FACTORS INFLUENCING STRATEGY IMPLEMENTATION AT THE CO-OPERATIVE BANK OF KENYA

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SCHOOL OF BUSINESS

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DECLARATION

This is my original work and has not been submitted for examination 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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I give thanks to The Lord Almighty for His Grace, and for the strength to realize my goals.
DEDICATION

To my dear son Alex, you inspire me with your energy and give me the courage to achieve my dreams.

To my mother Grace, your hard work, determination and prayers are my pillar of strength.
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ABSTRACT

The purpose of this study is to examine the factors that influence strategy implementation at The Co-operative Bank in Kenya. The results from the study can be used by the bank to focus on the factors that influence strategy implementation, and can also be used as a guide to other firms to recognize the factors that influence strategy implementation. The study provides a review on the concept of strategy implementation, in view of a competitive environment, and will highlight some of the factors that influence strategy implementation, in relation to contributions from authors in the related field. The study was conducted on a case study design, and data collection was conducted through an interview guide. Primary data was collected through an interview guide administered to the different staff levels classified as senior management, middle management and clerical. The respondents were from the various functional units. Data analysis was through content analysis as the data sought was qualitative in nature.

The study concluded that organizational structure and leadership was the most significant factor affecting strategy implementation. It was observed that organizational structure was important to realize the respective strategics functionally, and leadership steers a strategic course through determination of market needs, ensuring proper resources are in place and driving implementation of the identified strategies to achieve goals. Other key factors included staff motivation, as the task of strategy implementation largely relies on staff. Economic factors such as: inflation which affects customers’ ability to take up tank products, interest rates and Gross Domestic Product growth, as well as political factors including: governance of banks by The Central Bank of Kenya, and political
stability are vital for strategy implementation. Technology and globalization were also identified as important factors influencing strategy implementation. An organizational culture that supports strategy implementation, as well as competitor's strategies was identified as being important in implementation of strategy. The study recommends scanning and analysis of the identified factors during strategy management process in order to ensure successful strategy implementation in firms. Organizations have to be aware of factors influencing strategy implementation, in order to successfully implement their formulated strategies, to achieve the set goals.
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1.0 Background of the Study

Businesses have to keep abreast with the latest technology, products and value propositions, in order to maintain a competitive advantage. Today’s dynamic markets and technologies have called into question the sustainability of competitive advantage (Porter, 1996). Companies therefore have to come up with strategies that will ensure a competitive edge in a dynamic environment. While some businesses may not adopt a specific process to implement the strategies, various business models have emerged on best practice for strategy implementation.

Strategy implementation is often described as an action phase of the strategic management process. To ensure success, the strategy must be translated into carefully implemented actions (Wambugu. 2006). Pearce and Robinson (2003), observe that when formulating strategies, thought must be given into implementing them. The critical phase of strategic management is not only the formulation of strategies, but translating strategic thought into organizational action (Mungai, 2007). For strategy to be implemented in an organization, a detail strategy management process has to be in place. Strategic Management is the set of decisions and actions that result in formulation and implementation of plans designed to achieve a company's objectives (Pearce and Robinson, 2003). It consists of the analysis, decisions and actions an organization takes in order to create and sustain a competitive advantage (Dess, et al 2005).
initiatives taken by general managers, involving utilization of resources, to enhance the performance of firms in their external environments (Thompson et al, 2006). The study of strategic management is the essence of why some firms outperform others.

The strategy process has evolved over the years to reflect changing perceptions and different schools of thought. The original perspective, dating back to Selznick (1957) followed by Chandler (1962) and later on by Andrews (1971), sees strategy formulation as achieving the essential fit between internal strengths and weaknesses and external threats and opportunities. This was described as the design school, where senior management formulates clear, simple and unique strategies in a deliberate process of conscious thought, which is neither formally analytical nor formally intuitive so that everyone can implement the strategies (Mintzberg, 2003). Another school of thought emerged in the 1970's, the planning school, which was a formal strategic management process. Ansoff (1965), reflected most of the design school elements, except that the process is not just a cerebral but formal, decomposable into distinct steps, delineated by checklists and supported by techniques. Staff planners replaced senior managers as the key players in the process. Ansoff (1965) developed the gap analysis, which is a concept that explored where an organization is currently, and where it plans to be and develop gap reducing actions to achieve its strategies.

