

**STRATEGIC FACTORS AFFECTING THE IMPLEMENTATION
OF A NEW CORE BANKING SYSTEM IN CONSOLIDATED
BANK OF KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION,
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

NOVEMBER, 2015

DECLARATION

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

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This study is dedicated to my wife Fridah Kanana and my sons Malik and Myles for their constant encouragement and for being patient enough to see me go through my academic struggle thus realizing my long cherished dream. I also dedicate it to my parents Mr and Mrs Mwaniki for encouraging me to be a better person each passing day.

ACKNOWLEDGEMENT

The completion of this research project would not be possible without the material and moral support from various people. It is my obligation therefore to extend my gratitude to them. First of all, I thank the almighty God for giving me good health, and for guiding me through the entire course. I am greatly indebted to Prof. Bitange Ndemo, my supervisor, as well as Prof. Zachary B. Awino, my moderator, for the effective supervision and moderation, dedication, availability and professional advice. I extend my gratitude to the lecturers who taught me in the MBA programme, thus enriching my research by laying the theoretical grounding of this work.

I am also greatly indebted to Consolidated Bank Senior Management, who were my respondents for their support and willingness to provide the required information for this study. My appreciation also goes to my classmates, with whom I weathered through the storms, giving each other encouragement and for their positive criticism. I also acknowledge my family members for their moral support during the entire study period.

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ABSTRACT

The CBS implementation over the past few decades witnessed that many of the early installations were either inflexible or took unacceptably long implementation time due to high level of customizations to meet the specific requirements of each Bank. It is estimated that about 40% of software system implementations have failed globally. None of the local studies did focus on strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya. Therefore, this study sought to answer the following research question; what are the strategic factors affecting the implementation of a new Core Banking System in Consolidated Bank of Kenya? This study used a case study research design. The study made use of interview guide to collect the primary data. The interview guide was administered to 8 top management employees in Consolidated Bank of Kenya. The study involved collection of qualitative data. Content analysis was used to analyze qualitative data from the open ended questions. From the findings, the study concludes that Consolidated Bank of Kenya was implementing a new core banking system from the Bank Master system to Intellect system. the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor commitment and support, vendor knowledge transfer, end user involvement, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants and supervision by the board. The study recommends that the management of Consolidated Bank of Kenya should come up with measures to address the reported internal challenges in the new CBS implementation. The communication should be enhanced between all stake holders in the process of new CBS implementation. The banks management should continue to lender their support and guidance to the banks' staff during the whole process of new CBS implementation.

CHAPTER ONE: INTRODUCTION

1.1 Background

Over the last decade, majority of the domestic licensed commercial banks (LCBs) have apparently replaced their outdated core banking software with new state of the art core banking solutions, in order to compete in global markets (IBS, 2008). The evolution and development of packaged Core Banking Software (CBS) in the form of end-to-end solutions for the business requirements of banks have been a major change in the implementation processes over the last few years. The average life cycle of an implemented CBS, is around 10 years (Infosys). The need of a fully -fledged core banking software system is vital for banks to meet the competitive pressure and provide superior service to their clientele. In this perspective, Banks must ensure that strategic factors are put in place to ensure the smooth, timely and efficient CBS implementation.

The Innovation diffusion theory as well as the Agency theory will be used as foundations for this study. Rogers (1983) defined organizational innovation as the development and implementation of ideas, systems, products, or technologies that are new to the organization adopting it. The adoption of innovations is a process that includes the generation, development, and implementation of new ideas or behaviors (Rogers, 1983). According to the theory the delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. The delegation of responsibility in the context of this study is the outreach of financial services from the banking halls to where people live and work ensuring rise in financial inclusion.

Technology is a never ending road of change and improvements. With more and more banks and even government adapting newer ways of doing things and delivering services, studies on the most strategic means to achieve this will be a motivation. Majority of Kenyan commercial banks use core-banking solutions supplied by foreign software vendors at an enormous cost and as such must get the best way on how to implement the same with minimal time and little, or none, negative effect on the users. The strategic factors affecting the implementation of new CBS will not only help the organization achieve the implementation but will lead to a better experience for the customers with the ability to achieve a competitive edge by offering a wider and more versatile range of products.

This study was motivated by the increased number of banks adopting new CBS in Kenya. For instance, over 50% of the commercial banks have rolled out new CBS Kenya as they seek to enhance their service delivery. The study further would like to find out the strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya.

1.1.1 Implementation of Strategy

Core Banking is defined as the business conducted by a banking institution with its customers. Many banks treat the retail customers as their core banking customers, and have a separate line of business to manage small businesses. Larger businesses are managed as Corporate Banking division of the institution (IBS, 2008).

At present most of the banks use core banking applications to support their operations where "CORE" stands for "Centralized Online Real time exchange". This means that entire banks' branches can access applications from centralized datacenters. Online

real time means that the transactions are reflected immediately on the bank's servers and the customer can access their accounts from any of the bank's branches throughout, providing a comprehensive banking solution. Normal core banking functions will include deposit accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, Internet banking, and branches (Minz, 2006).

The CBS maintain all transactional information about customers and their accounts while the delivery channels will connect to the core banking application to perform transactions. There are two types of users in banking systems namely; internal and external users. All bank staff can be categorized as internal users while others such as customers and their authorized representatives would be considered as external users. CBS are basically the heart of all systems running in a bank and it forms the Core of the bank's IT platform.(Infosys, 2009) Amongst other functionalities, it provides the customer information management, central accounting and the transaction-processing functions, which by far are the most fundamental processes in a bank. With the advancement in technology and with passage of time, core systems nowadays tend to cover more and more functionality giving the bank an integrated solution for most of its operations in different business lines. Besides that, it also provides a central operational database of customers' assets and liabilities giving facility to generate a 360 degree view of the customer's relationship with the bank, which is fundamental for the Customer Relationship Management (CRM) strategy of the bank (Satchidananda, 2006).

