

**THE CHALLENGES OF THE IMPLEMENTATION OF GROWTH  
STRATEGIES AT EQUITY BANK KENYA LTD**


**BY  
GRACE AKINYI GWORO**

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# DECLARATION

I the undersigned, declare that this is my original work and has not been presented to any other university for academic credit.

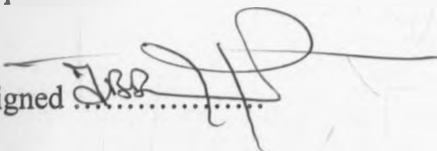
Signed .....

Date..11/11/2012

NAME: GRACE AKINYI GWORO

REG NO: D61/61510/2010

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

Signed .....

Date..11/11/2012

DR. Zachary Bolo Awino, PhD,

Senior Lecturer

Department Of Business Administration

School of Business

University Of Nairobi

## **ACKNOWLEDGEMENT**

I thank the Almighty Lord for this far that He has seen me in my studies. Special thanks to my late parents who instilled in me the spirit of importance of education. Special thanks also to my dear husband for the sacrifices that he made to see me through my studies and to my beloved children Ryan and Kylie who supported me as I did my assignments at home. Special thanks also to Equity bank for the provision of information that enabled me to write this project. Last but not least to my supervisor Dr Awino for tirelessly supporting me through this research.

## **DEDICATION**

**This project is a dedication to my loving children Ryan and Kylie and their father.**

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## ABSTRACT

Strategy can only impact on the bottom line if it is successfully implemented. Strategic plan and its implementation are the heart and soul of any business organization and operation. It has been noted that strategy implementation is the most challenging step in strategic management. This study sought to investigate the challenges facing the implementation of growth strategies at equity bank Kenya ltd. The objective of the study was to determine the challenges of implementing growth strategies at equity bank ltd. For the purpose of this study, the researches applied a case study. The research used both primary and secondary data. Primary data was collected using self-administered interview guide while secondary data was collected using the organization past annual reports and periodicals. The target population was staffs at equity bank that included the director of strategy and branch managers. Content analysis was used to analyze the respondents' views about the challenges of implementing growth strategies at equity bank Kenya ltd. Before processing the responses, the completed interview guides were edited for completeness and consistency. The content analysis was used to analyze to respondents views. From the findings, the study concluded that Equity Bank Kenya Ltd faces many challenges in the implementation of its growth strategies. The challenges include resistance on the part of the staff to accept the new strategy, political and cultural challenges that resulted from the locals getting political support to accept or not accept the new strategies. Also lack of proper coordination and aggregation of activities was also a challenge, competition from among others players in the market also posed a challenge to the Banks strategy implementation. Other challenges included sabotage of the process by some of the parties, limited resources and technological challenges. The study recommends that for effective strategy implementation at Equity Bank Kenya Ltd all the parties that are involved in the strategy implementation should be involved in the formulation process to curb the challenge of resistance on the part of staffs. The study also recommends that there should be proper coordination and aggregation of all the activities, information and communication among the parties concerned should also be clear, organization structure should be occasionally realigned to match the new strategies and proper resource allocation is also paramount.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

All companies operate in a macro-environment shaped by influences emanating from the economy at large; population demographics, societal values and lifestyles, governmental legislation, technological factors and the industry and competitive arena in which the company operates. The company's macro-environment include all relevant factors and influences that have a bearing on decisions the company makes about its direction, objectives, strategy and business model (Thompson A,A,2005). The major determinant of organization success today in the turbulent environment is the successful implementation of the strategies. This requires the organization to think strategically and translate their insight into effective strategies to cope with their changing circumstances and to develop rationale necessary to lay groundwork for adapting and implementing strategies (Bryson 1988)

According to Thompson A, A (2005), a company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, competing successfully, conducting operations, attracting and pleasing customers and improving the company's financial and market performance. Managing the implementation and executing of strategy is an operations oriented, make things happen activity aimed at performing core business activities in a strategy supportive manner. It is easily the most demanding and time consuming part of the strategy management process. Converting management plans into actions and results, tests a managers ability to direct

organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create and nurture a strategy, supportive work climate and meet performance targets. David (2003), Sallie and Singh (2003), believe that strategists should consider certain activities to achieve a suitable strategic decisions. Strategy formulation involves doing a situation analysis, setting objectives and formulating a strategic plan. It involves determining where you are now, where you want to go and determine how to get there.

Various researches have revealed a number of problems of strategy implementation. These include unawareness or misunderstanding of the strategy, poor or lack of communication, weak management roles, unaligned organizations systems, structures and resources, inadequate capabilities, competitive activities, power culture and uncontrollable factors in the environment (Alexander, 1991; Aosa, 1992; Beer and Eisenstat, 2000; Koske, 2003; Alashoo et al, 2005).

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. Equity Bank was founded as Equity Building Society in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into low income population. The bank has grown and has a total branch network of 123 branches. Equity Bank's shareholder value has grown 900% creating immense wealth for shareholders. From a customer base of 27,000 in 1993, the

bank is now home to nearly 8 million accounts accounting for nearly 50 percent of all bank accounts in Kenya, and is the largest bank by customer base in Africa with a focus at the base of the pyramid. Returns have grown from a loss of ksh 5 million in 1993 to a profit of ksh 12.8 billion in 2011 making Equity bank one of the most profitable companies in east Africa with a compounded annual growth rate of 78%, for the last ten years five of which have been ravaged by global financial crisis. The bank is currently ranked 34<sup>th</sup> in market capitalization in Africa.

### **1.1.1 Growth strategies**

Strategy can be seen as matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2000). There are so many strategies that a firm can use, these are often referred to as grand strategies. There are different types of strategies that a firm uses, these include; stability strategies, survival strategies, growth strategies and combination strategies (Yabs, 2010). Growth strategies include concentric diversification, conglomerate diversification, acquisition, market development, product development, market penetration and innovation. Concentric diversification is a strategy used by firms to diversify their operations into industries or firms that have similar characteristics as the original firm and are using the same technology or serving the same market, while conglomerate diversification is used to invest in profitable ventures that have no similarities with the acquiring firm.

Market penetration is used by firms to concentrate on what they know best. Market development is used to increase their sales to existing customers. Product development entails giving the product more useful features and characteristics such as stronger, lasts longer, new brands, new versions of the old product. Innovation entails introducing of new features and new characteristics of the product to be offered it includes introduction of new product that are similar to the old product or a new production of the old product.

The Ansoff Growth matrix developed by Igor Ansoff in 1957 is a tool that helps businesses decides their product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Gluek (1988) observes that growth strategies are adopted by firms because they require them for long run survival in volatile industry environment. Growth is also seen as a managerial motivation since many managers want to be associated with growing firms and would even want to be remembered for having played a key role in the growth of firms. They also equate growth with effectiveness.

### **1.1.2 Strategy implementation challenges**

Strategy implementation can pose a number of challenges. The challenges arise from sources that are internal and external to the organization. The particular challenges that will face strategy implementation will depend on the type of strategy, type of organization and prevailing circumstances. Many challenges in strategy implementation can be avoided if strategy development is coupled with implementation. Involving key people especially those who will play a role in implementation in the development stage is important so that critical implementation issues are not left out of consideration during development or formulation.

