THE INFLUENCE OF STRATEGY IMPLEMENTATION ON PERFORMANCE OF KCB GROUP IN KENYA

BY

GRACE NDINDA KYALO

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DECLARATION

This research project is my original work and that this document has not previously, in its entirety or in part, been submitted to any University, college or institution of higher learning in order to obtain an academic qualification.

Signature…………………………..........................….Date……………………………

Grace N. Kyalo

Reg. No.: D61/73003/2014

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

Signature…………………………...................Date……………………………………

Professor Zachary B. Awino

Associate Professor, Department of Business Administration

School of Business

University of Nairobi

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DEDICATION

This research project is dedicated to my beloved husband Dr. Fredrick Kyalo Manthi for his love and unwavering support in my studies. May the almighty God bless him abundantly and give him long life to enjoy the fruits of his investment in me. Thanks dear.

To my daughters, Mercy and Carol for your patience and support throughout my studies. You are an inspiration in my life. To my parents, brothers and sisters for their unwavering support in my studies.

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ABBREVIATIONS AND ACRONYMS

KCB Group	Kenya Commercial Bank Group
RBT	Resource Based Theory
I/O	Industry Organization
RBV	Resource Based View
VRIN	Valuable Rate Inimitable and Non Substitutable
SCA	Sustainable Competitive Advantage
SWOT	Strength, Weakness, Opportunities and Threats
APL	Action Profit Linkage
TMDM	Total Measurement development method

ABSTRACT

Excellently formulated strategies will fail if they are not properly implemented. Besides, it is important to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure; resource-allocation process. A luminous strategy may put a company on the competitive map and increase its performance. Unfortunately, most companies struggle with implementation. In a dynamic environment, managers need to adapt to changing trends in strategy implementation while embracing the key success factors for implementation. The purpose of the study was to establish how strategy implementation influences performance of KCB Group in Kenya. In undertaking the study the senior Managers from KCB Group were targeted. The study adopted a case study design. Data collection was done by use of an interview guide which involved an in depth interview with the top managers. Content analysis was used to analyze collected data. Based on the study findings, it can be summarized that individuals who are mostly in strategy implementation process at the KCB group in Kenya are the management staffs as they have the authority to allocate responsibilities and resources for effective implementation of strategies. The study established that the level of participation and involvement of staff affects strategy implementation. The findings indicated that KCB Group ensures staff is committed to strategy implementation by involving them in the strategy implementation process, taking their opinions into consideration in the implementation process and making sure they are conversant with the organization's opportunities and threats within the plan. The study revealed that senior management takes the lead in strategy implementation through communication and building consensus on how to proceed with the implementation process. The study identified the factors which have contributed to successful strategy implementation to include: changing assumptions as the environment changes and upgrading the group's capabilities to meet the challenges of an ambitious strategy, strategic leadership, rewards and incentives, allocation of adequate resources to strategy and establishing strategy supportive policies. Based on the study findings, it can be summarized that KCB Group faces some challenges that affect strategy implementation.The study also revealed the possible solutions adopted by KCB Group in response to the challenges facing strategy implementation. It was established that strategy implementation influences performance to a very great extent. The study revealed that strategy implementation is a critical factor in improving the performance of an organization. The findings of this study are important to strategic management policy makers in establishing how Strategy Implementation influences performance of organizations and the challenges of strategy implementation. Many a time, good and well developed strategies failed simply because of implementation challenges. This study helps shed light on successful strategy implementation. The study has contributed to the body of knowledge which is beneficial to scholars and researchers and simulated further research in this field of strategy implementation. The study is a source of reference material for future researchers on other related topics. It is important to other academicians who undertake the same topic in their studies.

CHAPTER ONE

INTRODUCTION

1.1 Background

Although formulating a consistent strategy is a hard task for any management team, making that strategy work by implementing it in the organization is even more difficult Hrebiniak (2006). Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and diverse as noted by Noble (1999).

It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process. Noble (1999) further notes that even the best formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented.

In spite of the importance of strategy implementation in organizations' success and their achieving goals, most of them fail to implement those strategies efficiently (Sterling, 2003). Effective implementation of strategy rarely gets much attention or respect. It is imperative to note that even the most well crafted strategies are useless if they cannot be implemented.

According to Sterling (2003) the difficulty is not with formulation of a strategy, the difficulty comes with implementation. The study is founded on two theories; Resource based theory (RBT) and industry organization (I/O) theory.

The resource based view model and the industrial organization model are used by organizations to generate the strategic inputs needed to successfully formulate and implement strategies and to maintain strategic flexibility Hitt, Ireland and Hoskisson (2005). Proponents of RBT argue that it is not the environment but the resources of the organization, which form the foundation of the firms' strategy Ferer and Chaharbaghi (1995). Hitt et al (2005) in support of this argument stated that an organization's unique resources and capabilities provide the basis for a strategy. Barney (1991) in his article stated that, to achieve a competitive advantage the resources should be heterogeneous in nature and not perfectly mobile.

The firm resources and capabilities are made up of physical, financial, human and intangible assets Day (1994). A closely related theory is industry organization which received contributions from Michael Porter. Porter (1985) provided a framework that models an industry as being influenced by five forces; new entrants, threats of substitutes, bargaining power of buyer, bargaining power of supplier, and rivalry among the existing firms. Porter's competitive strategy concept forms the basis for much of modern business strategy.

Commercial banks are registered as businesses under the company's act of Kenya. The banks operate in the banking industry in which competition takes place and with similar services. It is therefore imperative for the banks to understand their resources and the forces that shape industry competition. This is the starting point for developing strategy. Developed strategy must be successfully implemented. It is obvious that the biggest challenge for organizations today is not formulation but rather strategy implementation (Blahova et al., 2010).

The purpose of this research was to establish the influence of strategy implementation on performance of the Kenyan banking sector and through that, achieve an intended pattern that would increase the success of implementation and achieving strategic goals which are formulated in strategic planning. The study focused on the commercial banks specifically the Kenya Commercial Bank Group in Kenya.

1.1.1 Concept of Strategy

Strategy implementation can be defined as “the process by which strategies and policies are put into action through the development of programs, budgets and procedures” Wheelan and Hunger (pp15). This involves the design or adjustment of the organization through which the administration of the enterprise occurs. This includes changes to existing roles of people, their reporting relationships, their evaluation and control mechanisms and the actual flow of data and information through the communication channels which support the enterprise Chandler (1962); (Hrebiniak and Joyce, 2005).

Great strategies are worth nothing if they cannot be implemented Okumus & Roper (1999). It can be extended to say that better to implement effectively a second grade strategy than to ruin a first class strategy by ineffective implementation. Less than 50% of formulated strategies get implemented Mintzberg (1994); Miller (2002); Hambrick & Canella (1989). Every failure of implementation is a failure of formulation. Strategy is the instrument through which a firm attempts to exploit opportunities available in the business environment. The performance of a firm is a function of how effective it is in converting a plan into action and executing it. Thus implementation is the key to performance, given an appropriate strategy.

The core of the strategy process including implementation involves decisions and actions. Thus strategy process would consist of decisions and the actions that are driven by these decisions. Starting with longitudinal process oriented studies of March and Simon (1958) chandler (1962), bower (1970), and Mintzberg (1978), it shifted to use of quantitative methods which were cross sectional in nature. As the legitimacy of the field grew, and with advances in research methods along with liberal interjections from social sciences, the reemphasis on processual studies has emerged (Pettigrew et al 2002).

1.1.2 Strategy Implementation

Strategy implementation is important but difficult because implementation activities take a longer time frame than formulation, involves more people and greater task complexity, and has a need for sequential and simultaneous thinking on part of implementation managers' (Hrebiniak & Joyce, 2001). In view of these factors, research into strategy implementation is also difficult for it entails the need to look at it over time; presents conceptual and methodological challenges as it involves multiple variables which interact with each other and show reciprocal causality (Fajourn, 2000).

The development of the now in vogue strategy process research can be traced to Europe, where attention was drawn to the role of power as an influence on strategy outcomes (Pettigrew 1973). The role of culture was probed and later the combined effects of culture and power were studied (Pettigrew 1985).

A series of large scale empirical studies (Pettigrew and whipp 1991, Pettigrew et al 1992) developed a process approach which combined the content, process, context of change with longitudinal data collected at multiple levels of analysis, thereby introducing the element of time into the study and allowing for multiple levels of analysis but integrated. Thus process research has opened up the firm's internal processes for study, and given an impetus to the role of time and dynamics in addressing issues of strategic choice and change. Strategy implementation is an action phase of the strategic management process as stated by (Heracleous, 2000).