1.1.2 Factors Affecting Strategy Implementation

Software system implementation failures and problems during implementations have been subject to extensive literature, although high visibility CBS project failures are not very common in large banks. The integration of CBS with other delivery channels would be challenging during the implementation and post implementation periods. The problem of interfacing could occur, especially when banks attempt to customize their CBS. However, with the increased demand for CBS by smaller banks, cost overruns or failures in process design can cause significant problems as these new adapters may have limited resources, experience, or staffing skills to overcome these issues. Banks have found themselves to have been further stretched, when contractors, consultants, and vendors who are domiciled at geographically different locations get involved in such projects due to difficulties in timely coordination and consultations which require dedicated resource management during implementation stage (Ahmed *et al*, 2006).

The current competitive environment with increasingly demanding customer needs are forcing the banks to reexamine their technology environment, which is required to ensure that their IT strategy is aligned with their business strategy. The CBS replacement is often the most feasible solution to meet this demand. However, replacement of CBS be it for large or small banks, global or regional, is analogous to a heart transplant (Infosys, 2009). This is one of the greatest challenges for any bank, which could either result in the bank leapfrogging to a high degree of differentiation and an enriched customer value proposition, or can create considerable risks for the bank if the transition is not managed properly.

A core banking solution, once implemented should be robust, scalable and future-proof and should serve the business interest for at least 10 years (Infosys, 2009).

The pressure for the banks to consider replacing legacy core systems has been increasing as it becomes clear that traditional ‘surround’ strategies will not work in the current context. (ISB, 2008). The issues and manual intervention with legacy CBS could be overcome by investments in distribution channels, which can deliver the improved agility and cost savings that the business is looking for. The IT departments within retail banking businesses are finding it increasingly difficult to continue justifying in-house development or to maintain older versions of CBS to meet the organic growth of the bank and technological advancement. (IBS, 2008) In the current era, banks think of growth not only within the home country, but also globally. In addition, regulators have imposed new laws in order to ensure that banks safeguard the banking industry and customer confidence.

1.1.3 Strategic Factors Affecting the Implementation of Core Banking Systems

The ability to carry out a bank modernization program requires solid support from stakeholders and business sponsors. There are five strategic factors common to all the three core banking systems implementation phases. Out of the strategic factors related to pre-implementation, setting project objectives and expectations has been identified as the most strategic factors. In relation to the implementation phase, vendor support and commitment has been identified as the key strategic factors and in relation to the post-implementation phase, excellent issue resolving mechanisms was identified as the strategic factor (Satchidananda *et al*, 2006).

According to Gartner's (2011) the following criteria were identified to impact most on core banking systems decisions; functionality, flexibility, cost, viability, operational performance, program management, partner management, customer references The strategic factors relating to project management are schedule estimating, customer satisfaction, alignment to strategic business goals, cost/hours estimating, time and budget to date, and quality. Many companies do not collect metrics that show the value of a project to the organization. Matured project management techniques should be used in place for the progress and the status of projects, which is not measured and monitored consequently as the project failure comes as a surprise at the expected time of project completion.

A research on critical success factors in selecting and implementing core banking systems by Hettiarachchi (2009) identified the following CSF's related to CBS selection process: organizational expectations, refinancing the requirements, evaluating the responses, project sponsorship, setting direction and transparency. Hettiarachchi (2009) further identified the following CSF's related to CBS implementation process: setting direction, project sponsorship, transparency, prioritizing deliveries, creative problem solving, competence project team, professional project manager, dedicated resources, vendor commitment, knowledge transfer.

Some of the strategic factors affecting the implementation of a new core banking system include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support,

careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants (Somers and Nelson, 2001).

1.1.4 The Banking Industry in Kenya

As at 31st December 2014, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Deposit-Taking Microfinance (DTM), 2 credit reference bureaus (CRBs) and 101 forex bureaus. Out of the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign owned. The 9 DTMs, 2 CRBs and 101 forex bureaus are privately owned. The foreign owned financial institutions comprise of 10 locally incorporated foreign banks and four (4) branches of foreign incorporated banks (CBK 2013).

The banking industry has been earmarked as a key pillar to the achievement of vision 2030 (a long-term strategy to achieve sustainable growth by year 2030) through increased savings, encouragement of Foreign Direct Investment (FDI), safeguarding the economy from external shocks as well as propelling Kenya to become a leading financial centre in Eastern and Southern Africa. Within the Medium Term Plan (2008-2012) under vision 2030, some of the target areas include development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks

as well as between banks. Towards this end, the use of mobile phone networks, internet, payment cards, operational resilience and security will be pursued in order to increase trust, integrity and confidence in the ICT based payment systems (Ngumi, 2013).

The study will be very important to the commercial banks in Kenya as it will help them establish strategic factors affecting the implementation of a new core banking system. Despite the undeniable importance of bank's adoption of CBS, the strategic factors affecting the implementation of a new core banking system is still misunderstood because of two main reasons, first, there is inadequate understanding about the factors affecting CBS and secondly implementation of CBS remains lowly untested (Mabrouk and Mamoghli, 2010).

1.1.5 Commercial Banks in Kenya

In Kenya, commercial banks play an important role in mobilizing financial resources for investment by extending credit to various businesses and investors. Lending represents the heart of the banking industry and loans are the dominant assets as they generate the largest share of operating income. There are 43 licensed commercial banks in Kenya, one mortgage finance company and one credit reference bureau. Of the 43 commercial banks, 32 are locally owned and 11 are foreign owned. The Government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate. The Credit Reference Bureau Africa

was the first of its kind to be registered in Kenya by the Central bank of Kenya aimed at enabling commercial banks to share information about borrowers to facilitate effectiveness in credit scoring (CBK, 2012).

The banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines issued by the Central Bank of Kenya. The Prudential oversight is exercised by the Central Bank of Kenya, the Nairobi Stock Exchange and the Capital Markets Authority. Liberalization of the banking sector started in 1995 where exchange controls were subsequently lifted. The largest commercial banks in terms of market share by deposits as at 2014 are Kenya Commercial Bank, Barclays Bank, Co-operative Bank, Standard Chartered Bank, CFC Stanbic Bank and Equity Bank in that order (Central Bank of Kenya, 2014).