Challenges to strategy implementation that can arise from sources that are internal to the organization may include; behavioral challenges such as resistance to change that can be reduced through effective communication, effective reward system, good leadership and a participatory strategy development process. Proper change management approach can also drastically reduce resistance to change. Another internal source of strategy implementation challenge is inadequate resources such as funds, equipment and facilities, human resource skills and experience. This can be reduced through proper and appropriate policies and adoption of proper control system during strategy development. Also inappropriate systems of structure, culture, leadership, policies, support and reward can be a source of internal challenges to strategy implementation. Proper planning and control systems can be useful in reducing problems of inappropriate systems.

Challenges to strategy implementation can also arise from sources that are external to the organization. The forces can be macro-environmental forces. Such forces include; economic forces, political-legal forces, socio-cultural forces, technological and ecological forces. Thorough understanding of these forces and good planning can help reduce challenges associated with the macro-environmental forces. Another external source of challenge to strategy implementation is industry forces. Here effort to implement strategy can be greatly impaired by challenges arising from, powerful buyers and suppliers and stiff competition from rivals.

Thorough understanding of these forces and good planning is important and also effective communication with buyers and suppliers. The last external source is operative environmental forces. Pressure arising from stakeholders such as creditors, suppliers, customers, government, shareholders and the local community can impose challenges to strategy development. Stakeholder's challenges can be introduced though, understanding the forces and planning for them, effective communication with stakeholders and involving key stakeholders during formulation phase.



### **1.1.3 Banking sector in Kenya**

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister 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 December 2008 there were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests.

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 products. According to central bank of Kenya (2007) a survey conducted by the banking division revealed the following aspects ranging from product usage to challenges in gaining access to financial services. Only 19 percent of Kenyans are banked and thus have financial access to financial services through commercial banks, building societies and post bank. Additional 8 percent are served by the savings and corporate societies and micro finance institutions while 35 percent depend primarily on the informal financial services such as merry go rounds.

### **1.1.4 Equity Bank Kenya Ltd**

Equity Bank was founded as Equity Building Society in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into low income population. The society's logo, a modest house with a brown roof, resonates with its target market, and their determination to make small but steady gains towards a better life, seeking security and advancement of their dreams. It has evolved from a Building Society, a Microfinance Institution, to now the all inclusive Nairobi Stock Exchange and Uganda. Equity Bank's business model has attracted both local and international recognition. On many occasions the Bank has been invited to various international forums and bodies to share on its successes.

Equity has also become a hub of other institutions worldwide keen on learning and exchanging insights on the Equity model of extending financial services to the low income segment and the un-banked population. A number of international luminaries have paid a courtesy call on Equity Bank on their mission to study poverty reduction initiatives in Africa. Equity bank is a securities Exchange public listed Commercial Bank, with over 6.3 million accounts, accounting for over 57% of all bank accounts in Kenya, Equity Bank is the largest bank in the region in terms of customer base and operates in Uganda, South Sudan, Rwanda and Tanzania. Equity Bank continues to receive both local and global accolades for its unique and transformational business model. The Bank is credited for taking banking services to the people through its accessible, affordable and flexible service provision.

Some of the recent accolades and recognitions that Equity Bank has received include; September 2011- Equity Bank Group was listed as one of the 16 global emerging Markets New Sustainability Champions by a World Economic Forum Report in 2011. Equity Bank Group was recognized as the only financial service provider in the Emerging markets which meets the threshold of sustainability based on a criteria covering, innovation, growth and corporate sustainability. Sept 2011: Africa Investor named Equity CEO Dr. James Mwangi as the African Banker of the year for the second year in a row. Sept 2011: Africa Investor named Equity Bank as the Best Initiative in Support of SMEs and the Millennium Development Goals. 2010: Africa investor named Equity Bank as the Ai 40 Company of the year.2010.

The Financial Times named Equity CEO Dr. James Mwangi among the 50 emerging market business leaders in BRIC countries - Brazil, Russia, India and China - and other emerging market economies - who have shaped the economic performance of their respective regions. The Financial Times recognized Dr Mwangi for transforming the lives of many people in Kenya including house helps and low income earners who have been able to borrow as little as Kshs 500 from the Bank. In June 2009 Equity Bank was named the Emerging Markets Most Sustainable Bank of the Year in Africa and the Middle East. Equity Bank is the holder of the 2007 Global Vision Award in Microfinance "for initiating a concept of the future that will shape the Global Economy". October 2009... Microfinance Bank of the Year 2009.

On corporate social responsibility, in 2010, Equity Group Foundation (EGF) crystallized as a fully fledged institution with its own structures and systems. It attracted professionals from both local and international markets who have brought knowledge, expertise and the experience needed to implement programs along the thematic areas identified for focus. This innovation and creative vehicle has fundamentally transformed the concept of philanthropy and corporate social responsibility to a level previously unknown. While Equity Group Foundation champions the socio economic transformation of the people of Africa and seeks partnerships along six cluster thematic areas, Equity Bank provides the infrastructure of delivery hence reducing the operational costs for the Foundation and increasing the rate of return on any social investment.

The bank group CEO in June 2012 won the 2012 Ernest and Young world entrepreneur of the year. His constant vision of empowering people social economically is seen through the transformational story of Equity Bank. Through a constant focus on exceptional customer experience, relationship banking, capacity building among staff and an effective governance structure, he has led the Bank from a technically insolvent building society with an asset base of Kshs 28 million in 1993 to become a leading all inclusive commercial bank with an asset base of over Kshs 220 billion and listed in Nairobi Securities Exchange and Uganda Securities Exchange. The Bank has a regional presence in five countries and a pan African expansion strategy. Since listing in 2006, Equity Bank's shareholder value has grown 900% creating immense wealth for shareholders. From a customer base of 27,000 in 1993, the bank is now home to nearly 8 million accounts accounting for nearly 50 percent of all bank accounts in Kenya, and is

the largest bank by customer base in Africa with a focus at the base of the pyramid. Returns have grown from a loss of ksh 5 million in 1993 to a profit of ksh 12.8 billion in 2011 making Equity bank one of the most profitable companies in east Africa with a compounded annual growth rate of 78%, for the last ten years five of which have been ravaged by global financial crisis. The bank is currently ranked 34<sup>th</sup> in market capitalization in Africa. The bank has evolved to become a diversified financial service provider offering a full range of personal and corporate banking as well as investment banking, mortgages, custodial services and insurance.

## **1.2 Research problem**

Growth strategies are the resources allocation strategies for a firm to survive and grow. Growth strategies, embodied in a variety aspect of a firms operation such as product, market investment and human resource management, consist of intensive growth strategy comprising market penetration, market development and product development. Related diversification strategy which includes forward-backward and horizontal integration and unrelated diversification strategy of which means to enter new markets by new products (Ansoff, 1965). Adoption and application of growth strategies is of paramount importance to firms. They assist firm's management to redefine future, create value, success and growth of the organizations.