Strategy implementation has been increasingly the focus of many numerous studies, particularly because the process from strategy formulation to strategy implementation is not effective and therefore not adequate in today's business environment (Cited in Sorooshian et al. 2010). Implementing strategy is putting the chosen strategy into practice, resourcing the strategy, configuring the organization's culture and structure to fit the strategy and managing change (Campbell et al., 2002).

Implementation involves organizing, resourcing and employing change management procedures. Implementation process is a rather more complex than either analysis or selection phase. Successful strategy implementation relies upon the information obtained in the strategy analysis stage. It is important that organizations are aware of their internal strengths and weaknesses and their external opportunities and threats. While strategy formulation and application are functions closely connected to each other, implementation of the strategy is the most complex and time-consuming part of strategic management.

Strategy implementation covers almost every aspect of the management and it needs to be started from many different points within the organization (Shah, 2005). Effective implementation calls for unique, creative skills including leadership, precision, and attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organization and to all its stakeholders. Forster and Browne (1996) point out that this approach assumes a logical and hierarchical distinction between strategy formulation and implementation, with implementation delegated to a subordinate status as the responsibility of “middle management”.

Whereas it is all well and good to come up with a brilliantly formulated strategy, it is quite another to implement it. Few organizations implement a strategic plan from scratch. Mintzberg and Quinn (1991) see strategy implementation as being conducted under four key headings namely: structure, systems, culture and power. Implementation involves reconfiguration of the organization’s resource base, bringing the organization’s culture and structure into such a position that facilitates a successful outcome.

Campbell et al. (2002) said that it is important to understand the fact that a strategy being undertaken does not mean that the organization’s environment is not changing. He goes further to say that there may have been some changes in the environment since the previous strategic analysis was undertaken. Some of these changes may mean that the strategy being implemented is no longer appropriate.

At every stage of implementation, the business needs to continually re-evaluate its environment. Nutt (1999), Veettile (2008), studied strategic decisions in organizations located in the USA and Canada and concluded that half of the strategic decisions failed to attain their initial objectives mainly because of problems during strategy implementation. Strategy development has been identified at various times as an important facet of strategic management research Gopinath and Hoffman (1995); Pettigrew et al (2002); Hitt (2005). Study of the process is study of simultaneously occurring activities and their linkages. The importance of implementation can be gauged from the study of Joyce (2000) which showed that firms with unusually high performance and firms which turned around their performance relied upon key activities of strategic direction, building a fast and effective organization, establishing an adaptive culture and executing against focus of customer needs and cost (Hrebiniak and Joyce ,2001).

1.1.3 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives. According to Richard et al (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance which includes profits, return on assets, return on investment; product market performance including sales, market share; and shareholder return. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology.

Using the balanced scorecard, Performance is tracked and measured in multiple dimensions such as: financial performance, customer service, social responsibility and employee stewardship. Strickland and Thompson (2007) list ten financial objectives and nine strategic objectives involved with a balanced scorecard. Several performance measurement systems are in use today, and each has its own group of supporters. For instance the Balanced Scorecard (Kaplan and Norton, 1993, 1996, 2001), Performance Prism (Neely, 2002), Action-Profit Linkage (APL) (Epstein & Westbrook, 2001) and the Cambridge Performance Measurement Process (Neely, 1996) are designed for business-wide implementation; and the approaches of the TPM Process (Jones and Schilling, 2000), 7-step TPM Process (Zigon, 1999), and Total Measurement Development Method (TMDM) Tarkenton Productivity Group (2000) are specific for team-based structures.

1.1.4 Strategy Implementation and Organizational Performance

Strategy is management's action plan for running the business and conducting operations. (Thompson, Strickland & Gamble, 2007). As such, strategy aims at utilizing the organization's resources that are linked to conditions in its external environment, with a view to financial gain (Nag, Hambrick & Chen, 2007). Organizational performance has been investigated by a number of researchers over a long period and from different viewpoints (Mankins & Steele 2005; Olsen, Slater & Hult, 2005).

Despite their limitations, these studies have contributed to knowledge about and understanding of the strategy to performance phenomenon. However, a conclusive answer to the strategy to performance phenomenon still seems elusive.

Conclusions of previous strategy to performance studies are divergent, highlighting the complexity of the strategy to performance debate (Hult, Ketchen & Slater 2005; Mankins & Steele 2005; Short, Ketchen, Palmer & Hult 2007; Olsen, Slater & Hult 2005). Freedman & Tregoe (2003) noted that strategy implementation requires discipline, commitment, creativity, leadership and superior execution skills. A company's strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcompete rivals.

Strategic management's main concern is ensuring the organization's performance by creating and shaping effective strategy, whether through intended and/or emergent initiatives, to outwit competition (Carpenter & Sanders, 2009; David, 2009; Ehlers & Lazenby, 2004; Mintzberg, 1994; Pearce & Robinson, 2009; Slater, Olsen & Hult, 2005; Thompson, Strickland & Gamble, 2007).

Implementation of any strategy is aided by the existing set of rational processes that enhance flawless execution. Organizational structure provides the overall framework for strategy implementation. Pearce & Robinson (1991) indicated that successful strategy implementation depends on the organizations primary organizational structure. Chandler (1962) noted that the choice of a new strategy results in new administrative problems leading to decline in performance.

The test of successful strategy implementation is whether actual organization performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signify weak strategy, weak implementation or both. The effectiveness with which a particular strategy is implemented should strongly affect performance on dimensions on which the strategy is expected to affect (Chandler, 1962).

Empirically, most strategy research studies employ the construct of business performance to examine a variety of strategy content and process issues. For example, the study by Venkatraman and Ramanujam (1986) discusses evaluation of the measurement of business performance by delineating the performance concept. Their study found out that business performance, which reflects the perspective of strategic management, is a subset of the overall concept of organizational effectiveness. According to Venkatraman and Ramanujam financial performance improvement is central to strategy research, their research shows that on average just 63% of the potential return of a strategy is realized through the implementation. This is the Strategy-to-Performance gap which as applied to business strategy indicates that the problem is not the strategy, but the implementation. Despite enormous time and energy that goes into strategy development, many companies have little to show for the effort. On average they deliver only 63 percent of the financial performance promised by their strategies (Mankins & Steele, 2005).

Mankins and Steele break out the relative contributions of various factors to the performance gap. On average, 7.5 percent of the value leaks away due to failing to have the right resources available at the right time; 5.2 percent is lost due to poor communications; 4.5 percent to poor action planning; and 4.1 percent to unclear accountability. However, they say a company can close this gap and reap an increase in performance anywhere from 60% to 100% through proper planning and implementation.

1.1.5 Commercial Banks in Kenya

Commercial Banks are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. The origin of commercial banking in Kenya related to commercial connections in East Africa, which existed towards the end of the 19th Century. First of all there was National Bank of India in Kenya in 1896 after the establishment of the British in the region. In 1916, the National Bank of South Africa merged with Anglo-Egyptian Bank Ltd to form Barclays Bank. The Standard Bank of South Africa and Barclays Bank were just branches of British banks based in London. Their establishment in Kenya was just in line with the practice of British banks to follow the development of trade in their colonies and concentrate on finance of international trade.

Open opportunities for traders and settlers who had come to Kenya and the growing community provided initial sources of deposits in excess; and the surplus, which remained unutilized in Kenya were invested in London. Deposits were also made locally. This situation prevailed mainly because there was a gap between bankers and prospective borrowers. After half a century the Barclays Bank and Standard Bank had a monopoly in the system. But the developing economy with excellent opportunities for further expansion attracted an influx of new banks especially in urban areas.

The Ottoman Bank and the Commercial Bank of Africa were established in 1955. During the 1960s, the banking sector in Kenya experienced a new surge of energy change and in 1968; the Cooperative Bank of Kenya opened its doors. In 1971 the National and Grindlays Bank, was nationalized and formed Kenya Commercial Bank with the government owning 60% of the bank's share capital. Currently there are 43 licensed commercial banks. Out of the 44 institutions, 31 are locally owned and 13 are foreign owned.

1.1.6 Kenya Commercial Bank Group

Kenya Commercial Bank Group, also known as KCB Group, is a financial services holding company based in the African Great Lakes region. The Group's headquarters are located in Nairobi, Kenya, with subsidiaries in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda. KCB Group is the oldest financial services firm in East Africa. As of December 2012, the Group was ranked as the largest financial services organization in the African Great Lakes.

KCB Group has the widest network of banking outlets in Eastern Africa. The history of Kenya Commercial Bank Limited dates back to July 1896, when its predecessor, the National Bank of India opened a branch in Mombasa to handle the business that the port was attracting at that time. In 1970, the Government acquired 100% of shareholding in the Bank to take full control of the largest commercial bank in Kenya. In 1972, Kenya Commercial Bank acquired Savings & Loan Kenya Limited, which specialized in the provision of mortgage finance.