Faced by the pressure to remain competitive in the highly competitive financial sector, the respective management organs may consciously overlook critical factors influencing replacement of CBS with the hope that no serious threats materialise. This oversight is invariably risky and could result in devastating impact to the institutions competitiveness. The replacement of CBS is critical for the survival, competitiveness and success of any financial institutions in Kenya. Therefore, successful survival and competitiveness of any financial institution depends on careful consideration of strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya (CBK, 2013). This study will offer useful insights to the bank management on strategic factors affecting the implementation of a new CBS.

1.1.6 Consolidated Bank of Kenya

Consolidated Bank is a medium-sized financial services provider in Kenya, focusing on meeting the banking needs of small and medium-sized enterprises in the country. As of December 2013, the total asset valuation of the bank was about US\$193.7 million (KES: 16.8 billion), with shareholders' equity valued at about US\$14.34 million (KES:1. 242 billion). The bank was incorporated in 1989, as a result of the merger of nine insolvent financial institutions. Consolidated Bank aims to meet the banking needs of both individuals and institutions. In the beginning, the institution was limited to collecting the debts of the failed legacy financial institutions (Consolidated Bank, 2014).

During the year 2014, the Bank experienced a loss before tax of Ksh. 274.1 million. Loans and advances declined by 15 percent to Ksh 9.2 billion while customer deposits declined by 9 percent to Ksh. 10.6 billion. Similarly, our total assets declined by 10 percent to Ksh. 15.1 billion. The decline in profit was attributed to the increased provisions for non-performing loans in line with the prudential guidelines and the International Financial Reporting Standards. Consolidated Bank's portfolio of NPLs rose from 11.7 percent in 2013 to 26.1 percent in 2014. The increase in NPLs reflects a determination to evaluate the level of risk in the credit portfolio and correct it through proper classification and provisioning. (Consolidated Bank, 2014). The banks' strategy is heavily buoyed up by technology to provide fast reliable service to customers in an efficient mode that will not only seal loop holes of income but also offer better and more efficient portfolio monitoring tools to control the Non-Performing Loans. The bank has embarked on a project to acquire a new modern core banking system that will be more adaptable to

the fast changing business and banking environment. The new technology will provide a robust platform to support our growth into the future (Consolidated Bank, 2014).

1.2 Research Problem

The CBS implementation over the past few decades witnessed that many of the early installations were either inflexible or took unacceptably long implementation time due to high level of customizations to meet the specific requirements of each Bank. It is estimated that about 40% of software system implementations have failed globally (Ramkumar, 2004). Majority of CBS implementation projects had either time overrun or budget overruns (Minz, 2006). Information systems implementation depends on specific social, cultural, economic, legal and political context, which may differ significantly between countries (Stiglitz, 1998; Shore, 1998; Spanos et al., 2002). Thus, one can argue that findings from developed countries are not directly transferable to developing countries. Dewan and Kraemer (2000) showed that differences in country-contexts can lead to different ICT use and impact patterns.

The problem is that local commercial banks in Kenya do not meet the desired objectives during agreed project scope, timeframe and budget from the CBS project implementation (CBK, 2014). Some of the leading domestic banks in Kenya, which hurriedly upgraded the existing system with new version of the existing CBS, without resolving the current issues, had to face manifold difficulties in managing the project. Such problems, ultimately had adverse effects on their business as they were not in a position to meet the expectations of the customers, on time.

A number of international studies on strategic factors affecting the implementation of a new core banking system exist. Somers and Nelson, (2001) did a study on banks in Hawaii in USA and concluded that the strategic factors affecting the implementation of a new core banking system include: top management support, project team competence, and interdepartmental co-operation. Minz (2006) focused on European Banks and concluded that strategic factors affecting the CBS implementation were; clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, and steering committee. Ahmed et al., (2006) identified that strategic factors affecting the CBS implementation in Asian banks included user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, and use of consultants.

While focusing on USA banks Shayne (2003) established the strategic factors to be procedures of securing and allocating financial resources for the new strategy, information, and knowledge requirements for the process of strategy implementation, time available to complete the implementation process, political and cultural issues within the company and their impact on resource allocation. However, all these studies were done in developed economies and Kenya is a developing economy and therefore contextual differences exist. This may present different conditions and factors that may make the CBS implementation experience in Kenya or developing countries a bit different from what was achieved from the studies.

Locally, studies also touched on technology and banks. Mwangi (2013) focused on the effects of bank innovations on financial performance of commercial banks in Kenya. Nyangosi and Arora (2011) examined the adoption of information technology in Kenyan banks focusing on services provided through internet and mobile phone banking. Barako and Gatere (2008) studied use of technology in Kenyan Banks. Rono (2012) examined the relation between CBS replacement and performance across the 43 banks. However, none of these studies did focus on strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya. Therefore, this study seeks to answer the following research question; what are the strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya, a case of Consolidated Bank of Kenya?

1.3 Research Objective

The objective of the study will be to establish the strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya, a case of Consolidated Bank of Kenya

1.4 Value of the Study

This study will provide information to policy developers to enable them to formulate, implement and evaluate relevant and viable policies with regard to replacement of CBS. It will provide information that the relevant Ministry in Kenya can use to assess and improve implementation of the legislation and regulation of the banking industry that is core towards achieving Vision 2030 in Kenya. The study will therefore provide insight into the policy making process.

It will thus contribute to the theory building in the sense that the gap concerning the strategic factors affecting the implementation of a new CBS will be narrowed down. Moreover, it will contribute to theory building because it will asserts the theoretical propositions under study.

The findings of this study will also be highly relevant to management team of banks in Kenya especially Consolidated Bank. The findings will highlight the strategic factors to consider when implementing a new CBS. The findings of this study may be used by banks in Kenya when planning to invest on a CBS. In addition, the study may also be used for other information technology transfer projects in the Kenyan banking sector. This study will inform the foundation upon which other related and replicated studies can be based upon by scholars who may wish to carry out further research.