According to Thomas and Daniel 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. Poor implementation has been attributed to a number of strategic failures. Even though studies show that communication is a key success factor in strategy implementation (Miniace and Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized.

Banking sector in Kenya play a very important role in the economic development of the country. Banks are the backbone for the economic development of any country. They increase saving from increase investments in a country by offering loans on deposits by their customers, they contribute in employment in a country, facilitate transfer of money from one party to another, offer loans to governments and feasible general public, increase capital formation and encourage balanced development. With the liberalization of the Kenya's economy, the number of commercial banks has increased in the country. This has resulted to increased competition leading to reduced market share of the players in the market as well as their profits. With the scramble for the market population, banks have devised different strategies of how to expand their businesses to survive in competitive environment.

Equity Bank was founded as Equity Building Society in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into low income population. It has evolved from a Building Society, a Microfinance Institution, to now the all inclusive Nairobi Stock Exchange and Uganda. Equity bank has been able to open 123 branches in Kenya and these calls for the study to find out the different challenges that they encountered in their expansion program. In the first quarter ending March 31<sup>st</sup> 2012 Equity group profits after tax went up to Ksh 2.64 billion from Ksh 2.33 billion posted within the same period last year. In June 2012 Equity Banks CEO was named Ernest Young entrepreneur of the year.

The mainstream studies have not considered the banking industry and conventional thought within the industry has often down played strategy significance (love et al, 2002). Mintzberg & Quins (1991) stated that 90% of well formulated strategies fail at implementation strategy. David (1997) claim that only 10% of formulated strategies are successfully implemented. Studies done in the past have presented varying findings. Watts et al, (1998), suggests that the most appropriate growth strategies are product development and market development in line with Ansoff's growth matrix.

Wayande (2006) in her study to determine the extent, on which Ansoff's growth matrix is applied by internet service providers, found that Ansoff's growth strategy is widely applied for the achievement of growth. Kiilu (2004) conducted a survey of the extent of the application of Ansoff's growth strategy in the public utility sector .Mbaya (2008) evaluated the challenges faced by Kenya commercial bank in its regional growth strategy.

Yator (2008) looked at strategic response to financial distress by Commercial Banks in Kenya. Gitonga (2008) studied response strategies at equity bank to competition in the banking industry. He observed that equity bank restructured its corporate operations with an aim of separating its retail and corporate business. Abishua (2010) studied strategies used by equity bank to compete in the banking industry.

Despite the many studies that have been carried on growth strategies that are used in the banking industry and the other industries, not so much research has been done on the various challenges that the firms face in the implementation of the growth strategies and especially in the banking industry. The question this study seeks to address is; what challenges have risen in the implementation of growth strategies at equity Bank Kenya ltd? How are the challenges being addressed?

### **1.3 Research objectives**

The objective of the study was to determine the challenges of implementing growth strategies at Equity Bank Kenya Limited.



## **1.4 Value of the study**

The study is of importance to various users who include government regulators, Equity bank, other banks, investors and academia. The study is valuable to regulators like the Central Bank of Kenya considering the vital role that Equity bank plays in the banking industry. Equity bank has a customer base of over 7.5 billion making it the largest bank in customer base in Kenya and Africa. Other regulators may include Kenya Bankers Association and the Capital Market Authority.

The study is also useful to investment banks and investors (potential and current) as it gives them gainful insight on the Banks business model. It gives the investors an understanding of the strategies and the different challenges that the bank could be facing in their implementation.

The study is beneficial to Equity Bank in that it helps expose the gaps in its strategy which when addressed in time will increase its competitive advantage.

The research has also add to the existing body of knowledge in this area and stimulate further research on different aspects of growth strategies in various industries.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter undertook to look at the theoretical analysis of growth strategies and strategy implementation challenges. It also looked at the concept of strategy and strategy implementation.

### **2.2 strategy implementation**

Strategy implementation is one of the components of strategic management and refers to asset of decisions and actions that result in the formulation and implementation of the long term plans designed to achieve organizational objectives (Pearce and Robinson, 2003). It is viewed by Thompson and Strickland (1989), as acting on what has to be done internally to put the strategy into place and achieve the targeted results. Strategy implementation includes considerations of who will be responsible for strategy implementation, the most suitable organizational structures that should support the implementation of the strategy(Pettigrew,1988; Lynch,2000), the need to adapt the systems used to manage the organization(Johnson and Scholes,2002),the key tasks to be carried out and desirable changes in the resource mix of the organization as well as the mandate of each department in the organization and the information systems to be put in place to monitor progress and resource planning(Pearce and Robinson,1997).

Aosa (1992) points out that once strategies have been developed, they need to be implemented. They are of no value unless they are effectively translated into action. However, poor implementation of an appropriate strategy may cause the strategy to fail (Karuthi, 2001). Alexander (1985), identifies inadequate planning and communication as two major obstacles to successful implementation of strategies. Others are ineffective coordination of implementation activities, insufficient capabilities of employees, inadequate training given to lower level employees and lack of support from other levels of management. ( Al-Ghandi, 1998; Okumus, 2003; Sterling, 2003; Awino,2001; Koske,2003;Michael,2004). Adoption and application of growth strategies is of paramount importance to firms. They assist firm's management to redefine future, create value, success and growth of the organizations.

Pride and Ferrell (2003) define strategy implementation as the process of putting strategy into action. According to david (2003) both manager and employees should be involved in the implementation. Decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include crucial objectives, policies, resource allocation, management of conflict, organizational structure, managing resistance to change and organizational culture (Daniel 2003).

Becker (1993) emphasized that strategy implementation could be more difficult than thinking up a good strategy. Crawford, Blackstone and, Cox (1988), explained that the real value of a decision surfaced only after the implementation of a decision. In other words it would not be enough to select a good decision and effective results will not be attained unless the decision is adequately implemented. Successful strategic implementations require a large commitment from executives and senior managers, whether the strategic planning is occurring in a department or in a complete organization. Executives must lead, support, follow-up and line the results of the strategic planning and implementation process, or the strategic plans and implementation will fail. Without the full commitment of the organizations senior executives, do not even start strategic planning.

### **2.3 The concept of strategy**

Johnson and Scholes (Exploring Corporate Strategy) define strategy as follows: Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Strategy is the means by which objectives are consciously and systematically pursued and obtained over time. The word "strategy" is derived from the Greek word *stratēgos*; which derives from two words: - "stratos" – meaning army; and "ago" – which is the ancient Greek for leading/guiding/moving.

In its military aspect, the term had to do with stratagems by which a general sought to defeat an enemy, with plans he made for a campaign, and with the way, he moved and disposed his forces in war. The strategy definition most commonly known today is as the art of analyzing, projecting and directing campaigns. Strategy is not planning. Strategy deals with competitive situation in an uncontrolled environment. Planning deals with situations in a controlled environment. Strategy is the greatest "winning tool" that man ever invented! It enables the practitioners to see clearly the future of any encounter they undertake - Whilst reacting rationally and consciously without the need for intuition or guesswork.