Despite the wide acceptance the planning school of thought in strategic planning process in the 1970's, there was great disenchantment in the 1980's about the separation between strategic planning and strategy implementation. In the 1970's, strategic management
involved adapting the organization to its business environment, was fluid and complex, involved both strategy formulation and strategy implementation, was done at several levels: overall corporate strategy, and individual business strategy and involved both analytical and conceptual thought processes (Chaffee, 1985). Theorists in the 1980's were dissatisfied with the planning theory, which implied a complete separation between the strategy formulation and strategy implementation processes. The theorists argued that the two processes are interdependent on one another and cannot exist separately. This gave rise to the analytical process, which was the positioning school of thought. Porter (1980) views that strategies reduces to generic positions selected through formalized analyses of industry situations.

Porter (1986) provided a framework for industry analysis in creating competitive advantage for businesses. Competitive advantage in businesses is influenced by five forces: Threats of new entrants, supplier power, threat of substitutes and buying power of consumers, as well as competition/ rivalry between firms. Firms need to be aware of the five forces as they formulate, implement and evaluate strategies on a continuous basis. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson and Scholes, 2002). The organization therefore continues developing strategies, and makes appropriate strategic choices, depending on the strategies of the day. The key element of strategic Management is to make operational, the formulated strategies. The success or failure of strategy may be attributed directly to implementation of strategy, if all other business Actors are constant.
1.1.1 Strategy Implementation

Strategy implementation is a carefully considered process of ensuring that strategies that have been formulated within the organization are executed in order to achieve organization goals and objectives. It is a continuous feedback mechanism process that ensures that strategies are relevant, objective and effective to the organization's goals. In a dynamic environment, managers need to adapt to changing trends in strategy implementation, while embracing the key success factors for implementation: Structure of the organization. Resources, Culture, Leadership, Systems, People and Communication. Other factors that may influence the implementation of strategy are: Competition, Economic Environment, Political Environment, Dynamic business environment, and technological environment.

To effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards and control systems are essential strategy implementation ingredients (Pearce and Robinson, 2000). Implementation is initiated in three interrelated phases: identification of measurable, mutually determined objectives, development of specific functional strategies, and the development of concise policies to guide decisions. Implementation of strategy involves the various functions of management: organizing, planning, motivating and directing. It is essential to note that strategy implementation is possible unless there is stability between strategy and each organizational dimension, deluding: organization structure, reward structure, and resource allocation process. The bett conceived a company's strategy and more competently it is executed, the more company will be a stand out performer in the market place (Thompson, et
al 2006). Some of the challenges of implementing strategy will include: Inadequacy of resources, ineffective coordination of activities, inadequate leadership and direction, monitoring and feedback mechanism, competing activities and uncontrollable factors in the environment contributed to failure of strategy implementation (Aosa, 1992).

1.1.2 The Co-operative Bank of Kenya

The Co-operative Bank of Kenya Limited (*the Bank’) is a commercial bank, incorporated in Kenya under the Company's Act (Cap 488) in 2008, and is also licensed to do business of banking under the Banking Act. The Bank was initially registered under the Co-operatives Society Act when it was founded in 1965. The key mandate for the bank was to provide banking facilities for the Co-operative movement in Kenya. The bank was publicly listed in the Nairobi Stock Exchange (NSE) in December 2008, offering its shares to the general public.

The Bank provides banking services to both retail, and corporate customers, making it a unique banking model, with the emphasis of banking Co-operative movement in Kenya. The bank has to maintain a competitive edge, within a banking environment in Kenya, which consists of 44 Commercial Banks and 1 mortgage finance company. The Co-operative Bank of Kenya offers banking services through the main commercial bank, and its subsidiaries: Kingdom Security Services Ltd., a stock broking firm, Co-op Trust Investment Services Ltd, a fund management subsidiary and Co-operative Consultancy Services (K) Ltd, a corporate finance financial advisory and capacity building subsidiary.
The vision of the bank is to be the leading and dominant Kenyan bank with a strong country wide presence, playing a central role in the co-operative movement and providing relevant and innovative financial services for its customers and the optimum benefit of all its stakeholders. The Co-operative Bank of Kenya is a leading provider of banking services in Kenya, with a client base of 1.8 million account holders. The bank reported a profit after tax of Kshs 5.7bn for the year ended December 2010. It has a Capital Base of Kshs 17 billion. Customer Deposit Base of Kshs 136 billion, and an Asset base of Kshs 169.5 billion (Co-operative Bank Financial Report Quarter 1 2011). The bank was awarded Best Bank in Kenya 2010 in 'The Banker Awards 2010' by Financial Times of London. This is a coveted annual international award which recognizes exceptional performance by financial institutions in each country, worldwide. The bank received the Bankers Global Award on the basis of its sound management policies, strong business performance and a demonstrated commitment to customer satisfaction, in the face of increased competition in the industry.