1.5 Chapter Summary

The chapter presented the background of the research problem which was also contained the following subtopics; implementation of strategy, factors affecting strategy implementation, strategic factors affecting the implementation of core banking systems, the banking industry in Kenya, commercial banks in Kenya and Consolidated Bank of Kenya. The chapter also gave the research problem, research objective, and value of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will examine the theories of strategic factors affecting the implementation of a new core banking system and related literature on the strategic factors affecting the implementation of a new core banking system.

2.2 Theoretical Foundation

The study will be guided by the innovation diffusion theory and agency theory. The innovation diffusion theory was proposed by Rogers (1983). On the other hand, the Agency Theory was proposed by Walker (2003). The innovation diffusion theory proposes a number of factors affecting technology diffusion while the agency theory advocates for the human related factors relating to adoption of technology.

2.2.1 Innovation diffusion theory

According to Dillon and Morris (1996); Rogers (1983 & 2003), the strategic factors which influence the diffusion of an innovation include; relative advantage (the extent to which a technology offers improvements over currently available tools), compatibility (its consistency with social practices and norms among its users), complexity (its ease of use or learning), trialability (the opportunity to try an innovation before committing to use it), and observability (the extent to which the technology's outputs and its gains are clear to see). These elements are not mutually exclusive thus unable to predict either the extent or the rate of innovation diffusion. The innovation does not necessarily have to be new in terms of discovery or invention; it only has to be perceived as new by the organization (Zaltman, Duncan & Holbek, 1973)

Moore and Benbasat (1991) built on the work of Roger (1983), amongst others Tornatsky and Klein (1982) and Brancheau and Wetherbe (1990) and expanded the array of innovation characteristics to seven. Three of the seven innovation characteristics are directly borrowed from Rogers: relative advantage, compatibility, and trialability. The fourth characteristic, ease of use, is a close relative to Rogers' complexity. It is worth noting that both relative advantage and ease of use are subjective characteristics since they can be viewed differently depending on an individual's perceptions.

Fishbein and Ajzen (1980) concur, attitudes towards an object and attitudes regarding a particular behaviour relating to that object can frequently differ. Moore and Benbasat (1991) also derived three further characteristics. While Rogers (1983) included image as an internal component of relative advantage, Moore and Benbasat (1991) found it to be an independent predictor of adoption. Image is the self-perception that adopting an innovation could result in enhanced social status.

By analyzing Rogers (2003) diffusion of innovation theory through the lens of the Dubin framework, some gaps in the theory emerge (Lundblad and Jennifer, 2003). Organizations are described as a social system, but within organizations, departments or teams can also serve as social systems. Yet the unique issues and elements of departments or teams within a larger organizational context are not addressed in terms of how these boundaries affect the adoption of innovation. In addition, boundaries are not addressed for instances when diffusion of innovation occurs across organizations (Lundblad and Jennifer, 2003).

For diffusion of innovation theory in organizations, the only system state defined by the theory is what type of decision-making process is in place for adopting and implementing innovations, identified as optional, collective, authority, and contingent innovation-decisions. Rogers' theory does not tell us whether the system states of organizations need to be in normal operating mode in order for the theory to apply, or whether the theory holds in all types of organizations or only in certain types (Lundblad and Jennifer, 2003).

2.2.2 Agency Theory

An agency relationship arises when one or more principals (for example an owner) engage another person as their agent (or steward) to perform a service on their behalf. A principal and an agent form an agency relationship because they each expect to receive some net benefit. The parties expect that the relationship will lead to an efficient division of labor. Performance of this service results in the delegation of some decision-making authority to the agent. This delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent to act in the principal's best interests (Walker, 2003).

The relationship between the principal and the agent is called the "agency," and the law of agency establishes guidelines for such a relationship. The formal terms of a specific principal-agent relationship are often described in a contract. A contract made by an agent on behalf of a principal is considered to be the contract of the principal and not that of the agent. It allows the principal to authorize somebody to carry out her duties, either for a specific purpose or generally (to conduct many transactions)

Inherent in the Principal-Agent relationship is the understanding that the agent will act for and on behalf of the principal. The agent assumes an obligation of loyalty; that he will follow the principal's instructions and will neither intentionally nor negligently act improperly in the performance of the act. An agent cannot take personal advantage of the business opportunities the agency position uncovers. A principal, in turn, reposes trust and confidence in the agent. These obligations bring forth a fiduciary relationship of trust and confidence between Principal and Agent (Green, 2012).

An agent must obey reasonable instructions given by the Principal and not do acts that have not been expressly or impliedly authorized by the Principal. The Agent must use reasonable care and skill in performing the duties. Most importantly, the Agent must be loyal to the Principal. The Agent must refrain from putting himself in a position that would ordinarily encourage a conflict between the agent's own interests and those of the principal. The Agent must keep the Principal informed as to all facts that materially affect the agency relationship (Schuler, 2002).

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents of the principals. The two problems that agency theory addresses; the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify (because it difficult and/or expensive to do so) what the agent is actually doing (Investopedia, 2012). Agency theory seeks to explain the relationship in order to recommend the appropriate incentives for both parties to behave the same way, or more specifically, for the agent to have the incentive to follow the principal's direction and also seeks to reduce costs in disagreements between the two (Green, 2012).

Agency Theory is relevant to this study because it appreciates the role of the agent in achieving a greater goal. According to the theory the delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. The delegation of responsibility in the context of this study is the outreach of financial services from the banking halls to where people live and work ensuring rise in financial inclusion.

2.3 Strategy Implementation in Organizations

Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Brannen's (2005) survey based study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational barriers.

Brannen's survey suggested that failing to empower or give people more freedom and authority to execute was also a significant factor. In most cases different people from those who formulated the strategy were forced to implement it. Abok (2012) concluded that management styles affect the effectiveness of strategy implementation of strategic plans. It also found out that key players including management boards influence the implementation of strategic plans have an influence on implementation of strategic plans. Duck (1993) indicated that there is a consensus between good ideas and guidelines, the challenge is in

translating the ideas and following the guidelines that lead to concerted well guided change. Leadership is at the very core of strategy implementation.