Strategy is the art of success in utilization of the mind; for the last 2500 years, it has been the preserve knowledge of the ruling classes in politics and business throughout the world. According to Pearce & Robinson, a strategy reflects a company's awareness of how, when, and where it should compete; against whom it should compete; and for what purpose it should compete. According to (Richard Lynch, 2009) strategy of a firm is the match between its internal capabilities and its external relationships. It describes how it responds to its suppliers, its competitors, its customers and the social and economic environment within which it operates.

Chaffee (1985) categorizes strategy into three models; linear, adaptive and interpretive. Of these three, linear models focus on planning. According to linear view, strategy consisting of integrated decisions, actions, plans, which will be set to achieve organizational goals. Both the goals and the means of achieving them are a result of the

strategic decisions. In adaptive model, organizations are continually evaluating its external and internal conditions. The main concern is the development of a viable match between opportunities and risks present in the environment and the organizations capabilities and resources for exploiting these opportunities. The interpretive model of strategy is associated with the social and cultural aspects of an organization.

Strategy can be seen as matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2000). Mintzberg et al (1999) defined strategy as a ploy, a pattern, a position and as a perspective. Strategy as a position looks outside an organization seeking to locate the organization in its environment, whereas as a perspective, it looks inside the organization and its inside members head referring to a shared way of perceiving the world. Strategy as a plan specifies a consciously intended course of action, it is designed in advance of the actions it governs, it is developed deliberately/purposefully and may be general or specific .Strategy as a ploy is a specific maneuvers intended to outwit a competitor e.g. expansion The idea is to outsmart and shed off competitor threat.Strategy is a pattern that emerges from a stream of actions that are developed in the absence of intentions and without pre-conceptions. It is visualized only after the events it governs.

Ansoff (1965) views strategy in terms of market and product choices. According to his views, strategy is a common thread among organizations activities and the market. Johnson and Scholes (2002) defined strategy as the direction and scope of an organization that ideally matches the results of its changing environment and in particular

its markets and customers so as to meet stakeholders' expectations. Thompson and Strickland (1993), state that strategy cannot be static since the task of strategizing is always an ongoing exercise partly in response to the ever changing external environment that influences a firm's decision and performance. According to them( Thompson and Strickland) describe strategy to be the game plan that management has fro positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance targets. According to Johnson, schools & Whittington (2005), strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder's expectations.

## **2.4 Growth strategies**

A growth strategy can be defined as a strategy aimed at winning larger market share or a tactic used by management to expand the consumer market for company's products. Growing for the sake of it is dangerous, it's therefore important to develop growth strategies to ensure your business is growing in the right direction. According to Wheelen & Hunger, (1995), growth is a seductive strategy for two principal reasons; a growing firm offers many opportunities for advancement, promotions and internal jobs and growth itself is exciting and ego enhancing to the management.

Gluek (1988) observes that growth strategies are adopted by firms because they require them for long run survival in volatile industry environment. Growth is also seen as a managerial motivation since many managers want to be associated with growing firms and would even want to be remembered for having played a key role in the growth of firms. They also equate growth with effectiveness.

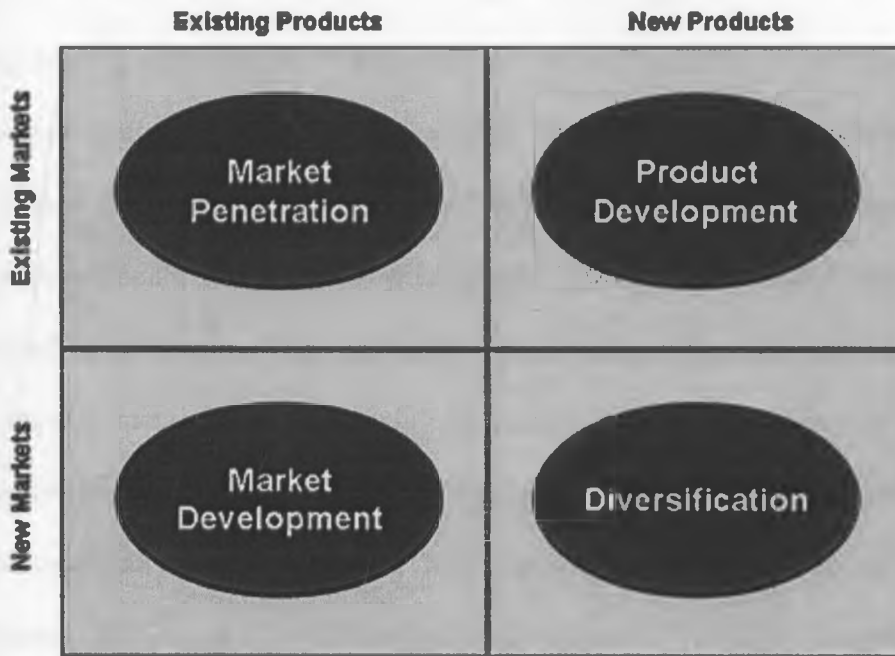
## **2.5 Ansoff growth strategies**

The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Intensive growth strategies also referred to as Ansoff product-market expansion guide involves raising the market share, sale revenue and profit of the present product or services.

The firm slowly increase its production and so it is called internal growth strategy. The model which was proposed by Ansoff in 1957 comprises mostly the aspects which are accessed by many authors as major strategies for small and media enterprises growth. One of the authors, Kotler, 2002, argued that the most common model for analyzing the possible strategic directions that organizations can follow is Ansoff's matrix below.



**Figure 1: Ansoff Growth Matrix**



**Source: Corporate Strategy, Revised Edition. Ansoff, Mc Graw, New York, 1989**

Ansoff growth matrix strategy was published in the Harvard business review in 1975 and has remained popular since then. The model presents strategic grids that can assist firms identify their future strategic growth direction and is used when firms are planning for growth. The matrix itemizes for basic ways in which a firm can develop its portfolio of products and markets. It also emphasizes the degree of risk of each of the approach. The present alternative cooperate growth strategies, Igor Ansoff presented a matrix that is focused on the firms present and potential product and markets. In this model, potential areas where competencies and generic strategies can be deployed can be depicted in four broad alternatives market penetration, market development, product development and diversification.

## 2.5.1 Market penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. According to Pearce and Robinson,(2011) market penetration seeks to achieve four main objectives; first is to maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling and secure dominance of growth markets, secondly to restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors .Third objective will be to increase usage by existing customers – for example by introducing loyalty schemes. A market penetration marketing strategy is very much about “business as usual”. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

The main rationale for this approach is that by thoroughly developing and exploiting its expertise in a narrowly defined competitive arena, the company achieves superiority over competitors that try to master a greater number of product and market combination (Pierce and Robinson, 2011). Specific conditions in the firm’s environment are favorable to the market penetration strategy. The first is a condition in which the firms industry is resistant to major technological advancements. This is the case in the late growth and maturity stages of the product life cycle and in the product markets where product

demand is stable and industry barriers, such as capitalization are high. Second is where the firm targeted markets are not product saturated. Markets with competitive gaps leave the firm with alternatives for growth. A third condition is where the firm's product markets are sufficiently distinctive to dissuade competitors in adjacent product markets from trying to invade the firm's segment. Fourth favourable condition exist when the firm's inputs are stable in price and quantity are available in the amounts and at the times needed

Sababu (2007) notes that this strategy can be done by stimulating customers to increase their present consumption and uses, increasing the organizations efforts in attracting non-users and increasing the organizations effort to attract competitors customers. This strategy can be applicable especially where there is untapped potential to increase sales in the same market. Kotler and Armstrong, (2002) argues that improvement in advertising, prices, services, menu selection or store design management encourage customers to stop by more often or buy more during visit. According to Byars (1991), the focus of market penetration is increased sales through greater control in a market which a firm already has a product or service. The ultimate objective of this strategy is to increase net income along with total revenue.