The Bank has a unique business model in Kenya, with a main focus on the Co-operative movement, currently with 7 million members. The Bank's unique model strikes a balance between pursuing a profit generating business, in a competitive environment, while making an impact on the Kenyan society as a whole. Its services are offered through a wide branch network of 87 branches country wide, and over 250 Automated Teller machines. It is focused on a continuous planned expansion of its services, through an elaborate branch network, and innovative product portfolio, to remain competitive in the Market.
1.2 Research Problem

In a dynamic environment, industry players must be innovative in their strategies, and ensure proper implementation of the strategies in order to achieve their objectives. Excellently formulated strategies will not succeed if they are not properly implemented. Formulating strategy is difficult. Making strategy work—executing and implementing it throughout the organization is even more difficult (Thompson and Strickland 2006).

Co-operative Bank is one of the 44 commercial banks licensed to provide banking services in Kenya. The bank has managed over the last 9 years, to turn around performance from a loss of Kshs 80 million for the year ending December 2001, to become one of the most profitable banks in Kenya, reporting a profit of Kshs 5.7 billion for the year ended December 2010. The bank has employed strategies over the years, to see its growth from a loss making outfit to consistent growth and profitability in a highly competitive industry.

Some of the strategies employed at a corporate level by the bank included: Retail business growth, through the opening of over 40 new branches during a 3 year period (2009-2011), while optimizing staff levels, hence minimal increment in operation costs. The bank also increased its service channels through: ATM network expansion, introduction of new channels such as mobile and internet banking, diversification of services and income through acquisition of a stock brokerage firm: Kingdom Securities limited, new product offering including: Asset Based Financing and Mortgage Financing. During this period the bank continued to lay emphasis on the Co-operative movement, which is the backbone of the bank, hence managing to grow overall product and customer
portfolio. Implementation of the strategics at both corporate and business level was paramount to achieving the set objectives and realizing the growth witnessed by the bank.

While studies have been done by among others (Muthuiya 2005, Wambugu 2006, Koske 2003), these have been focused on the challenges of strategy implementation in various industries and organizations. Wambugu (2006) focused on challenges to strategy implementation at the Kenya Institute of Management. He identified factors that influence strategy implementation as: organizational structure, culture, resources, systems, leadership people and communication. Several studies have been done on Co-operative Bank. Riungu (2008) focused on strategic management practices and performance at Co-operative Bank, while Kubai (2009) undertook a study of strategic responses to competitive environment and organizational performance, with a focus on Co-operative Bank. Olali (2006) undertook a survey of the challenges in the strategic plan implementation in the Co-operative Bank. Olali (2006) identified some of the challenges in implementing the five year strategic plan at Co-operative bank as: competition, the need for continuous improvement in technology, market strategy, retention of employees and over regulation by the Central Bank of Kenya.

While most studies have focused on challenges of strategy implementation, this study will focus on factors that influence strategy implementation, both enabling and impeding factors. The factors identified may also be both at a micro and macro level, affecting the bank as well as other commercial banks operating in a similar environment. The study
will also highlight measures that have been taken to ensure that the strategy that is formulated is implemented to yield laid down objectives and goals.

The study will seek to answer the following:

i. What are the factors that influence strategy implementation at The Co-operative Bank of Kenya?

ii. What are the measures that have been taken in view of the identified factors to ensure strategy implementation at Co-operative Bank of Kenya?

1.3 Research Objectives

The objectives of the study were:

i. To identify the factors that influence strategy implementation at The Co-operative Bank of Kenya

ii. To establish measures taken at Co-operative Bank of Kenya in view of identified factors that influence strategy implementation.