2.4 Empirical Studies and Research Gap

According to Neeti (2006) the strategic factors affecting the implementation of a new core banking system include; strong management support and initiative within the bank, executing large project in phases and developing pilot projects, adequate and thorough testing, strong steering teams with good leadership, ready help desk for user complaints and enquiries, vendors involving people with requisite expertise and knowledge of local business, and selecting strong partners in implementing the project

Somers and Nelson (2001) identified critical success factors of ERP implementation as the top management support, project champion, user training and education, use of consultants, minimal customizations, data analysis and conversion, business process reengineering, defining the architecture, management of expectations, vender/customer partnership, use of vendor's development tools, careful selection of the appropriate package, project management, steering committee, dedicated resources, project team competence, change management, clear goals and objectives, education on new business processes, interdepartmental communication and ongoing vendor support.

Srivastava (2003) explained ten reasons for ERP system failures and identified how to make implementation a success. The evaluation of failure factors provided the information to eliminate those, when implementing software systems. The most common failure factors which most literature describes are the poor top management

commitment and support, lack of frequent follow-ups and review from top management, not encouraging the project team to complete the implementation successfully etc. Sirivastava (2009) further identified automating existing redundant or non-value added processes along with unrealistic expectations as a factor leading to project failures.

Zenith Bank (2008) one of the large Nigerian Bank has failed to complete their CBS implementation even after two years since implementation. The project implementation started with project scoping, after an extensive training that lasted about three months for up to about sixty users from the bank. The Bank intended to leverage on new banking system for its aggressive business strategies across subsidiaries, in Nigeria and abroad, and for its core banking needs. The new core banking implementation has been a very huge and massive implementation covering all business areas of the bank. Retail channels, corporate banking and lending, domestic treasury and international trade are covered by the proposed CBS. When the project is completed it was expected to run in over 200 Branches of the Bank. The implementation approach would be a bank wide deployment, which by implication means that user testing, training and system performance, and other change management issues must be painstakingly and thoroughly executed by the time the system goes 'live'.

Various studies have classified the factors influencing innovation adoption (Kim and Galliers, 2004). Rogers (1983) grouped the factors under characteristics of innovation. Tornatzky and Fleischer (1990) identified three different categories of factors – organizational, technological, and environmental factors – that influence the

technological innovation decision. Kimberly and Evanisko (1981) identified three groups of predictors of innovation: characteristics of organizational leaders, characteristics of organization, and characteristics of environment. In summary, four categories of factors can be found in technological innovation literature: (1) Managerial; (2) Organizational; (3) Technological; and (4) Environmental.

Researchers have identified the following common environmental factors relating to IT adoption (and specifically the adoption of Internet technologies): pressure from competitors, customers or suppliers; the role of government (incentives); partners' alliances; technological infrastructure; technology consultants; image of Internet technology; and users' expectations (Aguila-Obra & Padilla-Melendez, 2006).

Technological factors include complexity, compatibility, relative advantage, ease of use and usefulness (Davis, 1989 & Rogers, 1983). The technological factors are related to barriers to technology adoption and its perceived benefits. The perceived benefits for managers could be direct, such as cost savings or income generation, or indirect, such as potential opportunities in new markets, marketing, or publicity (Poon and Swatman, 1999).

Thus, when adopting an innovation, organizations must perceive the positive effects of the adoption – and hence its potential value – before starting the process (Vadapalli and Ramamurthy, 1997).

Rono (2012) studied core banking systems replacement and performance in commercial banks in Kenya. Study results indicate that there are various factors that lead banks to replace their cores. These include their technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

Ochieng (1998) did an analysis of factors considered important in the successful implementation of information systems and found that commitment from top management, vendor capabilities and adequate training and change management are critical. Ngure (2004) researched on the factors influencing the Choice of Information Systems Changeover Approaches Used by ICT Consulting Firms in Kenya. Findings from this study indicated that there are firm specific and environmental factors that influence choice of changeover approach including size, financial capabilities, and technology and product range. Musyoka (2006) did a survey of factors influencing choice of ICT systems for core banking activities in Kenya. His findings indicated that reliability, scalability and flexibility were the major factors. Kiemo (2009) evaluated security of information systems in the Kenyan banking industry and established that security of information systems in banks is an overriding concern which is stressed.

2.5 Chapter Summary

The chapter provided the theoretical underpinning of the study where the Innovation diffusion theory and the agency theory were used. The chapter then provided factors that influence strategy implementation. The chapter also gave the empirical studies

and research gap on the strategic factors affecting the implementation of a new core banking system among Commercial Banks. From the literature reviewed, it is evident that much of the studies were done in developed economies like USA and Europe and Kenya is a developing economy and therefore contextual differences exist. This may present different conditions and factors that may make the CBS implementation experience in Kenya or developing countries a bit different from what was achieved from the studies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the study methodology that was used in this study. It involved a blueprint for the collection, measurement and analysis of data. Specifically the following subsections were included; research design, target population and sample, data collection and analysis.

3.2 Research Design

This study used a case study research design. A case study research design attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Schindler, 2003).

This approach is appropriate for the study as it helps describe the state of affairs as they exist without manipulation of variables which is the aim of the study.

3.3 Data Collection

The study made use of interview guide to collect the primary data. The interview guide consisted of open-ended questions only. The interview guide was administered to 8 top management employees in Consolidated Bank of Kenya. These were the General Manager Business Development (who was the Acting Chief Executive Officer during the system change), the Head of ICT, the Head of Operations, the Head of Credit, the Head of Finance, the Head of Marketing, the Head of Corporate Banking and the Head of Retail and SME. The main reason for choosing top management employees as the study respondents is because they are responsible for

the implementation of a core banking system and they must have had measurable on their performance that are attributable to the Core Banking System. The interview guide was interviewer administered to the respondents. The reason for choosing interview guide as the data collection instrument was primarily due to its practicability and applicability to the research problem and the number of interviewees. It is also cost effective (Denscombe, 2008).