Market penetration strategy enables a firm to maintain or increase the market share of current product as noted by Barringer & Ireland (2008) and this can be achieved by a contribution of competitive pricing, advertising, sales, promotion and perhaps more resources dedicated to personal selling. It can also help firms restructure a mature market by driving out competitors; however, this will require much more aggressive promotional campaigns, supported by a pricing strategy designed to make the market attractive for competition.

### **2.5.2 Market development**

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including: New geographical markets; for example exporting the product to a new country, new product dimensions or packaging; for example new distribution channels, different pricing policies to attract different customers or create new market segments. It consists of marketing present products, often with only cosmetic modifications to customers in related market areas by adding channels of distribution or by changing the content of advertisement or promotion, (Pearce and Robinson, 1991).

Hills & Jones, (2001) states that a company pursuing this strategy wants to capitalize on the brand name it has developed in one market segment by locating new market segments in which to compete. Using market development strategy a company or business unit can capture a larger share of an existing market for current products. However, developing new markets does not necessarily involve geographic market extension (Keogh and

Evans, 1998, Small bone et al 1995). The extent to which this is necessary varies between locations and also between industrial sectors, differences in the extent of local market opportunities (small bone et al 1995). Growing firms in local locations remain active in extending their markets geographically which is a reflection of their limited local market opportunities.

### **2.5.3 Product development**

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. It involves substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. This strategy is often adopted either to prolong the life cycle of current products or to take advantage of a favorite reputation or brand name. The idea is to attract satisfied customers to new products as a result of their positive experience with the firm's initial offering. Changes in business environment create demand for new products or services at the expense of established provision (Johnson et al, 2005). Product development is important for maintaining product differentiation and building market share.

Barringer and Ireland (2008) observed that in many fast-paced industries, new product development is a competitive necessity. Product innovation can broaden an industry's customer's base, rejuvenate industry growth and widen the degree of product differentiation among rival sellers. Successful new product introduction strengthen a company's position, enabling a firm to compete better and even to outdo its competitors who insist on sticking with their old products or are slow to adapt new changes.

#### **2.5.4 Diversification**

Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

Diversification may take place within firms existing areas of specialization or may result into a firm going into new areas. The major reasons for diversification may be in response to specific opportunities, to resolve some specific problem or as a general policy for growth. Diversification is a corporate level strategy and spreading of risks has been central to the concept of diversification. Hills & Jones (2001) states that over any reasonable length of time in many industries competition can be viewed as a process driven by innovation.

Concentric diversification involves the acquisition of businesses that are related to the acquiring firm in terms of technology, markets or products. The new business selected possesses a high degree of capability with the firm's current business. Conglomerate diversification is where a firm particularly a large one, plans to acquire a business because it represents the most promising investment opportunity available. Conglomerate diversification provides a profitable investment alternative without diverting management attention from original businesses.

Horizontal integration is where the firm's long term strategy is based on growth through the acquisition of one or more similar firms operating at the same stage of production. Such acquisitions eliminate competitors and provide the acquiring firm with access to new markets, the acquiring firm that uses horizontal integration can quickly expand its operations geographically, increase its market share, improve its production capabilities, an economies of scale , gain control of knowledge base resources, broaden its product line and increase its efficient use of capital.

Vertical integration is where a firm's grand strategy is to acquire firms that supply it with inputs such as raw materials, or are customers for its outputs such as warehouses for finished products. Backward vertical integration is when the acquired firms operate at an earlier stage of production or marketing process. Forward vertical integration is when the acquiring firm is nearer to the ultimate customer. Joint venture is where occasionally two or more capable firms lack necessary component for success in a particular competitive environment.

Denis and Rose (2001) reveals that this strategy entails firms moving into both new markets and new product sectors perhaps involving major changes in technology and marketing methods. Johnson and Scholes (2002) identify diversification to be a strategy which takes the organization away from its current markets or products. Diversification strategy is useful when an organization's marketing system does not show much additional opportunity for growth and if the opportunities outside the core marketing systems are superior.

## **2.6 Strategy Implementation challenges**

Once strategies have been developed they need to be implemented. Strategy implementation happens to be a more challenging and delicate task than that of strategy formulation. Unlike strategy formulation, here strategists cannot afford to be abstract or desk work oriented. Delicate and sensitive issues are involved in strategy implementation such as resource mobilization, restructuring, culture changes, technological changes, process changes, policy and leadership changes. If implementation is not effectively managed, the strategic plan may amount to being a mere white elephant and nothing more. A strategy may be good, but if its implementation is poor, the strategic objective for which it was intended may not be achieved.

According to Beer, Eisenstat & Specter (1990), organizations seem to have difficulties in implementing their strategies, however, researchers have revealed a number of problems in strategy implementation e.g. weak management roles in implementation, lack of communication, lack of commitment to the strategy, unawareness or misunderstanding



of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities( Beer and Eisenstat,2000) Lewin & Volberda(1999) stated clearly that most of the individual barriers to strategy implementation that have been encountered fit into one of the following interrelated categories: too many and conflicting priorities,, a top down management style, interfunctional conflicts, poor vertical communication and inadequate management development.

While implementation of strategy is such an important activity, is not easy. Strategy should be effectively operationalized and insitutionalized in the organization for effective implementation. Operationalization of strategy is concerned with working out the strategy by ensuring that the organizations daily activities, work efforts and resources are directed as much as possible toward implementing the strategy. Operationalizing strategy involves developing operational plans and tactics though which otherwise abstract strategy will be implemented. The plans and tactics are developed at operational and functional level of strategic management. It is more specific, concrete and short term in nature.

Institutionalizing strategy is all about matching strategy to the various institutions of the organization. What are required to implement strategy must be built into organizational institutions of structure, leadership, culture, support systems and processes and policies. Awino (2000) defined policies as specific guidelines, methods, proceedings, rules and administrative practices established to support and encourage work towards stated goals. Pearce & Robinson (2003) pointed out that policies clarify what work is to be done and who will do it, hence high chances of successful strategy implementations.

They (Pearce and Robinson) also noted that if activities, responsibilities and interrelationships are not organized in a manner that is consistent with the strategy chosen, the structure is left to evolve on its own. Structure of an organization should be compatible with the chosen strategy. Organizations should be structured in such way that it can respond to pressure to change from the environment and pursue any opportunities which are spotted (Lorsch 1967). It is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure according to Thompson (1997) is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes. Ohmae (1983) agrees that strategy and structure needs to be matched and to be supportive of each other in order to achieve the set objectives. The structure helps an organization to identify its activities and the way in which it will coordinate them to achieve the firm's strategic objectives.