KCB Group owns a sports club, that has teams in Kenyan association football, rugby union, volleyball and basketball leagues. Since 2003 Kenya Commercial Bank Group has been sponsoring the Safari Rally popularly known as the East Africa Rally Championships. In compliance with the Kenya Finance Act No.57 of 2012, KCB Group announced in April 2015 of its intention to incorporate a new wholly owned subsidiary, KCB Bank Kenya Limited, to which it would transfer its Kenyan banking business. KCB Group like many other organizations in the public sector has adopted strategic management in its operations.

1.2 Research Problem

Strategy implementation is an enigma in many organizations. The problem is illustrated by the unsatisfying low performance of intended strategies Raps and Kauffman (2005). The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. Successful implementation is a challenge that demands patience, resilience and vigor from the involved managers. The key to success is an integrative view of the implementation process (Raps and Kauffman, 2005).

Successful organizations understand the need for a sound business strategy and invest significant time, effort, and money in strategy development. The ability to execute strategy is more important than the quality of the strategy itself (Kaplan & Norton, 2001; Martin, 2010). According to Miller (2002) organizations fail to implement about 70 per cent of their new strategies. A recent study indicates that 40 per cent of the value anticipated in strategic plan is never realized (Olson, Slater, & Hult, 2005).

Evidence keeps piling of how barriers to strategy implementation make it so difficult for organizations to achieve sustained success. Commercial banking sector in Kenya has faced various challenges following changes in their operating environment. Many regulatory and financial reforms in the sector have led the banks to embrace strategic management practices. They must formulate and successfully implement strategies to address the strategic issues facing them including the ever increasing competition. It is imperative that strategic management is one of the major steps that the banks have taken to address the challenges they face in enhancing their competitive position in the banking sector.

Several studies have been done on the strategies that the banks have employed over time by Aaltonen and Ikavalko (2002), Bourgeois and Brodwin (1984), Galpin (1998) Raps and Kauffman (2005). Local studies include studies by; Kiptugen (2003) who did a study to determine the strategic response of Kenya Commercial Bank to a changing competitive environment. Since he focused mainly on strategies that can be adopted in a competitive environment; the study did not cover how strategy implementation influences performance of these banks.

Kamanda (2006) did a study on Kenya Commercial Bank (KCB) which sought to determine the factors that influence its regional growth strategy. His study does not cover strategy implementation and performance of the KCB Group. Situma (2006) also covered KCB but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy implementation. His was a comparative study of KCB and National Bank of Kenya. However, no study has been done to establish how strategy implementation influences performance of commercial banks in Kenya.

There exists a knowledge gap in emergent economies for instance Kenya where there is limited both theoretical and empirical review about strategy implementation and its influence on performance of commercial banks. Given the importance of the strategy implementation process, this study sought to fill the gap guided by the following research question: How does strategy implementation influence performance of KCB Group in Kenya?

1.3 Research Objective

The objective of the study was to establish the influence of strategy implementation on performance of KCB Group in Kenya.

1.4 Value of the Study

On policy, the findings of this study are important to strategic management policy makers in establishing how strategy implementation influences organizational performance. Many a time, good and well developed strategies fail basically because of implementation challenges. This study sheds light on the roles of different stakeholders in strategy implementation

In theoretical contribution, the study has contributed to the body of knowledge which benefits scholars and researchers simulating further research in this field of strategy implementation. In practice, the study is important to all commercial banks in Kenya in assisting them to understand how strategy implementation can influence performance in organizations. It will help potential investors in the industry in getting useful information on the critical success factors in strategy implementation.

1.5 Chapter Summary

The chapter discusses the background of the study including how firms’ resources form the basis of the firms Strategy, the concept of strategy, strategy implementation and influence on performance in addition to why commercial banks must understand their resources as well as capabilities and forces that shape industry competition. The Research problem and the motivation of the study as well as the value of the study are also discussed in the chapter. The next chapter presents reviewed literature.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

By reference to existing literature, this chapter provides an outline of the two broad theories on strategic management namely the resource based view model and the industrial organization model which are relevant to this study. This is followed by Strategy Orientation in Organizations, the Challenges of Strategy Implementation, Dimensions of Performance in Organizations, and lastly empirical studies and knowledge gaps.

2.2 Theoretical Foundation

Theoretical studies have been conducted on strategy implementation and its challenges. The field of Strategic management has grown in the last thirty five years developing into a discipline in its own right. During the 1960s, strategic management theories concentrated on internal firm characteristics to explain a performance difference that is strengths and weaknesses. Important Strategists of this time were Andrews (1971), Ansoff (1965), Selznick (1965), as well as Penrose (1959).

In the 1970s and 1980s the focus within strategic management shifted towards firm external factors and industry organization economics. Porter (1980, 1985) gave special emphasis to strategic management ideas. Hitt, Ireland and Hoskisson (2005) state that the resource based view model and the industrial organization model are used by organizations to generate the strategic inputs needed to successfully formulate and implement strategies and to maintain strategic flexibility.

2.2.1. Resource-Based Theory

The resource based view has been a common interest for management researchers and numerous writings can be found on the same. Resource based view of the firm argues that it is not the environment but the resources of the organization, which form the foundation of the firm's strategy Feurer and Chaharbaghi (1995). The origins of the resource-based view can be traced back to several authors but Wernerfelt (2004) defined its fundamental principle by stating that the basis of a competitive advantage of an organization lies in the application of the bundle of valuable resources at the organization's disposal.

The resources also have to fulfill the VRIN criteria of being valuable, rare, in-imitable and non substitutable in order to achieve a sustainable advantage (Barney 1991). Its central proposition is that if a firm is to achieve a state of SCA it must acquire and control valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities, plus have the organization in place that can absorb and apply them (Barney, 1991, 1994, 2002).

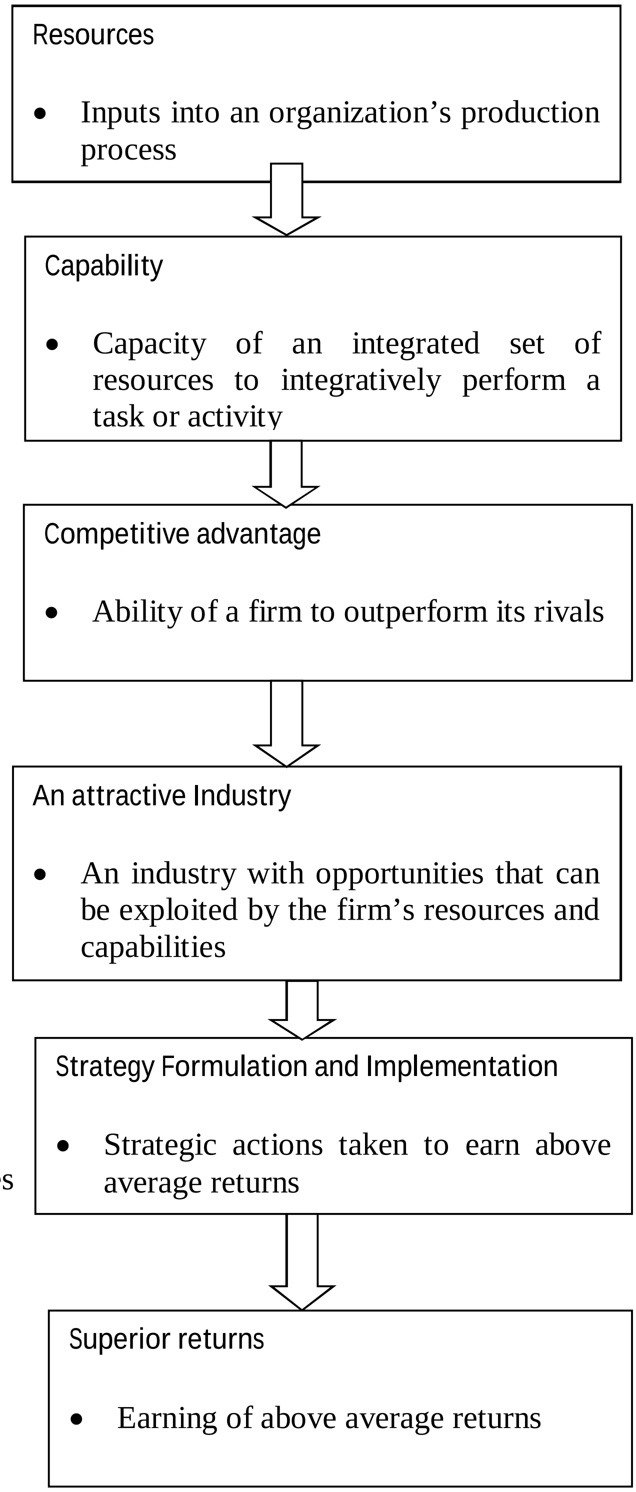
The resource-based view (RBV) aspires to explain the internal sources of a firm's sustained competitive advantage (SCA). Hitt et al (2005) describe resources in terms of three categories: "physical, human and organizational capital which includes capital equipment, the skills of individual employees, patents, finances and talented managers". According to Hitt et al (2005) an organization's unique resources and capabilities provide the basis for a strategy. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier Mahoney and Pandian (1992), Hooley and Greenley (2005), Smith and Rupp (2002).

