the effort. (Okumus, 2003) views leadership as the support the CEO provides right from inception to conclusion of the strategy implementation process. The CEO should recognize achievement and success among team members throughout the implementation process. The influence of leadership starts from the CEO and top level managers whose commitment levels are read from their level of strategy implementation participation.

Leaders who provide for autonomy and encourage initiative from middle to lower level managers create a conducive environment for timely and quick decision-making. Heavy bureaucratic decision-making normally slows down the implementation process. According to (Kroon, 1995) leadership is the human factor that facilitates organizational goals achievement through voluntary cooperation among all people in the business. (Chimhanzi, 2004) “suggests that cross-unit working relationships have a key role to play in the successful implementation.” Top management should provide a supportive role by enabling synergy among departments using different implementation tactics including
playing an interventionist role when necessary. Leadership responsibilities are not exclusive function of the CEO alone but cascaded down the middle management levels to lower level management. (Govindarajan, 1989) notes that individual managerial characteristics such as functional background, experience and industry familiarity, locus of control and decision-making style play a key role in strategy implementation process. More importantly, lack of shared knowledge from top management with lower level managers and non-managerial lower-level employees creates a barrier to successful strategy implementation (Noble, 1999).

2.3.4 Communication and Strategy Implementation

(Miniace and Falter, 1996) state that communication is the key success factor in strategy implementation. A comprehensive communication plan is vital for the effective roll-out of implementation programs. Communicating strategy means exchanging information regarding a change in systems, processes and behavior in the firm. Communication should be open between top management and lower levels of the firm to inculcate trust, sharing of knowledge and guide decision making process in strategy implementation. According to (Alexander, 1985) successful implementation and execution requires top management to clearly communicate what a new strategic decision is about to all stakeholders and operational personnel. (Rappert and Wren, 1985) findings in a survey suggest that organizations with open supportive communication environment tend to out-perform organizations with restricted communication environment (cited in Rapert, Velliquette and Garretson, 2002). Communication is conducted through both written,
formal and informal means and pervades throughout the organizational structure and context of implementation programs.

2.3.5 Organizational Structure and Strategy Implementation

According to (Drazen and Howard, 1984) structure, strategy fit or alignment is the precursor for successful new business strategy implementation (Noble, 1999). Changes in competitive environment require modifications in organizational structure. Lack of structural realignment might cause a firm to lag behind and be competitively disadvantaged. Differentiation, customer centric or innovation strategies might require decentralized structures that facilitate easy information flow for frequent decision-making process while low cost strategies or standardized decision oriented strategies require more centralized structures.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the particular type of methodology used in the study research process. Areas highlighted include research design, data collection and analysis.

3.2 Research Design

The study was a case study of Kenya Commercial Bank Limited, a single unit of study out of the 43 banks in the Kenya’s banking industry. The form of the research design correspond to the case study method requirement which allows for in-depth study of the subject matter unlike the survey method. It was qualitative in nature and used primary data to a large extent facilitated by face-to-face interviews. Secondary data was also used from publications, online sources and relevant literature. The case study approach is quite ideal since it involves careful holistic in-depth investigation. Feagin, Orum and Sjoberg (1991) and (Cooper and Schindler, 1998) emphasize that personal interview is of great value when in-depth and detailed information is required.

3.3 Data Collection

Data collection was facilitated by interview method qualitative in nature. Qualitative was relevant to the nature of the study since the researcher attempted to explore various themes that emerged from discussions, a factor that the questionnaire method does not achieve easily. (Bryman, 1992) asserts that qualitative approach allows for a wider range of issue to be examined unlike the quantitative approach. The researcher used a combination of open-ended unstructured and semi-structured interview questions. The
researcher favoured interview method which requires high personal contact, flexibility and control of confidentiality. (Saunders, et al. 2007) argues that one-on-one interviews tend to achieve high response rates according to research findings. Prior appointments had to be planned for and secured in line with the respondents convenient schedules. The respondents were drawn from top, middle and lower levels. They included the CEO, Chief Operating Officer, directors, departmental heads, line supervisors, bank tellers and junior staff.