1.4 Value of the Study

The outcome of the study will be useful to different levels of staff at The Co-operative Bank of Kenya, to highlight the factors that determine strategy implementation and measures to be taken to ensure implementation of strategy is executed as planned in light of the identified factors. It will enable the bank to establish clear guidelines to how to capitalize on the enabling factors and mitigate impeding factors in order to ensure implementation of its strategies.
The study will also be useful to industry players to determine collective factors in the banking industry that influence strategy implementation, and the measures that can be taken to mitigate or maximize on the factors accordingly to enhance strategy implementation. The study will be useful for policy makers, strategy formulation and strategy implementation process in ensuring strategy is implemented as planned.

The outcome of the study will also add on to the existing body of knowledge and assist academic researchers to enhance theory coupled with industry practice on implementation of strategy. The study can be enhanced in future to include all commercial banks in Kenya to determine the common factors influencing strategy implementation, and could also be undertaken in other industries.
2.1 The Concept of Strategy

It is important to understand the concept of strategy, so as to relate it to effective strategy implementation. Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of markets and to fulfill stakeholder expectations (Johnson and Scholes, 2002). Thompson et al (2006) describe a company's strategy as the management's action plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations and achieving targeted objectives. A company's strategy thus indicates the choices its managers have made about how to attract customers, how to respond to changing market conditions, how to compete successfully, and how to grow business to achieve the organization's objectives.

Mintzberg et al, (2003) observes that strategy is described variously, the most common four being: Strategy is a plan, a 'how', a means of getting from here to there: Strategy is a pattern in actions over time; Strategy is a position, that is, reflects decisions to offer particular products or services in particular markets; and finally, strategy is perspective, vision and direction. Strategy is cons» e,ncy in behavior, whether intended or not (Mintzberg, 2003). He argues that strategy emerges over time as intentions collide with fend accommodate a changing reality. Strategy is about competitive position, differentiating self from the point of view of the customer, adding value through a mix if activities different from those used by competitors. Porter (1980) explains that strategy
means deliberately choosing a different set of activities to deliver a unique mix of values. He defines competitive strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. Thus, strategy is both plan and position. Chandler (1962) explains that structure follows strategy, and showed that a long term coordinated strategy was necessary to give a company structure, direction and focus.

The process of formulating strategies involves the top management of the organization giving direction as to where the business is trying to get in the long term. Pertinent questions such as: which market should the business compete in, what resources (skills, assets, finance, and technical competence) are required to be able to compete, what external environmental factors affect the business ability to compete, and what values and expectations for the business stakeholders (Johnson and Scholes, 2002). Porter (1985) observes that as strategic planning theory and practice have developed, most firms have come to recognize two types of strategy: business unit strategy and corporate strategy. Business strategy charts the course for a firm's activities in individual industries, while corporate strategy addresses the composition of a firm's portfolio of business units.

2.2 Strategy Implementation

Crafting and executing strategy are core management functions. The process involves the management team charting the company's direction, developing competitively effective strategies and business approaches, while pursuing what needs to be done internally to produce good strategy executions and operational excellence. (Thompson et al, 2006).
Strategy implementation is the process of allocating resources to support the chosen strategies. It includes the various management activities that are necessary to activate strategy, institute strategic controls in order to achieve organizational goals. To effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards and control systems are essential strategy implementation ingredients (Pearce and Robinson, 2000). Strategy implementation implies making strategy work as intended or putting the organization's chosen strategy into action.

Strategy evaluation is the final step of strategy management process. The key activities of strategy evaluation are: appraising internal and external factors that are the root of the present strategies, measuring performance and taking remedial actions. Evaluation makes sure that the organization's strategy and its implementation meet the organizational objectives (Johnson and Scholes, 2002).