The study respondents, the top management employees in Consolidated Bank of Kenya, were not only responsible for the implementation of a core banking system but also the bank's strategic plan. This would help get a strategic view and approach to the CBS implementation. The researcher administered the interview guide by booking appointments with the respondents for their best time to be interviewed and where the appointment did not materialize another appointment was arranged. This allowed respondents time to be interviewed as their busy schedule limited their being interviewed on the spot. This greatly helped in increasing the response rate as it was at the respondents' convenience.

3.4 Data Analysis

The study involved collection of qualitative data. Content analysis was used to analyze qualitative data from the open ended questions. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

The analysis of the qualitative data was done by developing a thematic framework from the key issues, concepts and themes emanating from the open ended questions. The information generated was then interpreted and explained in prose. The analysis of data collected involved comparison with the theoretical approaches and documentations cited in the literature review.

3.5 Chapter Summary

The chapter covered the following areas of research methodology; research design, data collection, data analysis. The chapter provided the justification of each of the method or tool that was used in this study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and interpretation. This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on the strategic factors affecting the implementation of a new Core Banking System in Consolidated Bank of Kenya. The study targeted 8 top management employees in Consolidated Bank of Kenya out of which all them responded to the interviews contributing to a response rate of 100%. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good while a response rate of 70% and over is excellent. The chapter covers the interviewee's background information, and the findings based on the study objectives.

4.2 Demographic Information

In order to capture the background information of the respondents, issues such the gender, age bracket, level of education, years of service in the organization and position of the respondent in the company were addressed in the first section of the questionnaire. This was important because it enhanced reliability of the information given and gave the basic understanding of the respondents. It also confirmed the respondents' role in the bank's strategy and their positions in the Strategic Team.

The study established that majority (62.5%) of the respondents were male while 37.5% were female. The study established that 50% of the respondents were aged between 35-39 years, 37.5% were aged 40 and above years, 12.5% were aged

between 30-34 years while none of the respondents was aged below 30 years. This depicts that majority of the top management employees of Consolidated Bank of Kenya were old enough to fully understand the factors affecting the implementation of a new core banking system among Commercial Banks in Kenya.

The study found that 50% of the respondents had Master's degree, 37.5% were graduates, none of the respondents had a PhD or was a Diploma holder. This infers that majority of the respondents had a sound academic background and as such had a good understanding of the factors affecting the implementation of a new core banking system among Commercial Banks in Kenya. In addition, the study established that majority (62.5%) of the respondents had worked in the organization for over 5 years, while 27.5% had worked in the organization for 1-5 years. This implies that majority of the respondents had worked in Consolidated Bank of Kenya for long enough and had acquired immense knowledge and experience to be able to provide crucial information relating to the factors affecting the implementation of a new core banking system among Commercial Banks in Kenya.

The respondents who participated in this study included; General Manager Business Development, Head of Finance, Head of Credit, Head of Sales and Marketing, Head of Retail and SME, Head of Corporate Banking, Head of Credit and Head of ICT. These respondents were directly involved in the bank's strategy and were in the best position to comment on the strategic factors affecting the implementation of a new core banking system. The respondents held key positions in the bank and as such were capable of providing crucial information relating to the strategic factors.

4.3 Strategic factors affecting the strategic implementation of a new core banking system in Consolidated Bank of Kenya

The study objective was to establish the strategic factors affecting the implementation of a new Core Banking System in Consolidated Bank of Kenya. The findings are presented in the subsequent sections.

4.3.1 Implementing a new core banking system

The respondents were asked to indicate whether, Consolidated Bank of Kenya was implementing a new core banking system. From the findings, all the interviewees unanimously agreed that Consolidated Bank of Kenya was implementing a new core banking system.

The study respondents further explained on the new core banking system being implemented by Consolidated Bank of Kenya. They explained that CBKL changed CBS from the Bank Master system to Intellect system. The Bank Master system was a “flat-file” based system with reports being generated in “.txt” format which made it impossible to query information at a certain point in time and users had to rely on the generated reports. The new CBS, Intellect CBS, is “data-based” and has the versatility of generating reports at whichever date the user wishes. The reports are also generated in either PDF, Excel or “.txt” files.

The old Bank Master CBS was heavily reliant on the so called “End of Day” process to execute various functions like Loans recovery, Calculation of income and profits, confirmation of Foreign Exchange positions, among others. These exposed the bank to losses and income leakages as well as an un-informed user. The new Intellect CBS

on the other hand presents the ability to query and perform all tasks “Real-Time”. The new CBS, being data-based, allows users to get more data and information from the system including trends and relationships.

4.3.2 Strategic factors critical in the implementation of a new core banking system

The study sought to establish the strategic factors that Consolidated Bank of Kenya considered critical in the implementation of a new core banking system. From the findings, the General Manager- Business Development, Head of Credit, Head of Sales and Marketing, Head of Retail and SME, head of corporate banking and head of ICT indicated that the strategic factors that were critical in the implementation of a new core banking system in Consolidated Bank of Kenya included; the following; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board.

The General Manager, Business Development further explained that end user involvement from the start of the project to the post implementation review was most critical. The bank ensured that the project was a bottom-up approach to not only encourage buy-in but to also help identify the gaps by the users. This activity was handled by the Change Manager who was tasked with coordinating the work with the Branch and Departmental champions who had been selected by the respective teams. The end result was a System Requirements Specification that fully captured most gaps in the old BankMaster system that would be taken care of by the New Intellect CBS.

The users were involved in the testing and the implementation phases. They were also greatly involved in the post-implementation phase as they were the main consumers of the new CBS.