3.4 Data Analysis

The analysis of collected qualitative data was analyzed using conceptual content analysis method. Content analysis as defined by (Nachmias and Nachmias, 1996) is a systematic and objective technique that identifies messages and trends with specific characteristics for making inferences that explain the study findings. The main purpose of content analysis is to study existing information that helps explain the factors relating to a specific phenomenon (Mugenda, 2003).
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents data analysis findings gathered from interviews with the respondents. The face-to-face interview method was used for data collection using the interview guide attached in the appendix. The data was analyzed using the content analysis technique where the researcher presented various themes to respondents and summarized their responses about the factors that influence strategy implementation at KCB Group and how they influence strategy implementation. This chapter also interprets and discusses the findings in relation to the study objectives. The researcher managed to interview respondents drawn from the top, middle and lower-level cadre of organization hierarchy.

4.2 Background Information

Strategy implementation involves all levels of the organization’s structure and the interview guide gathered various employees’ experiences at different organization levels at KCB Group on past strategy implementation programs they have participated in. The respondents interviewed included the Chief Executive Officer, Chief Operating Officer, Head of Strategy, Human Resources Manager, Head of Corporate and Regulatory Affairs, Internal Communication Officer, Marketing Manager, Bank Teller and Office Messenger and Driver. Majority of the respondents interviewed have worked between three to 10 years with the KCB Group. The years the respondents have worked as indicated in table 4.1 is sufficient time to have been adequately involved and experienced in either the success or failures of strategy implementation.
Table 4.1 Respondents’ Positions and Years of Service

<table>
<thead>
<tr>
<th>Position</th>
<th>Years of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>3</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>4</td>
</tr>
<tr>
<td>Head of Strategy</td>
<td>7</td>
</tr>
<tr>
<td>Head of Corporate and Regulatory Affairs</td>
<td>10</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>5</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>4</td>
</tr>
<tr>
<td>Bank Teller</td>
<td>6</td>
</tr>
<tr>
<td>Driver/Messenger</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.3 Factors and their Influence on Strategy Implementation

According to the respondents interviewed, the prime factors that influence strategy implementation at KCB Group include resource allocation and budget capabilities, employee motivation, culture; internal and external communication; leadership, organizational structure, training, staff goodwill and strategy formulation. These factors were common among responses from different respondents. The study sought to find out, first, the factors that influence strategy implementation and secondly, determine their influence on strategy implementation. The study found out from interviewees’ responses that leadership plays a critical role in strategy implementation. The respondents indicated that KCB top management is actively involved in strategy formulation and implementation. New strategies must be approved by top and middle management levels. The CEO, chief officers and directors play a supportive role during the implementation stage.
4.3.1 Leadership
Strategy choice usually follows a top-down approach whereby senior management decides on the strategy the organization will pursue and decisions are relayed to the bottom level organization tiers for implementation. They further adduced that meetings to discuss the implementation process are attended by both senior and middle-level managers to ensure that any challenges and threats that would impact negatively on successes are identified and addressed immediately. On challenges associated with leadership, they concurred that structural bottle-necks include long reporting and approval procedures within the organizational structure which normally interfere with meeting implementation budget and timelines. The second challenge experienced by middle to lower-level employees, according to the interviewees, is lack of commitment by top leadership in bearing shared responsibility for implementation failures. The top management is quick to take glory and ownership for implementation successes but not responsibility for failure. The study also found out that lower-level employees are not adequately empowered by top management to undertake corrective actions without top management approval.

4.3.2 Internal and External Communication
The respondents were interviewed on the influence of effective communication in strategy implementation and they indicated from their responses that communication is vital for successful strategy implementation. The study found out that interdepartmental communication is facilitated by accessible work stations in the headquarters where employees work in the same premises and can easily call or walk in to fellow employees’ work stations. The respondents indicated that top-down communication is encouraged by
the Group CEO who emphasizes that his office is open to new great ideas. Communication to external publics who include customers is via banking hall videos, brochures, publications, print and electronic advertisements among other forms of communication such as Website, Facebook, blogs, twitter, YouTube and WhatsApp. The respondents further indicated that internal communications is in a variety of forms such as memos from the CEO to all employees, emails, intranet and departmental meetings.

The bank has KCB Social Time where all staff gather at an event every three months to be addressed by the CEO and other chief officers as they take soft drinks and interact without any social or career borders. According to the respondents, additional forms of communication include a staff newsletter, the KCB Cascade. However, the interviewees indicated that there are other challenges in achieving timely communication from the communications department to all branches and providing individual attention to all 5,300-plus employees throughout the 236 branches in the East African region. They revealed that a number of branches are located in remote locations in the wider East Africa region where telecommunication or ICT infrastructure is underdeveloped.