Ansoff (1965) developed the gap analysis, which states that organizations must understand the gap between where they are, and where they would like to be, then develop gap reducing actions. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resource. Pearce and Robinson (2007) emphasize that a key aspect of implementing a strategy is the institutionalization of the strategy, so it permeates daily decisions and actions in manner consistent with long-term strategic success. Institutionalizing a strategy involves internalizing of the company's strategy to normal daily activities that are communicated clearly and are measurable.
Thompson et al. (2006) relate good strategy execution to creation of strong fits between strategy and organizational capabilities, reward structure, internal operating systems and the organization’s work climate and structure. Implementation of strategy can be through four interrelated steps: identifying short-term objectives, initiating specific functional tactics, communicate policies that empower people in the organization and design effective rewards (Pearce and Robinson, 2007). To ensure success, strategy must be translated into carefully implemented action, which means that: the strategy must be translated into guidelines for the daily activities of the firm’s members, the strategy and the firm must be one- strategy must be reflected in the way the firm organizes its activities and in the firm's values, beliefs and tone. In implementing strategy, the firm's managers must direct and control actions and outcomes, and adjust to change (Pearce and Robinson, 2007).

Strategy implementation is determined by the organization's actual performance matches and exceeds the targets spelled out in the strategic plan. Shortfalls in performance signal weak strategy, weak implementation or both. In deciding how to implement strategy, managers have to determine what internal conditions are needed to execute the strategy (Thompson et al, 2006). Strategy is implemented in a changing environment; hence the need to be adjusted to the changing conditions (Mintzberg and Quinn, 1998). Aosa (1992) observes that once strategies have been developed, they have to be executed. The job of strategy implementation is to put plans into action and achieve the intended result. Plans are more likely to be implemented when there is a close alignment and linkage between the business strategy, operating plan and such established systems as budgets.
and rewards (Judson, 1996). The tighter the fit, the more likely targeted performance can be achieved.

2.3 Factors Influencing Strategy Implementation

Pearce and Robinson (2007), state that once the strategy has been designed, managers' focus on six components to ensure effective execution: structure, systems, shared values, skills, style and staff. Strategy implementation may be affected by factors that are both internal and external to operations of the firm. Traditionally, successful organizations once required an internal focus, structured interaction, self sufficiency, top-down approach. Today, organization structure reflects an external focus, flexible interaction, interdependency, and bottom up approach. Issues such as technology (internet), globalization and speed of decisions affect strategy implementation (Pearce and Robinson, 2007).

2.3.1 Organizational Structure and Leadership

Organizational structure is the set of important assumptions, often unspoken, that members of an organization have in common. Miller (1985) observes that there is an intrinsic association between strategy formulation and structure of the organization. The structures facilitate or constrain how the process and relationships work, hence affecting strategy implementation process (Johnson and Scholes, 2002). Firms need to assess their strategy-structure fit, which can be a competitive advantage by the firm among competitors. If the firm alters strategy, then its structure must change as well. Structure and strategy are interrelated, for the success of the firm (Chandler, 1962). Structure dictates how policies and objectives are established. The firms' strategies
should therefore be aligned to its structure. There is however, no one optimal organizational design or structure for a given strategy (Pearce and Robinson, 2003). Structure can be changed to facilitate implementation of strategy. McCarthy et al (1996) explain that an organization's structure and behavior within the organization should be in harmony with and support the structure of the organization. Strategy and structure can not exist independently of each other.

Leadership is the process of influencing an organization (or group within an organization) in its efforts towards achieving an aim or goal (Johnson and Scholes, 2002). Organizational leadership involves guiding the organization to deal with constant change, and to clarify strategic intent, that builds the organization and shape their culture to fit with opportunities and challenges change affords (Kotter, 1990). Minztberg et al, (2003) observe that a lack of leadership - specifically strategic leadership - in the management structures of organizations has been identified as one of the possible barriers to the effective implementation of strategy. Strategic leadership is also widely regarded as one of the key drivers of strategy implementation. For effective strategy execution, the top leadership of an organization has to monitor progress, anticipate obstacles and taking corrective actions where necessary, in order to ensure that the organization is agile to changing market conditions and competitive forces (Thompson, et al 2006).

2.3.2 Organizational Culture, Staff Motivation and Adaptability to Change

Corporate Culture refers to the character of a company's internal work climate and Personality, as shaped by its core values, beliefs, principles, traditions, ingrained behaviors, and style of operating (Thompson et al, 2006). Every company has its own
unique culture, which is a product of the core values and business principles. Values and beliefs throughout the organization will shape how the work of the organization is done. When attempting to embrace change, re-shaping an organization's culture is an activity that leadership of an organization has to deal with. Leaders deal with reward systems, symbols and structure among other means to shape the organization's culture (Pearce and Robinson, 2007).