These authors argue that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. Varying performance between firms is a result of heterogeneity of assets Lopez (2005), Helfat and Peteraf (2003). RBV is focused on the factors that cause these differences to prevail as noted by Grant (1991), Mahoney and Pandian (1992), (Lopez, 2005).

As such, the RBV does not replace the IO view; rather it complements it (Barney, 2002; Mahoney & Pandian, 1992; Peteraf & Barney, 2003). The RBV was developed as a complement to the industrial organization (IO) view with Bain (1968) and Porter (1979, 1980, and 1985) as some of its main supporters. The RBV explicitly looks for the internal sources of SCA and aims to explain why firms in the same industry might differ in performance. The resource based model of above average returns is illustrated by Figure 2.1

Figure 2.1: Resource Based Model of Above-Average Returns (Hitt et al 2005).

1. Identify the organization's resources. Study its strengths and weaknesses Compared with those of competitors
2. Determine the organization's capabilities. What do the capabilities allow the organization to do better than its competitors.
3. Determine the potential of the firm's resources and capabilities in terms of a competitive advantage.
4. Locate an attractive industry.
5. Select a strategy that best allows the Organization to utilize its resources and capabilities relative to opportunities in the external environment.



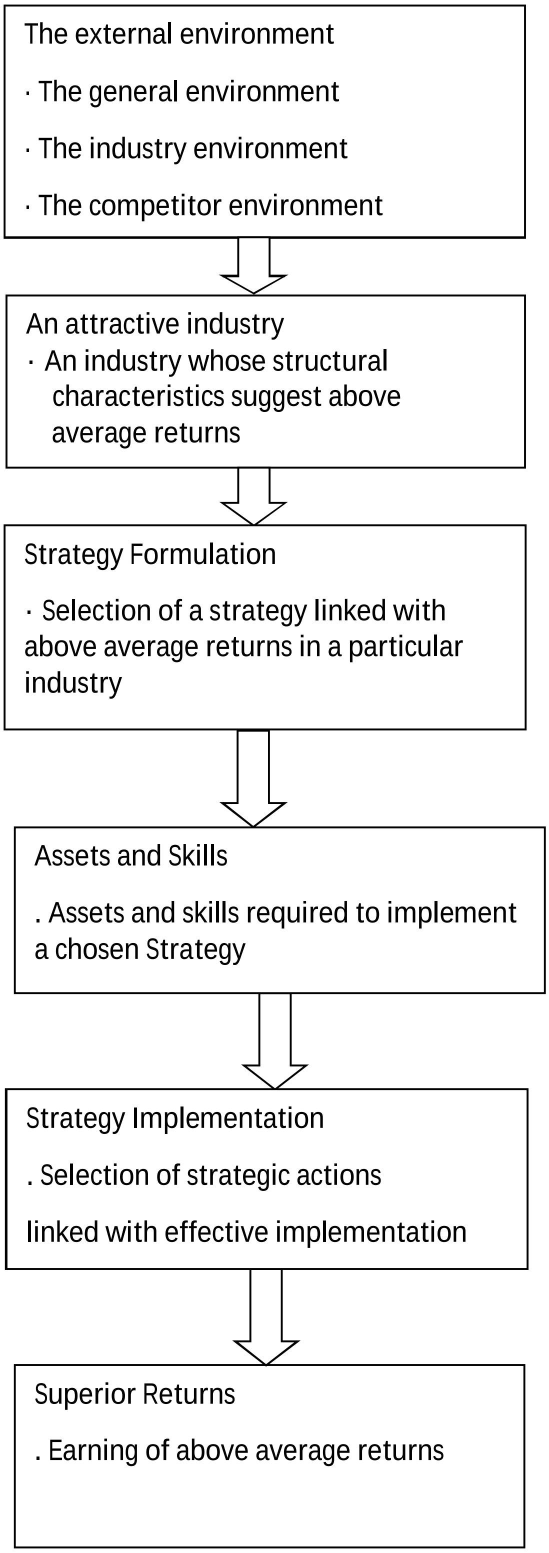
Source: Gwyneth, (2009:17)

2.2.2. The Industry Organization Theory

The I/O model specifies that the industry in which an organization chooses to compete has a stronger influence on the firm's performance than the choices managers make inside their organizations Hitt et al (2005), Bowman and Helfat, (2001). The organizations are urged to operate in an attractive industry and they have to learn to use their resources to implement the strategy required by the industry's structural characteristics Hitt et al (2005). Some of the main proponents of industrial organization (IO) view are Bain (1968) and Porter (1980, and 1985).

Porter identified the five forces models that embody the rule of competition. These forces determine the industry's profitability. The five forces are: suppliers' bargaining power, buyers' bargaining power, competitive rivalry among organizations in the industry, product substitutes and potential entrants to the industry (Porter 1980, 1985). The I/O model suggests that above-average returns are earned when organizations implement the strategy dictated by the characteristics of the general, industry and competitor environments (Hitt et al 2005) as illustrated by Figure 2.2.

Figure 2.2: The I/O Model of Study the external environment especially the Industry environment ((Hitt et al 2005).



1. Locate an industry with high potential for above average returns.
2. Identify the strategy called for by the attractive industry to earn above average returns
3. Develop or acquire assets and skills needed to implement the strategy.
4. Use the organization's strengths (It's developed or acquired assets and skills) to implement the strategy.

Source: Gwyneth, (2009:20)

The industry organization model has four underlying assumptions: The external environment is assumed to impose pressures and constraints that determine the strategies that would result in above average returns. Most organizations competing within a particular industry are assumed to control similar strategically relevant resources and to pursue similar strategies in light of those resources. Resources used to implement strategies are highly mobile across organizations. Organizational decision makers are assumed to be rational and committed to acting in the organization's best interest (Hitt et al, 2005).

Research done by Hitt et al (2005) illustrated that 20% of an organization's profitability could be explained by the industry, while 36% of the variance in profitability could be attributed to an organization's characteristics and actions meaning that executives must integrate the two models of the resource base view and the I/O to develop the most effective strategy. In essence Hitt et al (2005) contend that successful companies are those that develop or acquire the internal skills needed to implement strategies required by the external environment.

2.3. Strategy Orientation in Organizations

The concept of strategy has been derived from military administration where in it implies 'Grand' military plan designed to defeat the enemy. In business, the public sector or voluntary organizations, strategy is the ultimate responsibility of the head of the organization and is concerned with projecting and directing large movements. A good strategy is one that works, one that in Abell's (1993) phrase enables organizations to adapt by 'mastering the present and pre-empting the future.

However, the concept of business strategy was not fully developed until three outstanding pioneers, Kenneth Andrews (1987), Igor Ansoff (1987) and Chandler (1962) made their mark. They were followed by Michael Porter (1985), Henry Mintzberg (1987), Hamel and Prahalad (1989) and many more who further developed the concepts and adapted them to contemporary conditions. In the 1960s, strategic planning was a very popular concept in the corporate world, and it focused more on budget planning.

According to Arthur, Strickland & Gamble (2007), a company's strategy consist of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organization performance. Johnson, Scholes, & Whitington (2005), summarized the characteristics of strategy as being the direction and scope of an organization over long-term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations.

Andrews (1971) defines strategy as a match between what a company is capable of doing within the reality of what it could possibly do. This it does by trying to match the company's strengths and weaknesses with the environmental opportunities and threats. In his work on classifying strategic management process, Chaffee (1985) developed three models of strategic management; linear or rational, adaptive or learning, and interpretive or cognitive Hendry (2000); Johnson (1987); Rajagopalan and Spreitzer (1997).

Strategic management is the process whereby all the organizational functions and resources are integrated and coordinated to implement formulated strategies which are aligned with environment, in order to achieve the long-term objectives of the organization and therefore gain a competitive advantage through adding value for the stakeholders (Ehlers and Lazenby, 2007). The most important term here is ‘competitive advantage’. What makes one firm better than another? Why do some companies outperform their rivals with fewer resources, capital and even specialist employees? The answer lies in competitive advantage.

Therefore, in order to achieve competitive advantage, value should be added and this is done by the process of strategic management. In support of the concept of adding value Ehlers et al (2007:2), Rowe, Mason, Dickel, Mann and Mockler (1994:2) define strategic management as, the process which organizations determine what value is needed and how to add that value. It means ensuring that the organization can cope effectively with myriad of demands placed on them from within and without.