There are a number of unhealthy cultures that result to low performance as suggested by Thompson & Strickland (2003). One is a politicized internal environment that allows influential management to operate their units autonomously and resist required change, what is best for the company takes a second place to personal interests. a strong corporate culture founded on ethical business principles and moral values a vital driving force behind continued strategic success (Sterling,2003). Clture is asset of assumptions that members of an organization share in common (shared beliefs and values). Organization culture helps in nurturing and dissemination of core values. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and styles of doing things in order to accommodate the perceived needs of the strategy (Pearce & Robinson, 2007). Weinrich & Koontz (1993) look at culture as the general pattern of behavior, shared beliefs and values that members have in common.

Leadership is the actual support and involvement of the senior management in the strategic initiative (Okumus, 2003). Organization structure on its own is not sufficient to ensure successful implementation of a strategy, effective leadership is required. Bateman and Zeithaml (1993) define a leader as one who influences others to attain goals . leaders have a vision and they move people and organizations in directions they otherwise would not go. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide a clear vision, direction and purpose for the organization ( Thompson, 1997). Leadership is the key to effective strategy implementation.

The execution of a strategy depends on individual members of organization especially key managers. Motivating and rewarding good performance for individual and units are key success factors in effective strategy implementation ( Shirley 1983). According to Cumming and Worley 2005, organizational rewards are powerful incentives for improving employee and group work performance. According to Thompson et all (2007), effective strategy implementation depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful strategy implementation without attracting, motivation and retaining talented managers and employees with suitable skills and intellectual capabilities.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

Research methodology describes details of the research design and the procedure to be followed to achieve research objectives. The section includes brief statement describing the general research methods to be followed, description of the approaches and methods to be applied in collecting primary and secondary information.

Research methodology also includes the population or samples or target groups to be used as source of data gathering. It also includes a description and explanation of the elements, variables of factors to be measured or otherwise addressed by the research.

### **3.2 Research Design**

The study adopted a case study design because the study sought to define the nature of the problem within the particular business unit. According to Mugenda (1999) a case study is an in depth investigation of an individual, group, institution or phenomenon.

The case study design enabled the researcher to gain deeper insights and understanding of the problem since the researcher was able to gather information from specific phenomenon. The investigation makes a detailed examination of a single subject, group or phenomenon.

### **3.3 Data Collection**

The study used primary and secondary data. Secondary data was obtained from the bank's annual reports and banks magazines because they contain information on what the bank has done in the past. Primary data was generated through interview guide filled by the director of strategy and expansion, three branch manager, three credit managers, three operations managers and five operations staffs who were drawn from operations and credit departments.

The interview guide consisted of two parts, part one dealing with the personal information of the informant and part two dealing with the growth strategies adopted by the bank and the challenges they are facing.

### **3.4 Data Analysis**

The data that was collected was qualitative in nature. The interview guide was checked for consistency and data organized through content analysis. Content analysis is the systematic qualitative description of the composition of the object or material of the study. It involves observation and detailed description of objects, items or things that comprise the sample (Muganda, 2003).

The case study involves a single organization and that the study solicits for data which is qualitative in nature and that it does not limit the respondents on the answers. Content analysis involves observation and detailed description of objects, items or things that comprise the object of study.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. Data collection was done through interview guide which were deployed in line with the objective of the study. The research objective was to determine the challenges of implementing growth strategies at Equity Bank Kenya Ltd. Primary data was collected from Equity banks top, middle and low level employees who included the Director of strategy and expansion, branch managers, credit managers, operations managers and functional staffs.

The interview guide was broken down into two sections. Section A sought to get the informants' background information and section B information about the growth strategies and its implementation challenges. The interviews were self administered where the respondents were interviewed face to face and some on telephone.

From the research findings it emerged that the bank uses different growth strategies to help it edge itself in the competitive market. Equity Bank employs different strategies like market expansion, introduction of new products to strategic alliances with other service providers to enhance usage of its services. To ensure the success of these strategies the bank actively involves its staffs to the whole strategy process.

## **4.2 General Information**

The study sought to know the gender of the respondents as indicated in the table 4.1 above. From the findings 40 %( 6) of the respondents were male while 60 % (9) of the respondents were female.

This implies that the bank is an equal opportunity employer to all genders and also that the female are also provided for opportunities in the senior or management levels since most of the respondents were in the management levels.

### **4.2.1 Age of Respondents**

The respondents were requested to indicate their ages as indicated table 4.2. From the findings 47 %( 7) of the respondents were in the age bracket of 40-50years while 33 % (5) Of the respondents were in the age bracket of 30-40 years.

This implies that the research was more focused on the more experienced employees who have for so many years participated or understand the banks strategies and its implementation challenges. Age of the respondents was of importance to the researcher as this gives level of maturity when it comes to strategy implementation and strategy process understanding.



### **4.2.2: Highest level of education**

The respondents were required to indicate their highest level of education. From the findings 66% of the respondents were graduates. This implies that Equity Banks Kenya Ltd employs a high number of graduates, which makes the Bank proficient in its service delivery to its customers.

Highest level of education attained was sought from the respondents to generally give the researcher an overview of the competency of Equity Bank Kenya Ltd workforce. This is of importance as it also helps during the interview on the level of engaging the respondent.

### **4.2.3 Period served in the Bank**

The respondents were asked to indicate the period of time that they had served at Equity Bank Kenya Ltd. From the findings most of the respondents had served in the bank for 5-10 years. This implies that the information was gathered from recipients who have had experience in the banks strategies and were able to point out on the different challenges that the bank had been experienced with the current strategies and with the past strategies.

Period that the respondents has served in the banks was of importance to the researcher as this showed the level of understanding of the strategies being implemented and better understanding of the various challenges that the organization was facing during its strategy implementation.

#### **4.2.4 Position held at the Bank**

The respondents were also requested to indicate the positions that they hold at the bank. The positions were senior, middle level and junior level employees. From the findings most of the respondents were from the senior level. This implies that the information is reliable since its most of the senior management who champions strategy implementation and are in a position to pinpoint the challenges that are encountered during implementation.

Strategy implementation is a process that is carried out by everybody in the organization. Thus seeking for the position that the respondents held at the bank was important since the researcher would use this information to ensure that the in formats were drawn from all the departments of the organization from senior management to the functional staffs.

#### **4.3 Strategy Implementation**

The study requested the respondents to state some of the strategies that were being implemented by Equity Bank Kenya Ltd. From the findings the following were stated by the respondents as some of the growth strategies that were currently being implemented at Equity Bank Kenya Ltd.

Opening up of new branches in unbanked parts of the country, the bank introducing new products like new loan product and new accounts targeting different clientele from whom it currently serves, agency banking model that ensures that customers can access their banking needs at their door steps and also contracts with other service providers for alternative channels of banking like mobile banking.