Without the organization's enthusiastic involvement and participation of inspired staff, strategy implementation will be virtually impossible. It should be recognized that the most important resource in an organization is its people (David, 1997). One way of motivating staff would be through their involvement in strategy formulation, rather than only the execution of operational actions resulting from strategy. Participation in the strategy formulation ensures that the managers and supervisors understand the strategy, believe in it, and are enthusiastic to implement it. The strategy planning process is increasingly involving middle level managers (David, 1997). Communication is important for successful strategy implementation. Poor sharing of information, poor knowledge transfer, and unclear responsibility and accountability can lead to failure of strategy implementation (Ochanda, 2005). Dialogue and participation are essential ingredients to strategy implementation (David, 1997). All business organizations are affected by change. Strategy implementation is inextricably connected with organizational change. All organizations resist change and try to maintain the status quo, even if it sometimes yields unsatisfactory results. The dynamism of telecommunications, and information technology, as well as globalization has increased the pace of change.
exponentially. Change has become an integral part of what businesses have to deal with every day (Mintzberg, 2009). Top management help stakeholders embrace change by setting a clear vision of where the business strategy needs to take the organization (Pearce and Robinson, 2007). Adoptability of the organization and its staff to change is therefore a critical component of strategy implementation.

2.3.3 Technology and Globalization

Technology can be defined as the knowledge, tools, equipment, and work methods used by an organization in providing its goods and services. Technology is a key factor in almost any conceivable strategy process today (Mintzberg et al, 2003). Due to the rapid change technology, companies must adopt the relevant and current technologies to maintain a competitive edge. Porter (1985) contends that technology is one of the principal drivers of change. Technology is therefore a key consideration in the strategy implementation process, and should be viewed as a means to facilitate the execution of identified strategies. Technology affects how the business operates, and its overall competitiveness in the market. Questions of the current state of art, how it will change, pertinent new products and services that are likely to technically feasible in the foreseeable future and impact of technological breakthroughs in related product areas, need to be considered during the strategy implementation process (Pearce and Robinson, 2007). To promote innovation, a firm must be aware of technological changes that might influence its industry.

Firms operate within a dynamic business environment, and the spread of globalization provides opportunities to firms to compete in a global arena. To achieve the benefits of
globalization, the managers of a worldwide business need to recognize when industry globalization drivers provide opportunities for implementation of global strategies (Mintzberg et al, 2003). Within a global environment, various considerations during strategy implementation process will be considered. These are: global political, economic, legal, social and cultural environments, as well as extreme competition (Pearce and Robinson, 2007). Companies should therefore ensure strategy implementation process that enable them compete in the global arena.

2.3.4 Economic and Political Factors

The economic environment within which an organization operates affects the success of strategy implementation. Economic factors concern the nature and direction of the economy in which the firm operates. On both the national and international level, managers must consider: the general availability of credit, the level of disposable income, the propensity of people to spend, prime interest rates, inflation rates and trends in the growth of the Gross National Product as economic factors for strategy implementation (Pearce and Robinson, 2007). Organizations need to determine a strategy implementation process within the given economic situation. Political stability is important for strategy implementation. The direction and stability of political factors are a major consideration for managers in formulating company strategy (Pearce and Robinson, 2007). Political factors define the legal and regulatory parameters within which firms must operate. Pearce and Robinson (2007), explain that political constraints are placed on firms through: fair trade decisions, anti-Ji laws, pricing policies, and many other actions aimed at protecting the employees, consumers, the general public and the environment.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was based on a case study design. It focused on interpreting in-depth details concerning the factors influencing strategy implementation at The Co-operative Bank of Kenya. The results will provide insights to understand the factors that directly influence strategy implementation, with a view of improving strategy implementation, as well as measures to mitigate or maximize on the factors that influence strategy implementation at The Co-operative Bank of Kenya.