4.3.3 Strategy Formulation

The respondents were interviewed on strategy formulation and its role and influence on implementation. Strategy formulation requires proper internal and external environmental scanning, assessment, planning and coming up with a good strategy fit with intended objectives. The study findings revealed that a number of differentiation strategies to launch products such as M-Benki, Advantage Banking, Internet Banking and

25
Biashar@Smart were not very well implemented as per the strategic objectives due to challenges at the strategy formulation phase. The mentioned strategic initiatives were not adequately researched on and relevant stakeholders not properly engaged to provide a formidable strategy formulation process. According to the respondents, the East African Market regulatory regime for opening accounts via phones was not conducive and many banks were targeting the unbanked low-income group when Advantage Banking, for the high-end market was officially launched. The new KCB Group products were not uniquely differentiated from similar competitor product offerings according to the interview responses and the interviewees indicated the bank was a follower and not a first entrant to the market in introducing the products. Hence they further adduced that the strategic objective of meeting the consumer needs was not effectively realized and secondly, the implementation phase encountered systematic hitches. The interview responses collected indicate that good strategy formulation has a huge impact on implementation success.

4.3.4 Resource Allocation and Budget Capabilities

The respondents were also interviewed on systems influence on strategy implementation and they indicated that properly functioning systems facilitate easy strategy implementation. The study found out that KCB has good technology, financial, human resource, administrative and marketing systems. The study found out from interview responses that some strategies have not been successfully implemented such as M-Benki and Internet Banking. This is because their launch was followed by system failures which brought a lot of customer complaints and less satisfaction. The respondents indicated that
electronic Queue Management System (eQMS) model where customers are conveniently served through the use of tickets in the sequence in which they arrive has been well implemented. The model has been pioneered by KCB and a few banks in the Kenyan market as a differentiation strategy. The model has achieved a good strategy implementation success facilitated by well-established modern technology systems.

4.3.5 Organization Culture
The study also found out from the interview responses that shared values and organizational culture had a strong influence on strategy implementation. The interviewees indicated that bureaucratic culture inherited from past years where the Government was the dominant shareholder still persists. They concurred that long approval processes associated with bureaucratic culture reduced the speed of strategy implementation. According to the respondents, the new culture of open consultative employee interaction that is being promoted by new management and team building initiatives that are shaping up shared values have a positive influence on the success of strategy implementation.

4.3.6 Organization Structure
The interviewees were requested to respond to whether organization structure influenced strategy implementation and the study found out that the respondents viewed the organization structure as critical in impeding or facilitating the pace of implementation. The interviewees concurred that the transformation strategy which was initiated in 2010 and spearheaded by business consultants Mckinsey & Company to transform KCB from a
Good Bank to a Great Bank whereby there was restructuring and transformation of employee roles and reduction of the bank’s hierarchy structure arrangement has made the organization leaner and responsive. The key agenda was to review the business model as well as operating structures and processes with a view of recommending practical solutions that will make the bank more efficient and productive while moving it to the next level. It also reviewed the bank’s corporate and governance structures, business model, jobs roles and people placement, risk management and mitigation mechanisms, employee performance management and reward frameworks as well as the IT infrastructure and subsidiary businesses. The respondents indicated that changes in top management structure and organization-wide job transformation have contributed to easier implementation of strategies by the KCB Group.

4.3.7 Employee Motivation

On the contribution and role of resource advantages of KCB Group to influencing strategy implementation with regard to resource allocation, the respondents indicated that staff skills, KCB Group reputable brand name and long history of 118 years, its big asset size, branch network in Kenya and financial resources have been critical to meet the resource requirements during strategy implementation. The study found out that the group has diversified to banc-assurance and investment banking management and has trained and recruited staff with requisite skills for implementing the diversification strategy programs. The respondents indicated that financial resource advantage has been pivotal for international expansion and financing capacity contributing to effective resource support during strategy implementation.
4.4 Discussions of Findings

The first objective of the study was to find out the factors that influence strategy implementation and the respondents identified leadership as one of the critical factors among a host of other factors that have influenced strategy implementation at KCB. The type of leadership from the respondents interviewed indicates that top management pursues a top-down approach in strategy formulation and implementation. The CEO, chief officers and directors play a supportive role during the implementation stage. They attend meetings to discuss implementation to ensure that any factors that could bring challenges and successes are identified early. The interview response findings agree with Okumus (2003) who posited that the influence of leadership starts from the CEO and top-level managers whose commitment levels are read from their level of strategy implementation participation. The respondents concurred that top leadership has interactions with lower level employees where the CEO and chief officers have interactive meetings and social events.