The Head of Corporate Banking further indicated that effective communication was also key in the implementation. This was done on a regular basis with the top management coming up with a newsletter that updated all employees of the developments. This Newsletter was prepared by the project champions and not the top management. He further emphasized on the new system's ability to provide a platform that enhanced the customer service and consequently the turnaround time of customer services. The Head of Corporate pointed out in the interview that the inclusion of the opinions and suggestions from the customer feedback helped shape the requirements they raised as a team. The Corporate team handles high net worth clients who had varying demands and products that the old system could not handle. He pointed out the automation of charges and reduced paperwork as being crucial to the measurement of the success of the implementation of the new CBS. He further pointed out that the engagement by the management with the users especially the Business team as being a strategic pillar to the successful implementation of the new CBS

The Head of ICT also explained that consultants with vast knowledge of the old and new CBS played a critical role as they gave priceless guidance on how to implement the Intellect CBS as efficiently as possible. He also said that the support of the board of directors as well as the top management was very important in the implementation of the new CBS. The board of directors and top management not only gave guidance

but owned the process especially since there was no substantive CEO (The General Manager, Business Development was the acting CEO). Being the office in charge of the system he was quick to point out the vendor commitment as being one of the main strategic factors in his opinion. The vendor worked very well with the consultants and was very willing to not only implement the new CBS but also did a great job at pass the knowledge to the users to ensure continued development and self-reliance.

The Head of Credit was quick to point that vendor commitment was also a strategic factor in the implementation of the new core banking system. The respondent explained that the vendor, Polaris India, was greatly committed to the project. They brought to Kenya a very experienced team who worked as a team with the unit in Chennai, India. The vendor conducted training locally and even hosted top management as well as 6 of the branch champions in India to view how the Intellect CBS was working in banks in India. Post implementation review and monitoring was well managed with a warranty period being given for free changes or amendments to the system. The Credit section of the bank is one of the major users of the system and their demands were quite a number. The vendor was greatly committed and showed patience as well as friendliness in the implementation process. There were times the Credit team worked late to test some areas and, all along, the vendor team was available for consultation.

The Head of Retail and SME and the Head of Sales and Marketing also pointed out that vendor knowledge transfer was also a strategic factor. The two respondents pointed out that the vendors conducted very engaging trainings among all the bank staff to ensure that they were fully empowered in utilizing the new CBS.

In addition, the Head of Finance indicated that the availability of financial resources and its timely disbursement was strategic in the implementation of a new core banking system. His answers were quite short and were mainly directed to the money aspect of the project. He pointed out that the cooperation of the whole bank from the bottom to the top played a major role in having the system implemented in a timely and cost efficient manner. The Head of Finance doubled up as the Project Manager which ensured that the project ran seamlessly and, definitely, within the budget.

The findings infer that the strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya were; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board.

Therefore the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, interdepartmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

4.3.3 Improved efficiency as a measure of success of the CBS Implementation

The study inquired from the General Manager, Business Development, head of credit, head of sales and marketing, head of retail and SME, head of corporate banking and head of ICT on the ways through which improved efficiency was considered in measuring success of the CBS Implementation Project. From the findings, all the respondents unanimously indicated that the automation of income which was previously manual and the new CBS sealed income leakages. They also said that there was better interface by users when dealing with customers providing more information on one screen and thus better and faster services.

There was online and real-time monitoring of costs and incomes without having to wait for end of day process. There was real time recovery of loans when any funds are received in the loan recovery account. This resulted to less cases of default by customers withdrawing funds. There was better monitoring of loans resulting from better reports. There was increased ability to customize reports as and when they were required. The automation of processes that were previously manual which eliminated room for errors of omission and commission e.g. renewal of Fixed Deposit accounts, ordering of cheques when accounts are opened etc. In also enabled the generation of Loan Repayment schedules that were previously not present in the old BankMaster CBS.

The findings imply that the implementation of a new CBS by the Kenyan commercial banks significantly improved their efficiency. This was through provision of online and real-time monitoring of costs and incomes, better monitoring of loans resulting from better reports and elimination of errors of omission and commission.

The findings further imply that the implementation of a new CBS was necessitated by banks' technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

4.4 Discussion

The study revealed that vendor support and commitment was a key strategic factors affecting the implementation of a new core banking system in Kenyan banks. The findings are similar to Satchidananda *et al*, (2006) who indicated that in relation to the implementation phase of a new CBS, vendor support and commitment has been identified as the key strategic factors.

The study established that the strategic factors affecting the implementation of a new core banking system in Consolidated Bank include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, architecture choices, change management, vendor partnership, vendor tools and use of consultants.

The findings are similar to Somers and Nelson (2001) who established that the strategic factors affecting the implementation of a new core banking system include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package

selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants (Somers and Nelson, 2001).

The study established that the implementation of a new CBS was necessitated by banks' technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

The findings are similar to Rono (2012) who established that there are various factors that lead banks to replace their cores. These include their technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business (Rono, 2012).

The study established that the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

These findings are consistent with the innovation diffusion theory which indicates that the strategic factors which influence the diffusion of an innovation include; relative advantage (the extent to which a technology offers improvements over currently available tools), compatibility (its consistency with social practices and norms among its users), complexity (its ease of use or learning), trialability (the opportunity to try an innovation before committing to use it), and observability (the extent to which the technology's outputs and its gains are clear to see) (Dillon and Morris, 1996; Rogers (2003).

According to the agency theory the delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. The delegation of responsibility in the context of this study is the outreach of financial services from the banking halls to where people live and work ensuring rise in financial inclusion (Green, 2012).

4.5 Chapter Summary

The study established that Consolidated Bank of Kenya was implementing a new core banking system from the Bank Master system to Intellect system. The strategic factors affecting the implementation of a new core banking system in Consolidated Bank include, in no particular order: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, interdepartmental communication, management of expectations, project champions, vendor commitment and support, vendor knowledge transfer, end user involvement, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-

engineering, minimal customization, architecture choices, effective change management, vendor partnership, vendor tools, use of consultants and supervision by the board.