### **4.3.1 Conditions for successful implementation**

The study also sought to know the respondents opinion on the necessary conditions for successful implementation of the growth strategies at Equity Bank Kenya Ltd. From the finding the respondents stated that the following conditions were necessary for growth strategy implementation. Good marketing research to provide what meets the customers' needs. This ensures that the strategies that are being implemented at the Bank are in line with the customers' needs thus their success.

Having right and competent people to oversee the formulation and implementation process is also important condition for successful strategy implementation. Having staffs involved at all levels of the strategy is important as this reduces resistance to the new strategy by the staffs' .Proper coordination and integration of all the processes is also necessary. Proper allocation of the necessary resources needed for the process and effective communication and information flow during the whole process is necessary for successful strategy implementation.

### **4.3.2 Parties at the bank involved in strategy implementation**

The study also sought to find out from the respondents the parties at the bank who are involved in strategy implementation. From the findings the respondents stated that all staffs should be involved in the strategy implementation process. The participation of the staff at all levels of the strategy process reduces lack of morale on the part of the staff during strategy implementation.

They also stated that other stakeholders should also be involved in the strategy implementation at equity bank Kenya ltd. the other stakeholders include the shareholders customers, research firms and other service providers that the bank partners with in its strategy formulation.

### **4.3.3 Role of staff involvement in achieving effective strategy implementation**

The study also requested the respondents to indicate the role of staffs at achieving effective strategy implementation. From the findings the respondents stated that staffs role at achieving efficient strategy implementation was majorly on the feedback that the staffs give from the customers.

Staffs are the personnel at the bank who are in direct contact with the customers and the feedback that they give helps the bank in identifying the various needs of the customers as they come up with the right strategies to meet those identified needs.

## **4.4 Challenges of strategy implementation**

The study also sought to determine the challenges that were encountered during strategy implementation. From the findings, there are many challenges that were encountered which included competition from other market players that pose a challenge of the bank's strategy being copied by other market players at implementation. Political interferences from politically connected individuals in the society , limited resources and sabotage of the process by the different stakeholders.

Technological challenges are also being encountered by the bank where most of its customers are illiterate and having it hard to embrace the technological changes on the banks products. Low staff morale also poses a challenge to the bank as it makes the implementation to take longer than expected and at times the staffs being resistant to the new changes being made by the bank.

### **4.4.1 Challenges that surfaced that had not been anticipated**

The study further requested the respondents to indicate the challenges that surfaced during strategy implementation that had not been anticipated. All the respondents indicated that there are challenges that had not been anticipated that occurred during implementation.

Challenges like sabotage or conflict of interest by the different parties involved in the strategy process had not been anticipated. Some of the parties tried to frustrate the implementation of the strategies by not really playing their part or withholding their service.

#### **4.4.2 Challenges posed by lack of staff participation**

The study also sought to find out some of the challenges that had been caused by lack of staff participation during formulation. From the findings the major challenge that was posed by lack of staff participation was implementation process taking longer that had been planned. This results from the staffs not owning up the new strategy since they were not involved in its formulation.

There is also a challenge of lack of morale on the part of the staffs, thus the staffs being reluctant in the marketing of the new products to customers. This majorly results in the implementation taking longer that had been anticipated or its failure in some cases.

#### **4.4.3 Challenges posed by inadequate information and communication to staffs**

The study sought to investigate the challenges that are posed by inadequate information and communication to staffs. From the findings the respondents stated that some of the challenges that were caused by inadequate information and communication to staffs included, miscommunication of the strategy to the customers and others stakeholders and also lack of morale by the staffs that led to slow implementation process for lack of proper and enough information on the implementation process.

Inadequate information and communication also leads to failure of the strategy in that the implementers are not having the adequate information on the strategy being implemented leading to wrong information to the market on the various strategies.

#### **4.4.4 Challenges posed by structural issues**

The study also sought to find out some of the challenges that were posed by structural issues. From the findings the respondents stated that the major challenge that was posed by structural issues was having incompetent people to spearhead the implementation process. When the organization fails to realign its structure to fit its strategy there appears to be a mismatch between the strategy and the organization structure that finally leads to strategy failure.

Structural issues may be from not having the right people to lead the implementation process. The bank needs to always change its managerial structure to ensure that it has competent personnel to lead the strategy process. Not having proper resource reallocation to manage the new strategies will pose structural challenge.

#### **4.5 Possible solutions to challenges of strategy implementation**

The study further sought to establish the possible solutions to the challenges of strategy implementation at equity bank Kenya ltd. From the findings the respondents stated various possible solutions to the challenges. These included proper coordination and aggregation of implementation stages, proper communication and information flow to all the parties involved in the whole process, enough resource allocation.

Also important solution to the challenges of strategy implementation at Equity bank Kenya Ltd is involvement of all the stakeholders or parties to be involved at the implementation process in the formulation and other stages and continuous monitoring of the implementation process.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary of the findings from chapter four, and also gives the conclusions and recommendations of the study based on the objective of the study. The objective of the study was to determine the challenges of the implementation of growth strategies at Equity Bank Kenya Ltd.

#### **5.2 Summary and findings**

The study established that the necessary conditions for successful implementation of strategy include good marketing research to provide what meets the customers' needs. For the bank to come up with a strategy that will be successful proper understanding of the customer's needs is paramount. When marketing research is done well to establish what the customers' needs are, the bank will be in a position to come up with the right product or service to meet the stated need thus leading to successful strategy implementation. Having the right or competent personnel to oversee the strategy process is also important to successful strategy implementation process. The staffs and all the other stakeholders who are to be involved in the implementation process should actively participate in all the strategy processes and not only at implementation for understanding of the whole process.

Other necessary conditions for successful implementation include proper coordination and aggregation of the whole strategy process, proper resource allocation and good of proper information flow and communication to all the stakeholders during the strategy process. It is also important to have all the organizations structures realigned to fit in the new strategy that is being implemented. The study also established that all staffs are involved in the strategy implementation process. Also others stakeholders involved in the implementation process include the customers and the shareholders. The study also established that staffs play a role in ensuring effective strategy implementation since they are the source of feedback from the customers on whether the strategies the banks are employing are actually meeting the customer's needs.

### **5.2.1 Challenges of strategy implementation faced by Equity Bank**

#### **Kenya Ltd**

The study established that there are several challenges of strategy implementation that Equity Bank Kenya Ltd faced. The challenges included competition from other market players, the competitors posed a challenge of having the bank's strategy being copied by others players before it is fully implemented thus making the bank not able to achieve all its objective that the strategy was set to achieve. Political interferences is also a challenge that the bank has faced often in its strategy implementation. The bank has had to involve politically placed people in some areas during its branches opening to persuade the locals to embrace the banks services.

Sabotage of the process by parties involved in the strategy formulation is another challenge that the bank faces. The bank during its strategy implementation has had parties that it has partnered with not honoring their contracts and failing to play their part leading to failure on the strategy. The bank has also faced technological challenges which have majorly from the part of the customers not embracing the technological developments in the services that the bank offers. Given the banks type of clientele most of the have not been able to use some of the services that the bank offers due to illiteracy.