4.4.1 Top-down Approach

This agree with literature by Hrebiniak and Snow (1982) who stated that “interaction and participation by top management typically leads to greater commitment to the firm’s goals and strategies which in turn leads to successful strategy implementation.” The other factor influencing strategy implementation from the study findings is communication. The respondents interviewed indicated that communication is top-down when it comes to strategy implementation and the CEO has encouraged open communication and employee interaction during KCB Social Time. KCB has facilitated communication in
various forms through technological medium such as videos to customers and social media both to employees and publics. Communication is an on-going process that aids implementation by employees and informs while educating the publics and other stakeholders of KCB programs under implementation.

According to respondents, ease of flow of information both top-down and the feedback delivery upwards hastens the pace of implementation. This is in line with Miniace and Falter (1976) who asserted that communication should be open between top management and lower levels of the firm to inculcate trust, sharing of knowledge and guide decision-making process in strategy implementation. The study findings found out from interview responses that the other factors that influence strategy implementation at KCB were resource advantage in resource allocation whereby the reputable brand, staff skills, asset size and financial resource provided the impetus in facilitating strategy implementation.

The interviewees concurred that budgets constraint and allocation priorities influenced the success of implementation. Senior management make the budgetary allocation decisions with input from middle management. According to (Sterling, 2003) notes that chronic lack of resources, capital and capacity hinders effective strategy implementation. Govindarajan (1989) and Peng and Litteljohn (2001) further assert quality of resources affects implementation, quality implying skills, attitudes, experience, capabilities and other characteristics of people required for a specific task or position.
4.4.2 Shared Values
Other factors according to the respondents included shared values and culture, systems and organization structure. According to the respondents shared values have benefited implementation process while bureaucratic culture has slowed implementation speed of past strategy programs. The organization has undergone massive restructuring to change past culture by aligning structure to present strategies. The innovative strategies implementation has relied on well-established technological systems at KCB Group. According to the study findings the top management has reorganized the organization structure to transform the organization culture and make it more customer-centric due to intense competition in the banking industry. This findings support the view by Nobble (1989) that “changes in competitive environment require modifications in organizational structure. Lack of structural realignment might cause a firm to lag behind and be competitively disadvantaged”. According to (Arthur, et al. 2010), lack of shared values and systems is a liability which makes a firm weak during strategy implementation.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter will present the summary of findings, conclusions and recommendations from the analysis of data in the previous chapter. The study findings were based on the research study objectives which were to establish the factors influencing strategy implementation at KCB and secondly, determine their influence on strategy implementation.

5.2 Summary

The research study was a case study on KCB Group and the data collection was through an interview guide and the respondents were drawn from the all levels of the organization structure. The study findings revealed that a number of factors affect strategy implementation at KCB Group and these include leadership, communication, resources, budgets, employees, systems, structure and culture.

The study findings found out that leadership is critical for implementation by guiding, being involved and transforming the shared values to be aligned with the strategic objectives. According to the findings, KCB Group leadership has undergone successive leadership transformation. The top leadership supports strategy implementation by holding interactive meetings with lower-level employees. The study reveals that
leadership is needed in taking responsibility for implementation failures and removal of bureaucratic approvals processes to facilitate faster decision making.

The study also revealed that communication is critical for implementation success. According to the study findings, open communication both internal to the employees and external to the publics and customers facilitates ease in knowledge sharing and guidance in strategy implementation. KCB Group strives to communicate to employees and publics through various mediums and forms to all its branches even in remote locations about its strategy implementation programs. The study revealed the employees have undergone job transformation, re-structuring and change in shared values so as to be competitive in the market.