The study further revealed that improved efficiency was considered in measuring success of the CBS Implementation Project. Therefore, the implementation of a new CBS by the Kenyan commercial bank significantly improved their efficiency. This was through provision of online and real-time monitoring of costs and incomes, better monitoring of loans resulting from better reports and elimination of errors of omission and commission. The implementation of a new CBS was necessitated by the bank's technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the strategic factors affecting the implementation of a new Core Banking System in Consolidated Bank of Kenya. The conclusions and recommendations are drawn there to. The chapter is therefore structured into summary, conclusions, recommendations, limitations, and areas for further research.

5.2 Summary

The study established that Consolidated Bank of Kenya was implementing a new core banking system from the Bank Master system to Intellect system. The Bank Master system was a “flat-file” based system with reports being generated in “.txt” format which made it impossible to query information at a certain point in time and users had to rely on the generated reports. The new CBS, Intellect CBS, is “data-based” and has the versatility of generating reports at whichever date the user wishes.

The study established that the strategic factors critical in the implementation of a new core banking system included; the following; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board.

It was evident that the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

The study further revealed that improved efficiency was considered in measuring success of the CBS Implementation Project. It was clear that the automation of income which was previously manual and the new CBS sealed income leakages. They also said that there was better interface by users when dealing with customers providing more information on one screen and thus better and faster services. There was online and real-time monitoring of costs and incomes without having to wait for end of day process. There was real time recovery of loans when any funds are received in the loan recovery account. This resulted to less cases of default by customers withdrawing funds. There was better monitoring of loans resulting from better reports. There was increased ability to customize reports as and when they were required. The automation of processes that were previously manual which eliminated room for errors of omission and commission e.g. renewal of Fixed Deposit accounts, ordering of cheques when accounts are opened etc.

In also enabled the generation of Loan Repayment schedules that were previously not present in the old BankMaster CBS. The implementation of a new CBS by Consolidated Bank significantly improved the efficiency of monitoring loans as well as incomes. This was through provision of online and real-time monitoring of costs and commissions, better monitoring of loans resulting from better reports and elimination of errors of omission and commission.

The study further established that the implementation of a new CBS was necessitated by banks' technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

5.3 Conclusion

The study concludes that Consolidated Bank of Kenya was implementing a new Core Banking System from the old Bank Master system to the new Intellect system.

The study concludes that the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor commitment and support, vendor knowledge transfer, end user involvement, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, architecture choices, change management, vendor partnership, vendor tools, use of consultants and supervision by the board.

The study further concludes that improved efficiency was considered in measuring success of the CBS Implementation Project. Therefore, the implementation of a new CBS by the Kenyan commercial banks significantly improved their efficiency. This was through provision of online and real-time monitoring of costs and incomes, better monitoring of loans resulting from better reports and elimination of errors of omission and commission.

The study further concludes that the implementation of a new CBS was necessitated by banks' technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

5.4 Recommendations

The study recommends that the management of Consolidated Bank of Kenya should come up with measures to address the reported internal challenges in the new CBS implementation. To enhance a smooth process of new CBS implementation, it is further recommended that bank should allocate enough resources in terms of time, labour and finances specifically for new CBS implementation process.

The study recommends that the communication should be enhanced between all stakeholders in the process of new CBS implementation so as to pass relevant information in time. It also recommends that the banks management should continue to lender their support and guidance to the banks' staff during the whole process of new CBS implementation.

5.5 Implication of the Study

The study findings has implication in advocating for review of policies guiding strategy implementation such as implementation of a new core banking system by the government agencies regulating the banking sector and information technology. From the new information on strategic factors affecting the implementation of a new core banking system, the regulators should review the existing frameworks to incorporate this new insights.

5.6 Limitations of the Study

The access to information was difficult due to confidentiality concerns in Consolidated Bank of Kenya due to fear of this information being leaked to their competitors. The busy schedule of the respondents also restricted their timely participation in the study.

5.7 Areas for Further Research

The study recommends that a similar study should be done on another bank implementing a new CBS other that Consolidated Bank of Kenya for comparison purposes and to allow for generalization of findings.

Further study should be done on challenges facing the implementation of a new core banking system among Commercial Banks in Kenya.

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APPENDIX
INTERVIEW GUIDE

This Interview Guide is a meant to collect data regarding the effect of strategic alliances on competitive advantage of commercial banks in Kenya.

Instructions: Make an attempt to answer every question fully and honestly.

SECTOR A: Demographic Information

1. What is your gender?
2. What is your age?
3. How long have you worked in the banking industry?
4. Which Position do you hold in the organization?

Section B: Strategic factors affecting the strategic implementation of a new core banking system in Consolidated Bank of Kenya.

1. Is your banking implementing a new core banking system?
2. Which strategic factors did CBKL consider critical in the implementation of the new core banking system?
3. How was corporate management as a strategic factor considered in the implementation of the new core banking system?
4. How was the involvement of your department (please mention the name) considered in the implementation of the new core banking system?
5. How was the end user involvement and bank-wide training considered in the implementation of the new core banking system?
6. How were consultants' engagement a strategic factor considered in the implementation of the new core banking system?

7. To what extent was top management support a strategic factor considered in the implementation of the new core banking system?
8. How was effective communication a strategic factor considered in the implementation of the new core banking system?
9. How was vendor commitment a factor in the implementation of the new core banking system?
10. How was vendor knowledge transfer a strategic factor in the implementation of the new core banking system?
11. How was guidance by the middle-level management a strategic factor considered in the implementation of the new core banking system?
12. How was supervision by the board as a strategic factor considered in the implementation of the new core banking system?
13. In what ways was improved efficiency considered in measuring success of the CBS Implementation Project?
14. In what ways was staff motivation and personal ownership a strategic factor considered in the implementation of the new core banking system?
15. In what ways was end user satisfaction considered in measuring success of the CBS Implementation Project?
16. In what ways was the reduction of complexity of operation considered in measuring success of the CBS Implementation Project?
17. How was the timely implementation considered in measuring success of the CBS Implementation Project?
18. In what ways was implementing the CBS Project within the budget considered in measuring its success?

19. In what ways did the engagement of change managers contribute to the success of the CBS Implementation Project?

20. Are there areas you felt should have been handled differently and why?

Thank you for your time and participation