Developing the scope, resources, competitive advantage, synergy and creating organizational flexibility enable firms to respond to changes in the environment. This can be achieved only if strategy is formulated and implemented properly. These definitions agree with Mintzberg et al. (1998) definition that strategic management symbolizes the courses of actions that are required to achieve the overall vision of an organization and to remain competitive. Strategic management is a process that consists of three main stages – strategy analysis, strategy formulation and strategy implementation (De Wit and Meyer, 2004; Dess and Lumpki and Lumpkin, 2003).

2.4 Challenges of Strategy Implementation

Most of the available research reveals emphasis on strategy formulation. The strategy implementing task is easily the most complicated and time-consuming part of strategic management Thompson & Strickland (2003). In contrast, strategy formulation is primarily an intellectual and creative act involving analysis and synthesis. Pearce et al. (1985) view strategy implementation as the action phase of strategic management.

The strategy must be translated into action and the action then carefully implemented to ensure the achievement of the objectives of the organization. The ability to implement a formulated strategy is an important source of competitive advantage Engelhoff (1993). One of the first frameworks for strategy implementation was McKinsey's 7Sframework, which laid the foundation for a wide range of similar concepts (Feurer et al 1995). It identified seven factors that are essential for strategy implementation namely: strategy, skills, shared values, structure, systems, staff and style (Feurer et al, 1995).

The framework is based on the assumption that a change in strategy will require a change in the organization's skills and shared values and this in turn will determine the requirements for the remaining factors (Feurer et al 1995). Higgins (2005) worked on McKinsey's 7S model, to formulate the Higgins' 8S Model. The 8S model differs from the 7S model in two primary ways: Resources has replaced Skills as one of the Contextual 'S' since an organization cannot successfully implement strategy without marshalling additional resources such as money, information, technology and time.

Successful strategy implementation depends on doing a good job of working with and through others, building and strengthening competitive capabilities, motivating and rewarding people in a strategy supportive manner, and instilling discipline of getting things done Arthur et al. (2007). Companies do not find difficulty with formulation of a strategy; the difficulty comes with implementation as it is not easy to implement a strategy (Sterling, 2003).

As a result, Sterling (2003) states that a study that was undertaken showed that only 30% of strategies are properly implemented by companies and this obviously needs improvement. One of the key impediments to strategy execution lies in the shortcomings and challenges of functionally based organizations where cooperation among many functions is necessary (Cocks, 2010).

According to the White Paper of Strategy Implementation of Chinese Corporations in 2006, strategy implementation has become “the most significant management challenge which all kinds of corporations face at the moment”. The survey reported in that white paper indicates that 83% of the surveyed companies failed to implement their strategy smoothly, and only 17% felt that they had a consistent strategy implementation process.

Strategy implementation obstacles identified by previous research conducted by Alexander (1985) and Al-Ghamdi (1998) are that strategies took more time than allocated, Major problems surfaced which had not been identified earlier, ineffective coordination, leadership problems, inadequate preparation, poor communication, conflicting priorities, ineffective management, inter functional conflict, unclear strategies, lack of employee commitment and insufficient resources to execute the strategy.

Al- Ghamdi (1998) researched 15 implementation problems and found that six strategy implementation problems were experienced by over 70% of the sample group of firms. He further states that problems with implementation often occur when companies concentrate on new strategy development and in the process forget their main line of business that underlie within previously formulated business strategies.

2.5 Dimensions of Performance in Organizations

Successful organizations represent a key ingredient for developing nations. Continuous performance is the focus of any organization because only through performance organizations are able to grow and progress. Although the concept of organizational performance is very common in the academic literature, its definition is difficult because of its many meanings. For this reason, there isn't a universally accepted definition of this concept.

In the '50s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives Georgopoulos & Tannenbaum (1957). Performance evaluation during this time was focused on work, people and organizational structure. Later in the 60s and 70s, organizations begun to explore new ways to evaluate their performance so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967).

The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that an organization is successful if it accomplishes its goals using a minimum of resources.

Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources Lusthaus & Adrien (1998), Campbell (1970). In this context, profit became one of the many indicators of performance. The authors Lebans & Euske (2006) provide a set of definitions to illustrate the concept of organizational performance: Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results Lebans & Euske (2006), Kaplan & Norton (1992).

2.6 Empirical Studies and Knowledge Gaps

Earlier studies of the strategy process (Andrews, 1971) and the treatment of strategy implementation remained highly tactical (Nutt, 1998). This was further compounded by strategy-making gaining prominence in processual traditions (Hutzschenreuter and Kleindienst, 2006; Jarzabkowski and Spee, 2009). Understanding the link between strategy process and outcome is important. Without it, process research is of little value to managers. '(Chakravarthy and White, 2002:182). Hutzschenreuter and Kleindienst's (2006) emphasize on process outcome research focusing on strategy. There is a major research gap relating to the examination of the linkages between implementation process characteristics and outcomes.

Processual research has been long criticized for ignoring strategic performance issues. Process researchers have not generally included a strategy outcome in their studies. '(Chakravarthy and White, 2002: 184) Patterns of strategic implementation and their sequential variation have not been looked at in sufficient detail to assess the nature of any implementation variety and the relationship with performance consequences (Hutzschenreuter and Kleindienst, 2006).

According to Arthur, Strickland & Gamble (2007), a company's strategy consist of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organization performance. Strategies are not and should not be developed in a vacuum. They must be responsive to the external business environment (Dess, Lumpkin & Taylor, 2005). An organization's external environment consists of competitors and other forces outside its industry that are not under the direct control of the organization and its industry (Byars, Rue & Zahra 1996).

This environment should be scanned so as to comprehend the opportunities and threats awaiting the organization to enhance strategy formulation and implementation. The extent of complexity and change in the environmental factors will determine the degree of uncertainty. When uncertainty is high it means times are turbulent and leaders should be more involved in strategy implementation. A firm is faced with numerous external environments that surround and influence its production such as the industry and sector, markets and competitors and finally the general environment (Dess, Lumpkin & Taylor, 2005).

2.7 Chapter Summary

In sum, from a resource-based perspective sustainable competitive advantage is the outcome of resource selection, accumulation and deployment through organizational capabilities, and is based upon the premise of firms' resource heterogeneity. The two theories on which the study is founded namely the Resource based theory and the Industry Organization theories are discussed in the literature review. From the Literature review it is evident that the biggest challenge for organizations today is not strategy formulation but rather strategy implementation.

Strategy implementation has become the most significant management dilemma which all corporations face at the moment. Organizations have to develop and successfully implement the right strategies. Continuous performance is the focus of any organization because only through performance organizations are able to grow and progress. Empirical studies and knowledge gaps are also discussed in the literature review. Chapter three examines the research methodology used for the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes various aspects of research methodology which were employed in this study. They include the research design, data collection and data analysis. According to Polit and Hungler (2003) methodology refers to ways of obtaining, organizing and analyzing data.

3.2 Research Design

Research design can be regarded as a plan or blueprint of how one intends to conduct the research. Welman, Kruger & Mitchel (2006) define research design as a plan to obtain appropriate data for investigating the research question. The researcher applied a case study design because the unit of analysis was one organization the KCB Group in Kenya.

According to Robinson (2002) a case study design should be considered when the focus of the study is to answer “how” and “why” questions; one cannot manipulate the behavior of those involved in the study or wants to cover contextual conditions because they are relevant to the phenomenon under study. Since this study sought to establish how strategy implementation influences performance of KCB Group in Kenya, case study was considered most appropriate.

3.3 Data Collection

The study used primary data. This type of data is original information collected or obtained from a first-hand experience. Primary data can be received first hand from instruments such as interviews where a person collecting the data sits face to face with the respondent. The data collection instrument used in this study was the interview guide. An interview guide is a set of questions that the interviewer asks when interviewing.

An in-depth interview allowed more interaction between interviewer and strategic managers conversant with the institution’s strategy implementation and performance. The interview guide was used to collect in depth information from the top managers on strategy implementation and how it influences performance of KCB Group. Given the sensitive nature and level of knowledge required to complete the interview guide to a satisfactory level, it was deemed that the top level managers including the Directors, General Managers and branch managers were the most appropriate to be interviewed.

The study targeted 10 senior managers. This is because of the key role the top managers’ play in strategy formulation and implementation in the organization. The interview guide was divided into two parts. The first part sought to establish Strategy implementation and challenges faced. The second part was to examine how strategy implementation influences performance of KCB Group in Kenya. Permission from the organization was sought and consent from individual managers requested through a formal introduction letter. One research assistant was used for administering the interview guide.