3.2 Data Collection

The study was based on the various departments or functions of The Co-operative Bank of Kenya. The respondents were taken on a cross functional basis, according to the various divisions and departments of the bank. A personal interview guide was used to collect the information on factors influencing strategy implementation. The interview guide was administered to the main staff levels: senior management, middle management and supervisory and clerical staff of the various functions or units within the bank. The Bank operates on a corporate level as well as strategic business unit's strategies. Senior management is tasked to formulate and implement strategies derived from the overall corporate strategies, according to their different functional units. Middle management and supervisory grade level staff are at the forefront to ensure that strategies are implemented, while clerical members of staff are instrumental in carrying out the tasks as allocated to them, to implement strategies. Functional units included: Retail Banking,
Corporate & Institutional Banking, Treasury, Finance & Administration, and Information & Communication Technology (ICT).

3.3 Data Analysis

As the study sought was qualitative in nature, content analysis was used to analyze the data. Content analysis was used to derive the information collected from the interview guide completed by the respondents. The analysis was derived from the completed interview guides and compromised of the factors observed by the respondents. The analysis also involved observation and detailed description of factors that compromise the study, while observing objectivity. Analysis of the data was also through comparison with theoretical approaches and documentation cited in the literature review.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

The study sought to establish the factors influencing strategy implementation at the Co-operative Bank of Kenya. The method of data collection used was personal interviews with the aid of an interview guide, which was specific to the different staff levels within the functional units. The interview guide was given to the respondents in advance to enable collection of relevant facts. The results are provided to highlight the opinions of the respondents as the factors that influence strategy implementation. The chapter will cover the response rate and an in-depth analysis of the identified factors influencing strategy implementation.

4.1 Response Rate

The data for the study was collected with the aid of an interview guide delivered to the respondents. The interview guide was administered to the different staff levels within the functional units. 25 interview guides were distributed to the identified respondents. Of these 18 interview guides were successfully completed, giving a response rate of 72%, a percentage considered sufficient for the study.

<table>
<thead>
<tr>
<th>Response Rate by Staff Levels</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Senior Management</td>
<td>6</td>
<td>33%</td>
</tr>
<tr>
<td>2 Middle Management &amp; Supervisory</td>
<td>8</td>
<td>44%</td>
</tr>
<tr>
<td>3 Clerical Level</td>
<td>4</td>
<td>22%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.1: Response Rate by Staff Levels
4.2 Factors Influencing Strategy Implementation at the Co-operative Bank of Kenya

The researcher sought to establish the factors that influence strategy implementation at The Co-operative Bank of Kenya. The factors were identified by the researcher as: organizational structure and leadership, organizational culture, competitor strategies, staff motivation, technology and globalization, and economic and political factors.

Figure 4.1: Factors influencing strategy implementation
Organizational structure and leadership was identified by the majority of the respondents, 33% as the most important factor influencing strategy implementation. This was followed by 22% of the respondents who indicated that staff motivation was most important for implementation of strategy, while 17% of respondents indicated that technology and globalization, as well as economic and political factors most influenced strategy implementation. Only 11% of respondents indicated that organizational culture was the most important factor for strategy implementation.

<table>
<thead>
<tr>
<th>Factor influencing strategy implementation</th>
<th>No. of respondents</th>
<th>Percentage of total respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organizational Culture and Leadership</td>
<td>6</td>
<td>33%</td>
</tr>
<tr>
<td>2. Organizational Culture</td>
<td>2</td>
<td>11%</td>
</tr>
<tr>
<td>3. Staff Motivation</td>
<td>4</td>
<td>22%</td>
</tr>
<tr>
<td>4. Technology and Globalization</td>
<td>3</td>
<td>17%</td>
</tr>
<tr>
<td>5. Economic and Political Factors</td>
<td>3</td>
<td>17%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>18</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.2: Factors considered as most influencing strategy implementation
4.2.1 Organizational Structure and Leadership

Organizational structure and leadership were identified by 33% of the respondents as the factor most influencing strategy implementation. The respondents indicated that a clear, concise structure with well defined reporting lines was an important enabling factor for strategy implementation. They indicated that for strategy implementation to be successful, a flat organization structure was preferred. The organization structure and reporting lines should be understood by all staff. The bank has a clear organizational structure with defined reporting lines. The Group Managing Director is the key strategic leader, with a team divisional directors reporting directly to the strategic leader. The bank has specified functions, which directly correlate to the nature of responsibility. These include: Retail Banking, Corporate Banking, Treasury, Co-operatives Division, Risk Management, Operations Division and the support functions of Finance and Human
Resources Division. The directors have a team of Chief Managers and senior managers who report to them. There is a middle level management and supervisory team, who then are directly responsible for the clerical level of staff. The bank’s strategies are implemented through clear reporting lines. The respondents indicated that robust leadership that understands the overall strategy and break it down to individual units and staff, as well as provide strategic leadership was as an important factor for strategy implementation. Communication of strategy and open feedback mechanism by the leadership of the organization was also identified by the respondents as a vital component enabling strategy implementation. The leadership team provides guidance and direction for strategy implementation.