The dynamic market place has forced organizational structure changes to keep up with changing innovations and customer needs. The study findings reveal that recent strategy implementation successes have been enhanced by fresh organizational structure changes that seeks to position the bank in line with its vision to be the preferred financial solutions provider in Africa with a global reach. The study findings reveal that strategy formulation needs inclusivity of lower-level employees input and good planning that affords implementation timelines be met. According to the respondents, KCB has heavily invested in Information Technology systems and training programs which have paid dividends to customer service experience and mobile application differentiation strategies success.
5.3 Conclusions

From the study findings, research concludes that top management is the critical guiding element in facilitating strategy implementation at KCB Group. Leadership is key to implementation success since it is more heavily involved in strategy formulation and control processes. Leadership is delegated to middle and lower level management to afford delegation and ownership of the implementation process. From the study findings, KCB Group top management favours top-down strategy implementation control so as to guide the implementation process in line with the strategic objectives and the organizations values and vision. However, the controls in lengthy approvals should be freed up structurally by top management to allow faster decision making, trust and delegation. KCB Group is undergoing on-going transformation process “from a Good Bank to a Great Bank” which will guide the strategy implementation process.

The other factors according to the study findings, indicate that organization’s systems have facilitated strategy implementation by enhancing a customer centric approach which has put customer convenience paramount in mobile banking, electronic Queue Management System (eQMS) and improving customer experience at banking halls. According to the findings other strategic implementation programs are influenced by employee skills, organization structure, resources, budgets and planned timelines. The study findings reveal that KCB Group has invested in continuous training of its staff to enhance their skill set in meeting changing customer demands and also recruit top managers who are highly qualified and experienced. The respondents agreed that
allocation of resources greatly influences implementation budgets and top management should consider input from lower level employees.

5.4 Recommendations of the Study

The following recommendations are given to both policy makers and researchers. The factors that influence strategy implementation at KCB Group include resource allocation and budget capabilities, employee motivation, culture; internal and external communication; leadership, organizational structure, training, staff goodwill and strategy formulation. Leadership plays a critical role in strategy implementation. The KCB top management is actively involved in strategy formulation and implementation. New strategies must be approved by top and middle management levels. The study therefore recommends that strategy formulation needs inclusivity of lower-level employees input and good planning that affords implementation timelines to be met. The heavy investment in Information Technology systems and training programs which have paid dividends to customer service experience and mobile application differentiation strategies success should be referred to ensure higher success rate of the strategy implementation process.

5.4.1 Implications of the Study on Theory

Various studies have been done on factors influencing strategy implementation and the study findings concur with McKinsey 7s model developed by Robert and Peters (1984) where skills, structure, systems, strategy, shared values, style and staff play an influential role in strategy implementation. The framework is a vital tool in strategy implementation since a firm with the right skill set, right staff numbers, shared values aligned properly
with the right structure, strategy and operational or monitoring systems can operationalize its implementation objectives very well. However, the study findings reveal that as much as each element equally counts, the right leadership which is not emphasized much by this model is critical in delivering the right environment where these factors can effectively enhance strategy implementation.

5.4.2 Implications on Policy and Practice

The KCB Group can apply the study findings in strengthening strategy implementation weaknesses evident in some of its past strategy implementation programs. The management needs to ensure inclusivity of all stakeholders including middle and lower-level employees when designing the strategy formulation stage which is useful for effective implementation. Bureaucratic and long approvals procedures need further transformation of structures and decision-making to enhance speedy implementation to meet timelines. Adequate environmental scanning, market research and pilot tests can prevent strategy implementation system hitches and rejection by customers during implementation phase. KCB Group needs to accord strategy and innovation a higher level in the organization’s structure pecking order, to give innovation and strategy prime importance and prominence in order to be an innovations’ leader rather than a follower in Kenya’s banking industry.

The banking industry in Kenya can utilize the findings to implement effective strategy implementation practices by creating an enabling environment. Policy makers, government agencies, Capital Markets Authority and Central Bank of Kenya can come up
with policies that favourably guide research, regulation, training of personnel and financial technology use by commercial banks to enhance effective strategy implementation.

5.5 Study Limitations
The study findings are limited to one bank out of the 43 licensed in the Kenya’s banking industry, leaving out many banks who employ different practices in strategy implementation. A survey could have uncovered a variety of strategy implementation practices by various commercial banks licensed in Kenya.