3.4 Data Analysis

The study was largely qualitative in nature and since it was a case study qualitative approach to data analysis using content analysis was used. According to Mugenda and Mugenda (2003), the main purpose of content analysis is to study the existing information to determine factors that explain a specific phenomenon. The data obtained from the interview guide was analyzed qualitatively. Qualitative analysis was adopted in this study because the researcher would be able to describe, interpret and also criticize the subject of the research since it is difficult to do so numerically.

The researcher used content analysis which involved observation and detailed description of objects, items or things that comprise the object of study to categorize and make valid and replicable inferences from data, summarize quantitative analysis of messages that rely on the scientific method. The researcher analyzed the information provided against known strategic management concepts and implementation models to describe and determine how strategy implementation influences performance of KCB Group in Kenya.

3.5 Chapter Summary

The chapter discusses the research design adopted, type of data used and data collection method used to gather data for the study. A case study design was preferable because the unit of analysis was one organization. The study targeted 10 senior managers from KCB Group in Kenya. Qualitative data analysis was adopted in the study using content analysis. The study sought to establish the influence of strategy implementation on performance of KCB Group in Kenya. The next chapter presents data analysis, results and discussion.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions. The study objective was to establish how strategy implementation influences performance of KCB group in Kenya. The study targeted 10 senior managers. Primary data was collected using a comprehensive interview guide from senior management including directors, general managers and branch managers. The data was thereafter analyzed using content analysis based on the objective of the study and the findings were presented as per the different themes underlined.

4.2 Job Titles

The interviewees were kindly asked to point out their job titles. According to the findings, the job titles of various interviewees included: head of corporate and regulatory affairs, director of credit, director of human resources, director of risk, head of operational risk and compliance, chief business officer, chief information officer, chief financial officer, and two branch managers. This implies that data was collected from senior management from key divisions and thus higher reliability of the information given by the respondents.

4.3 Strategy Implementation Process

The study sought to ask the interviewees various questions relating to strategic implementation process adopted by KCB Group and obtained various responses. This was meant to indicate how implementations of strategic planning practices, amid major varied challenges are successful.

4.3.1 Involvement in Strategy Implementation Process

The respondents were kindly asked to indicate who is involved in strategy implementation process at the KCB group in Kenya. The respondents indicated that those who are mostly in strategy implementation process at the KCB group in Kenya are management staffs as they have the authority to allocate responsibilities and resources for effective implementation of strategies. Respondents also indicated other individuals involved in strategy implementation process to include: departmental heads, other staffs depending on the strategy to be implemented, and representatives of general staff in the organization.

This implies that all staffs are involved in the strategy implementation process where their opinions are sought and taken into consideration in the planning process and are conversant with the organization's opportunities and threats within the plan. Respondents were present during the strategy formulation process with stakeholders at all levels of the organization being well represented.

4.3.2 Stage of Involvement in Strategy Implementation Process

The study sought to determine from the respondents the stage at which organization staffs are involved in strategy implementation process. According to the respondents, most organization staffs are involved in the planning stage because it gives them an opportunity to give their views on the best strategies for the organization.

In addition, respondents indicated other stages which organization staffs are involved in strategy implementation process to include: all through from the formulation stage to the execution of the strategic and implementation of strategy.

Other respondents were of the view that organization staffs are involved in strategy implementation process depending on the strategy to be implemented. It can thus be argued that most of the organization staffs are involved in strategy implementation process at the planning stage as it gives them a sense of ownership of the strategy.

4.3.3 Influence of Level of Participation and Involvement of Staff on Strategy Implementation

The respondents were kindly asked to indicate whether the level of participation and involvement of staff affect strategy implementation. The respondents agreed that the level of participation and involvement of staff affect strategy implementation. They indicated that level of participation and involvement of staff is key in determining the commitment and understanding of the strategy implementation by employees.

In addition, the respondents stated that participation and involvement of staff helps them to acquire both technical and interpersonal skills for strategy implementation. Also the respondents were of the view that the level of participation and involvement of staff affects staff commitment, understanding, training, efficiency and effectiveness.

4.3.4 Commitment of KCB Group Staffs to Strategy Implementation

The study sought to establish how KCB Group ensures their staffs are committed to strategy implementation. The findings indicated that KCB Group ensures staff is committed to strategy implementation by involving them in the Strategy implementation process, taking their opinions into consideration in the implementation process and making sure that they are conversant with the organization’s opportunities and threats within the plan.

Staffs are present during the strategy formulation process with stakeholders at all levels of the organization being well represented. The findings also indicated that KCB Group ensures staff is committed to strategy implementation by giving them clear information on key implementation activities and monitoring how they are executing their responsibilities.

4.3.5 Senior Management Lead in Strategy Implementation

The study sought to find out how senior management takes the lead in strategy implementation. Respondents indicated that senior management takes the lead in strategy implementation through communication and building consensus on how to proceed with the implementation process.

Alexander (1991) points out that communication is mentioned more frequently than any other single item promoting successful strategy implementation. The content of such communications includes clearly explaining what new responsibilities, tasks, and duties need to be performed by the affected employees. It was established that during the planning sessions and board meetings, the strategy is well communicated to all departmental heads to pass it to their members at the departmental or unit levels.

Some interviewees argued that senior management take the lead in strategy implementation through personally presiding through the strategy implementation process and allocating adequate resources for the process. In addition, respondents stated that senior management takes the lead in strategy implementation through selecting a team to help with implementation of the strategic plan as well as reviewing progress of the strategy implementation process.

4.3.6 Successful Strategy Implementation

The respondents were kindly asked to specify the factors which have contributed to successful strategy implementation. They indicated the factors to include: changing assumptions as the environment changes and upgrading the Group capabilities to meet the challenges of an ambitious strategy. Respondents also indicated that strategic leadership; rewards and incentives, allocation of adequate resources to strategy and establishing strategy supportive policies play a critical role in successful strategy implementation.

4.3.7 Challenges to Strategy Implementation

The respondents were also asked to point out the challenges that affect speed of strategy implementation at KCB Group. Lack of employee involvement, ineffective coordination especially poor communication of strategic planning practices, time allocated for the planning, lack of a structured way of managing strategic implementation practices, lack of needed resources for example specialized labour which is either nonexistent or expensive were amongst the challenges mentioned.

In addition the respondents said that most strategic planning practices are anchored on corporate strategy and which when not communicated properly sometimes becomes a major challenge, others are lack of support and needed capabilities to carry change through, lack of commitment due to existence of commitment gap, strategic planning agents lacking a compelling figure of what strategic planning is desired. The study also found out that organization culture of KCB Group affected strategy implementation.

The respondents were of the opinion that among the organizational culture factors that affects strategy implementation are, how managers make decisions, leadership style of managers and the dominant values and beliefs. Poor organization rewarding culture, poor structure of office, inadequate staff, and poor regional representation were cited by the respondents as other challenges that KCB Group faces in its strategy implementation efforts.

4.3.8 Possible Solutions Adopted by KCB Group in Response to the Challenges

The respondents were also asked to point out the Possible Solutions Adopted by KCB Group in response to the challenges facing strategy implementation. According to the study, KCB Group offers staff training although not adequate in the area of strategy making and strategy implementation. Training targets top level managers who are responsible for driving the strategy formulation process leaving out the lower level employees whose daily activities transform strategies into actions. Also the respondents indicated that KCB Group involves its employees in the strategy formulation however at rare time intervals.

The respondents indicated that KCB Group likes to use implementation teams, thus they ensure clear responsibility and ongoing day-to-day operations. The cooperation between different functions, especially physically separated subsidiaries is a bottleneck in every strategy implementation process. Everybody involved in the process needs to get a view for the overall organizational direction and its goals.

Some interviewees indicated possible solutions adopted by KCB Group in response to the challenges facing strategy implementation to include: effective communication, involvement of all stakeholders in the organization, flexibility to the business environments and supporting employees in the strategy implementation process.

4.3.9 Suggestions that would help KCB Group Minimize Strategy Implementation Challenges

Effective communication throughout strategy formulation to implementation processes offers a great success to strategy implementation. Strategies can only be sustained by clarity of purpose and clarity can only be achieved through changes of behavior. Strategy should be communicated and must be clearly understood by all implementers. The coherence of decisions and actions of all employees at all levels of the organization is fundamental, the study found this to be lacking at KCB Group which has adopted top-down communication technique.