Low staff morale and resistance to some new changes has also posed quite a challenge to the bank on its strategy implementation. This challenge has majorly been caused by lack of staff involvement at the formulation stages the staffs seeing the strategy as not their own but being imposed on them. Lack of proper communication and withholding of information also results into the low staff morale that also slows down the implementation process.

### **5.2.3 Solutions to the challenges of strategy implementation at Equity**

#### **Bank Kenya Ltd**

The study established that the solutions for the challenges that the bank faces during the implementation of its strategy includes having all the staffs and stakeholders involved in the implementation process participate in the whole strategy process. By having all the parties that are involved in the strategy implementation in the whole strategy process helps reduce any resistance on their part and they take personal initiative during implementation.

Proper coordination and integration of all stages is also necessary for successful implementation. All lines of communication and information flow should be proper to ensure success of the strategy. Realignment of the organization structure is also paramount to fit in with the new strategy being implemented. The organization should always be able to change its structure to ensure that it has right people in place to lead the strategy process. Having competent people leading the strategy team is very necessary for success of the strategy. Proper resource allocation is also a solution to any challenge that arises during strategy implementation. Equity bank Kenya ltd should ensure that it has enough resources both finances and personnel for the strategy.

### **5.3 Conclusion**

From the findings, the study concludes that equity bank Kenya ltd is currently implementing different growth strategies that include opening of branches in part of the country that are not yet banked, introduction of agency banking where that bank is spreading its services through its agents and also the bank is also introducing more products from loan products to new accounts.

From the findings, the study also concludes that strategy implementation at equity bank Kenya ltd faces different challenges. The challenges included resistance from the staff or role morale that slows down the implementation process, political and cultural interferences from some communities during expansion, conflict of interest by the parties concerned in the formulation leading to sabotage of the implementation, limited resource allocation and lack of proper communication to the staffs has also posed different challenges to the bank at its strategy implementation stage.

The study also concludes that for the implementation process to be successful proper coordination and aggregation of the processes is important, staffs and all stakeholders involvement at all levels to ensure smooth implementation. Realignment of the organization structures also of importance to ensure that the bank has the right people leading the implementation process. Proper resource allocation and proper information flow among the parties involved in the implementation are very key.

#### **5.4 Recommendations**

From the findings and conclusions, the study concludes that for effective strategy implementation at equity bank Kenya ltd, there should be involvement of all the parties that implement the strategies at all the strategy process stages. The organization structure should also be realigned to fit in the new strategy and ensure proper resource allocation.

The study recommends that the organization should train all its employees on the strategies that the bank intends to put in place to give them an understanding of the importance of these strategies so that when it comes to the implementation the process is faster and smoother. The study also recommends that equity bank Kenya Ltd should continuously change its structure whenever a new strategy is being implemented for the successful strategy implementation.

### **5.5 Recommendations for further research**

The study investigated the challenges of implementing growth strategies at equity bank Kenya Ltd. Further research should be taken on the benefit of the different strategies that the bank employs on its customers and the economy.

Further research on these challenges should also be done on the other banks operating in the same environment with equity bank Kenya Ltd, to determine whether the challenges that banks face in implementing its growth strategies are the same across board or varies from one bank to the other.

### **5.6 Limitations of the study**

From the study the researcher encountered some limitations which included reluctance on the part of the respondents to give the information due to its sensitivity to the organization. Thus the data collection took a longer period than had been planned and more resources like where interviews were done online.

Also some of the staffs did not really understand what banks strategies are and those who had the information also did not really know that they formed part of the implementation team. This forced the researcher to interview more respondents to sample those with information on the banks strategies implementation and its challenges.

## **5.7 Implication of the study on theory, policy and practice**

The study recommends that strategy implementation should be an ongoing process and also that all the employees of any given organization should be involved in the strategy process to ensure successful implementation. Equity bank ltd management should inculcate a practice of regular review to monitor the success of its strategy and the stakeholder's views on the new strategy

For effectiveness of all the financial sectors in Kenya, the regulator that's Central Bank of Kenya should encourage more research on the different strategies these institutions are implementing to enforce their success. Since all the financial institutions operate in the same environment the regulator can adopt use the findings of this study to come up with solutions to the challenges that the institutions face during strategy implementation.

The bank has generally realized great achievement in terms of its profitability and being the best in customer base and its overall high profits, but should focus more on still reaching the unbanked areas and ensuring that all Kenyans understand the value of banking services. The study has also sighted technological gaps in the market that should be addressed for faster strategy implementation.

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# APPENDICES

## Appendix 1: Interview Guide

### Challenges in the implementation of growth strategies at Equity Bank Kenya Ltd

#### Section A: Background Information

1. State your gender. F( ) M( )
2. State your age bracket. Below 30years( ) 30-40years ( ) 41-50 years ( ) above 50years ( )
3. What is your highest academic qualification? Tertiary ( ) Graduate ( ) Others ( ) specify
4. How long have you served at equity bank ltd? Below 2years ( ), 2-5years ( ), 5-10 years ( ), above ten years ( ).
5. What position do you hold at the bank? Junior level ( ), middle level ( ), senior level ( ).

#### Section B

6. In your view state some of the strategies are being implemented at Equity Bank Ltd  
(i).....  
.....  
(II).....  
.....

7. In your own opinion what are the necessary conditions for successful implementation of the strategies at the bank?

(i).....  
.....

(ii).....  
.....

8. Kindly indicate the parties involved in strategy implementation process at equity bank.....  
.....

9. Kindly state the role of staff involvement at achieving effective strategy implementation.....

10. Kindly indicate the challenges of strategy implementation that equity bank faces during implementation.....

11. What are some of the challenges that appeared that had not been anticipated?.....  
.....

12. What are some of the challenges that are posed by lack of staff's participation?.....

.....

.....

13. What challenges are posed by inadequate information and communication to staffs?

.....

.....

14. What are some of the challenges posed by structural issues.....

.....

...

.....

...

15. What are some of the possible solution to the challenges of strategy implementation at Equity Bank Ltd.....

.....

# APPENDIX 2: INTRODUCTION LETTER



## UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAMME

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

P.O. Box 30197  
Nairobi, Kenya

DATE.....27/07/2012.....

### TO WHOM IT MAY CONCERN

The bearer of this letter.....Gwono Grace Akinyi.....

Registration No.....D61161510/2010.....


is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



  
IMMACULATE OMANO  
MBA ADMINISTRATOR  
MBA OFFICE, AMBANK HOUSE



## APPENDIX 3: AUTHORIZATION LETTER

From: Equity Bank Kenya Ltd

Ref: Grace A. Gworo

Date...10 09.2012...

### TO WHOM IT MAY CONCERN

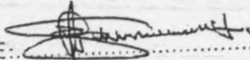
This is to certify that the above named student from the University of Nairobi has been authorized by the Bank to collect data for her research upon presentation of introduction letter from the university.

Kindly accord her the necessary assistance

Regards

EQUITY BANK LIMITED  
KAWANGWARE BRANCH  
OPERATIONS MANAGER

10 SEP 2012

NAME: 

FREDRICK SHITAKHA  
P.O. Box 27077-00100 KAWANGWARE

OPERATIONS MANAGER