There was limitation of time to interview many top and middle level managers and some of the respondents’ responses were cautious in revealing or disclosing more information much due to the fear of bank’s information confidentiality clause. The limitation of finances and time limited the researcher from covering other branches which are over 175 spread out across all the 47 counties in the country. The study is only limited to Kenya although KCB Group is a regional bank with a presence in Kenya, Uganda, Tanzania, South Sudan, Rwanda and Burundi which could have been considered in the study.

5.6 Suggestions for Further Research
Further research can be carried out to examine strategy implementation practices carried out by other banks in the industry. There is an opportunity for further research into KCB Group’s control and evaluation of strategy implementation which this research never
covered. Research on strategy implementation by other financial institutions can be undertaken for purposes of benchmarking.

The bank should invest in research and development department so that it can use the best global banking practices and develop products and services that are tailor-made to each market it operates. This will in effect make it to be the pioneer and leader in unveiling innovative products, services and unique solutions in these markets where it operates.
REFERENCES


University of Nairobi,
School of Business,
P.O. Box 30197,
Nairobi.
Dear Sir/Madam,

REF: REQUEST TO CARRY OUT ACADEMIC RESEARCH IN YOUR ORGANISATION
This letter is to introduce Francis Ochieng Ongong’a who is a post graduate student at the University of Nairobi pursuing a degree of Master of Business Administration. As a fulfillment of the degree programme, I’m working on a Research Project Proposal where I intend to carry out a case study of KCB on “Factors influencing strategy implementation at the Kenya Commercial Bank in Kenya.” KCB is the largest bank in the region in terms of asset base and branch network, is profitable and has a very rich history spanning over 118 years.
I intend to use primary data, conduct face-to-face interviews as well as employ drop-and-pick questionnaire method to reach out to the KCB Group Chief Business Officer and Managing Director (Kenya); Head of Strategy, and Head of Corporate and Regulatory Affairs; a community champion and a teller. This information is purely for academic purpose and will be treated with utmost confidentiality. I will produce my student card, which carries a photograph as proof of identity.
Any enquiries you may have concerning this project should be directed to ochiengf@gmail.com.
Your assistance and co-operation will be highly appreciated.
Yours sincerely,
Francis Ochieng Ongong’a
Appendix II: Interview Guide

SECTION A: General Information

1. Gender: Male………………………………….Female…………………………
2. What is your age …………………………………………………………………
3. Which is your department ………………………………………………
4. What is your highest academic qualification ……………………………
5. How long have you worked at KCB Group……………………………
6. What position/positions have you held…………………………………

SECTION B: Strategy Implementation

1. Have you been involved in any strategy implementation process at KCB?
   Yes……………………………………………..No……………………………………

   (b) If yes, please explain further ……………………………………………

   ………………………………………………………………………………………

2. To what extent does management facilitate support mechanisms during strategy implementation process?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

3. What major influences can you describe play a role in strategy implementation processes that you have been involved in?

   ………………………………………………………………………………………

   ………………………………………………………………………………………
4. To what extent did the particular influencing factors determine the success or failure of a strategy implementation program you were involved in?

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5. In terms of priorities how would you rank them? (with 1 being the best that determines success and 5 being the worst that determines failure)

5...........4...........3............2..........1...............

6. What have been the most successful strategy implementation programs that you have been involved in and what was the reason for their success?

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7. Which are the highest achievements or success stories of your organization?

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8. How would you describe the relationship between top and lower management levels? How would you rate the relationship within departments?

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9. What have been the notable changes within your departments that have been necessitated by various strategies?

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10. How would you describe the communication level in your organization, open or restricted and to what extent is it interdepartmental or vertically top-down communication?

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........................................................................................................................................
........................................................................................................................................

11. Are there training programs before any strategy is implemented?

Yes..............................................No.................................................................

If Yes, please provide details .................................................................
........................................................................................................................................

12. How would you describe reward system in relation to successful program implementation in your organization?

........................................................................................................................................
........................................................................................................................................

Thank You
Appendix III: List of Licensed 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
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
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

**Representative offices of foreign banks**

1. HDFC Bank
2. Nedbank
3. FirstRand Bank
4. Bank of China
5. JP Morgan Chase
6. Bank of Kigali
7. Central Bank of India

Source: Central Bank of Kenya