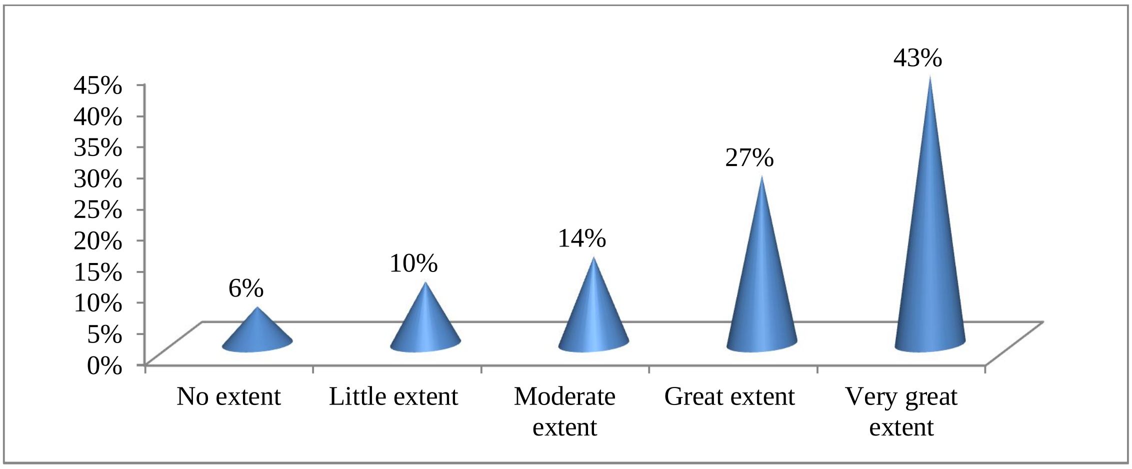
Further the study established that KCB Group should minimize strategy implementation challenges through continuous training on how the strategy should be implemented, involvement of staff in decision making, consider piloting before final implementation, and define clear process flow, environmental analysis as well as formulation of appropriate strategies.

4.4 Strategy Implementation and its Influence on Performance

The study asked the interviewees various questions relating to strategic implementation process adopted by KCB Group and the influence on performance. Findings of the study are as shown in subsequent subheadings.

4.4.1 Extent to Which Strategy Implementation Influences Performance

The study kindly asked the respondents to give their opinions on the extent to which strategy implementation influences performance. The responses were placed on a five Likert scale where 1 =to no extent, 2=little extent 3= moderate extent 4=great extent and 5=very great extent. The results are as in the Figure 4.1



Source: Research Data (2015)

Figure 4.1: Extent to which Strategy Implementation influences performance

As per the study findings most of the respondents (43%) indicated that strategy implementation influences performance to a very great extent, (27%) indicated to a great extent, (14%) indicated to a moderate extent, (10%) indicated to a little extent while (6%) indicated to no extent. This implies that strategy implementation influences performance to a very great extent.

4.4.2 Factors that influence performance of KCB Group

The study sought to find the factors that influence performance of the KCB Group in Kenya. The study established the factors that influence performance to include lack of employee commitment, ineffective coordination especially poor communication, lack of technological innovations and bank regulations.

According to the respondents interviewed, the prime factors that influence performance of KCB Group include resource allocation and budget capabilities, employee motivation, culture; internal and external communication; leadership, organizational structure, training, staff goodwill and strategy formulation. These factors were common among responses from different respondents.

4.4.3 Strategy Implementation Influence on Performance of KCB Group

The study kindly asked the respondents to indicate how strategy implementation influences performance in their organization. The study revealed that strategy implementation is a critical factor in improving the performance of an organization and it does so through: increased profitability, increased customer retention and satisfaction, enhance employee satisfaction, innovative products, efficiency in the organization processes, reduced employee turnover, and increased business management.

4.3 Chapter Summary

The chapter presents data analysis, results and discussion. It highlights the Job Titles of the interviewees and discusses the strategy implementation process in the organization as well as staff involvement in the process. The chapter discusses how strategy implementation influences performance of KCB Group in Kenya as well as the challenges faced during implementation and the solutions that can be adopted to counter the challenges faced. The discussion reveals how the level of involvement and participation of staff affect strategy implementation. Factors influencing performance in the organization are also discussed in the chapter. The last chapter presents a summary, conclusion and recommendations of the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving the research objective which is to establish how strategy implementation influences performance of KCB group in Kenya.

5.2 Summary

Based on the study findings, it can be summarized that individuals who are mostly in strategy implementation process at the KCB group in Kenya are the management staffs as they have the authority to allocate responsibilities and resources for effective implementation of strategies. The study also established that most organization staffs are involved in the planning stage because it gives them an opportunity to give their views on the best strategies for the organization.

In addition, the study revealed other stages which organization staffs are involved in strategy implementation process to include: all through from the formulation stage to the execution of the strategy and implementation. The study established that the level of participation and involvement of staff affects strategy implementation. It was revealed from the study that the level of participation and involvement of staff is key in determining the commitment and understanding of the strategy implementation of employees and that participation and involvement of staff helps them to acquire both technical and interpersonal skills for strategy implementation.

Also the study established that the level of participation and involvement of staff affects staff commitment, understanding, training, efficiency and effectiveness. The findings indicated that KCB Group ensures staff is committed to strategy implementation by involving them in the strategy implementation process, taking their opinions into consideration in the implementation process and making sure that they are conversant with the organization's opportunities and threats within the plan.

Also staffs were present during the strategy formulation process with stakeholders at all levels of the organization being well represented. The findings also indicated that KCB ensures staff is committed to strategy implementation by giving them clear information on key implementation activities and monitoring how they are executing their responsibilities. The study revealed that senior management takes the lead in strategy implementation through communication and building consensus on how to proceed with the implementation process.

It was established that during the planning sessions and board meetings, the strategy is well communicated to all departmental heads then passed to their members at the departmental or unit levels. Some interviewees argued that senior management take the lead in strategy implementation through personally presiding through the strategy implementation process and allocating adequate resources for the process. In addition, the study indicated that senior management takes the lead in strategy implementation through selecting a team to help with implementation of the strategic plan as well as reviewing progress of the strategy implementation process.

The study identified the factors which have contributed to successful strategy implementation to include: changing assumptions as the environment changes and upgrading the bank capabilities to meet the challenges of an ambitious strategy, strategic leadership, rewards and incentives, allocation of adequate resources to strategy and establishing strategy supportive policies.

Based on the study findings, it can be summarized that the challenges that affect speed of strategy implementation at KCB Group include lack of employee involvement, ineffective coordination especially poor communication of strategic planning practices, time allocated for the planning, lack of a structured way of managing strategic implementation practices, and lack of needed resources for example specialized labour which is either nonexistent or expensive.

Also the study established that mostly strategic planning practices are anchored on corporate strategy and which when not communicated properly sometimes becomes a major challenge, others are lack of support and needed capabilities to carry change through, lack of commitment due to existence of commitment gap, strategic planning agents lacking a compelling figure of what strategic planning is desired. The study also found that organization culture also affected strategy implementation.

The respondents were of the opinion that among the organizational culture factors that affects strategy implementation are, how managers make decisions, leadership style of managers and the dominant values and beliefs. Poor organization rewarding culture, poor structure of office, inadequate staff, and poor regional representation were cited by the respondents as other challenges that KCB Group faces in its strategy implementation efforts.

The study revealed the possible solutions adopted by KCB Group in response to the challenges facing strategy implementation to include staff training although not adequate in the area of strategy making and strategy implementation, use of implementation teams to ensure clear responsibility and ongoing day-to-day operations, cooperation between different functions, especially physically separated subsidiaries, and ensuring everybody is involved in the process for the overall organizational direction and its goals.

In addition, effective communication, involvement of all stakeholders in the organization, flexibility to the business environments and supporting employees in the strategy implementation process were found to be possible solutions adopted by KCB Group. It was established that strategy implementation influences performance to a very great extent. The study established the factors that influence performance to include lack of employee commitment, ineffective coordination especially poor communication, lack of technological innovations and bank regulations.

According to the respondents interviewed, the prime factors that influence performance at KCB Group include resource allocation and budget capabilities, employee motivation, culture; internal and external communication; leadership, organizational structure, training, staff goodwill and strategy formulation. These factors were common among responses from different respondents.

The study revealed that strategy implementation is a critical factor in improving the performance of an organization and it does so through: increased profitability, increased customer retention and satisfaction, enhanced employee satisfaction, innovative products, efficiency in the organization process, reduced employee turnover, and increased business management.

5.3 Conclusion

Based on the study findings, it can be concluded that individuals who are mostly in strategy implementation process at the KCB group in Kenya are management staffs as they have the authority to allocate responsibilities and resources for effective implementation of strategies. The study also concludes that most of the organization's staffs are involved in the planning stage because it gives them an opportunity to give their views on the best strategies for the organization.

The study concludes that the level of participation and involvement of staff affects strategy implementation and that it is essential in determining the commitment and understanding of the strategy implementation of employees and it helps them to acquire both technical and interpersonal skills for strategy implementation. The study further concludes that KCB Group ensures staff is committed to strategy implementation by involving them in the strategy implementation process, taking their opinions into consideration in the implementation process and making sure that they are conversant with the organization's opportunities and threats within the plan.

The study also concludes that senior management takes the lead in strategy implementation through communication and building consensus on how to proceed with the implementation process and that during the planning sessions and board meetings, the strategy is well communicated to all departmental heads in order to pass it to their members at the departmental or unit levels. In addition, the study concludes that senior management takes the lead in strategy implementation through personally presiding though the strategy implementation process and allocating adequate resources for the process.

The study concludes that the factors which have contributed to successful strategy implementation include: changing assumptions as the environment changes and upgrading the bank capabilities to meet the challenges of an ambitious strategy, strategic leadership, rewards and incentives, allocation of adequate resources to strategy and establishing strategy supportive policies.

Based on the study findings, it can be concluded that the challenges that affect speed of strategy implementation at KCB Group include: lack of employee involvement, ineffective coordination especially poor communication of strategic planning practices, time allocated for the planning, lack of a structured way of managing strategic implementation practices, and lack of needed resources for example specialized labour which is either nonexistent or expensive.

The study concludes that the possible solutions adopted by KCB Group in response to the challenges facing strategy implementation include: staff training, use of implementation teams to ensure clear responsibility and ongoing day-to-day operations, cooperation between different functions, especially physically separated subsidiaries, and ensuring everybody is involved in the process needs to get a view for the overall organizational direction and its goals. It was concluded that strategy implementation influences performance to a very great extent. The study concludes that the prime factors that influence performance at KCB Group include resource allocation and budget capabilities, employee motivation, culture; internal and external communication; leadership, organizational structure, training, staff goodwill and strategy formulation.

These factors were common among responses from different respondents. Finally the study concludes that strategy implementation is a critical factor in improving the performance of an organization and it does so through: increased profitability, increased customer retention and satisfaction, enhanced employee satisfaction, innovative products, efficiency in the organization process, reduced employee turnover, and increased business management.

5.4 Limitations of the Study

This study encountered a number of limitations. Perhaps the most significant one surrounds the nature of the research which required a case study involving an in-depth study provided by content analysis. Subjectivity of the researcher in the way he/she understands information given and the generalization of the findings may not be favorable since no set rules are followed in collection of the information.

Few units are studied and the fact that it is based on several assumptions which may not be very realistic at times. The study did not consist of all strategy implementation practices. Telephone and mobile call interruptions were common during the interviews. The researcher had to put up with these although the interruptions never interfered with the search for information. At any time, there were such interruptions; interview time was extended as agreed by both parties. Finally time and other resources were limited to the researcher like the interview guide was only administered to ten senior managers in the organization.

5.5 Recommendations and Implications of the Study

The study recommends that KCB Group trains their staffs adequately in the area of strategy making and strategy implementation. Training should target both top level managers who are responsible for driving the strategy formulation processes and the lower level employees whose daily activities transform strategies into actions. Specific training in the area of strategic management would greatly improve the capacity of KCB Group in implementing its strategies. Communication is one of the key requirements for effective strategy implementation. Organizational communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation.

In fact, communication is pervasive in every aspect of strategy implementation, as it relates in a complex way to organizing processes, organizational context and implementation. Organizations should therefore be structured in away as to open all the communication channels in the organizations. Roles should be defined clearly to remove ambiguity. KCB Group needs to design the best way that communication can flow from top to bottom that is downward flow of communication and vice versa.

This may require a proactive process of creating new communication channels, which may include regular meetings between top management and lower level employees. These meetings should provide a forum for concepts clarification and reports on progress displayed and way forward discussed. In this way, employees commit themselves to achieving the organizational goals and initiatives. It also creates a sense of ownership of the entire process. It is also recommended that KCB Group source for enough funds.

The Enterprise unit should put a lot more efforts in this to facilitate full implementation of KCB Group documented strategies; it should also formulate financial plans and policies that will enable access funds for effective implementation. It is also recommended that KCB Group involves its staff in the strategy formulation. From the findings of this study, it is evident that the institution did not involve its staff in formulation of the documented strategies. This may have contributed to lack of ownership and slow and sluggish implementation at lower employees' level. More importantly, separating strategy development and implementation may lead to a situation where critical issues are ignored during formulation.

This situation can be corrected if the organization involves the staff in the new strategies. Discussing the strategies is equally important. The institution should ensure that the staff especially those at the implementation levels discuss the strategies already developed in order to own the implementation process. The Managers should put more emphasis on planning phase and strategy analysis. This will make them be aware of the challenges that may potentially surface during implementation period.

They should also have flexible strategy that can be changed or adjusted based on the strengths, weakness, opportunities and threats, arising in the environment. All stakeholders should be included within and outside the organization during the strategic planning process and get their input. There are many ways to do this - face to face town meetings or focus groups, surveys, task forces on specific issues or topics, or involving a large group in the actual drafting of the strategy.

The best fit will be determined by the culture and size of the organization. There is a need for workers to be provided with training on the strategy planning and implementation. In this way, many problems can be prevented from occurring and by improving the capability of the workers and leadership characteristics of the managers. The study is important to managers of commercial banks in Kenya. It helps them understand strategy implementation and the challenges that arise during implementation and how to overcome them. The study should also help other related companies and investors venturing into the banking industry.

The findings of this study are important to strategic management policy makers in establishing how Strategy Implementation influences performance of organizations and the challenges of strategy implementation. Many a time, good and well developed strategies failed simply because of implementation challenges. This study has helped shed light on successful strategy implementation. The study has also contributed to the body of knowledge which benefits scholars and researchers and simulates further research in this field of strategy implementation. The study is a source of reference material for future researchers on other related topics. It is helpful to other academicians who undertake the same topic in their studies.

5.6 Suggestions for Further Research

Further research can be carried out to examine strategy implementation practices carried out by other banks in the industry. There is an opportunity for further research into KCB Group's control and evaluation of strategy implementation which this research never covered. Research on strategy implementation by other financial institutions can be undertaken for purposes of benchmarking. The study focused on strategy implementation and its influence on performance of KCB Group in Kenya.

First, there is a need to carry out research on factors influencing the strategy formulation within similar context. Second, repeat research may be carried out on the top Commercial banks in Kenya. Further research can include more intensive qualitative research and also insights from different countries.

In a nutshell the study revealed that management staffs are mostly involved in strategy implementation process at the KCB group and most of the staffs are present during strategy formulation process. The level of commitment of the staffs affects their commitment to the strategy as well as understanding, efficiency and effectiveness with which to implement the strategy. It was revealed that proper communication is critical for successful strategy implementation. It also revealed the need to involve all stakeholders in the strategic management process.

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APPENDICES

APPENDIX I: 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 20/8/2015

TO WHOM IT MAY CONCERN

The bearer of this letter KYALO GRACE NDINDA

Registration No. D61/73003/2014

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
20 AUG 2015
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: INTERVIEW GUIDE

Note: This study is meant for academic purposes. The objective is to establish how strategy implementation influences performance of KCB Group. All the information obtained in this study will be confidential. The Interview guide has two parts. Part A: Strategy Implementation and challenges faced during implementation. Part B focuses on how Strategy Implementation influences Performance of KCB Group in Kenya.

Job Title..

PART A: STRATEGY IMPLEMENTATION AND CHALLENGES FACED

1. Who is involved in strategy implementation process at the KCB Group in Kenya?
2. At what stage of strategy implementation process is the organization staff involved?
3. Does the level of participation and involvement of staff affect strategy implementation?
4. How do you ensure that the KCB staffs are committed to strategy implementation?
5. How does senior management take the lead in strategy implementation?
6. Which factors do you think have contributed to successful strategy implementation?
7. What are the challenges of strategy implementation?
8. What are the possible solutions to the challenges of strategy implementation in your organization?
9. What suggestions would you give that would help KCB Group minimize strategy implementation challenges?

PART B: STRATEGY IMPLEMENTATION AND THE INFLUENCE ON PERFORMANCE.

10. In your own opinion to what extent do you think strategy implementation influences performance in your institution? Use a scale of 1 to 5, where; 1= No extent; 2 = Little extent; 3 = Moderate extent; 4 = Great extent and 5 = Very great extent.

    To no extent [ ]   To little extent [ ]   To moderate extent [ ]

    To great extent [ ]   To very great extent [ ]

11. What factors influence performance in your organization?
12. In your view how does strategy implementation influence performance in your organization?

APPENDIX III: The KCB Group Kenya Members List

1. Kenya Commercial Bank - Nairobi, Kenya
2. Savings & Loan Kenya Limited – Nairobi, Kenya
3. KCB Foundation Limited - Nairobi, Kenya
4. KCB Sports Sponsorship Limited - Nairobi, Kenya

Source: https://www.kcbbankgroup.com (Accessed 2015)