Figure 4.3: Flat Organizational Structure
4.2.2 Organizational Culture

Organizational culture was identified by 11% of the respondents as being the most important factor influencing strategy implementation. Organizational culture has to be supportive of the strategies identified by the organization, and their implementation. Organization structure was seen as an enabler for strategy implementation, while key elements of culture such as: established code of conduct, discipline, open feedback mechanism was observed as key enabler for strategy implementation. The bank ensured a culture that supports strategy and employees opinions is valued. Innovation and teamwork are elements of culture that are encouraged, as well as customer service as a key overall culture element.

Figure 4.4: Framework of Organizational Culture
Every company has its own unique culture which is a product of the core values and business principles. Values and beliefs throughout the organization will shape how the work of the organization is done, and how strategies that are formulated are implemented. The culture has to be institutionalized to achieve the desired implementation of strategies. The respondents indicated that the culture embraced by the bank was supportive of strategy implementation.

4.2.3 Staff Motivation

Staff motivation was identified by 22% of the respondents as being the most important factor influencing strategy implementation. Key to note is that the majority of this number of respondents was drawn from the middle level management. This is because they observed from the staff they supervised, that the more motivated staff was, the more they were enthusiastic on implementing strategies. Staff can be motivated through training and development, involvement in strategy formulation and implementation process and through reward and recognition of efforts. Members of staff were also motivated by achievement of results and through allocation of higher responsibilities.

Staff motivation was identified as an enabling factor for strategy implementation. The respondents indicated that members of staff *adequately compensated for successful strategy implementation, though reward and recognition, thereby enabling the organization achieve it's laid down goals. The bank has a robust reward structure, which recognizes and rewards top performers. Mentorship programs and training needs assessment is important for staff skills and hence staff motivation. Strategies are implemented through staff, therefore being an important enabler for strategy implementation.*
Every company has its own unique culture which is a product of the core values and business principles. Values and beliefs throughout the organization will shape how the work of the organization is done, and how strategies that are formulated are implemented. The culture has to be institutionalized to achieve the desired implementation of strategies. The respondents indicated that the culture embraced by the bank was supportive of strategy implementation.

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4.2.4 Economic and Political Factors

17% of respondents indicated that economic and political factors most influence strategy implementation. The economic and political environment within which an organization operates, greatly determines implementation of its strategies. The elements of economic factors that were identified included inflation rates, which affect the general availability of credit, the level of disposable income, and the propensity of people to spend and invest. Other economic indicators are prime interest rates, economic growth rate (Gross Domestic Products), prices of coffee as a key commodity and rates of foreign exchange. Inflation affects the bank's strategy implementation process in terms of achievement of profitability and other financial performance indicators. The inflation rate also affects ability to repay loans, hence strident risk management policies have to be considered in times of high inflationary periods. High fuel prices, both internationally and nationally affects customer's ability to transact business. The weakening local currency also affects value of money, as majority of the Kenyan economy are net importers, who are the customers of the banks. These conditions pose a challenging environment to both the customers and the bank. An aggressive expansion strategy, as well as innovativeness in customizing services and products that are favorable has seen the bank continue to grow in profit, despite a challenging economic environment. The bank has countered effects of economic conditions through constant monitoring of the economic environment, to enable flexibility in changing economic environments. Political factors that influence strategy implementation include regulation of banks by The Central Bank of Kenya, policies which affect banks and the stability of political environment. When these factors are favorable to the banks, they can be enablers for strategy implementation. The
opposite of this applies, where the banks are unfavorably affected by political factors, then implementation of strategies poses a challenge. The Central Bank of Kenya has been supportive in licensing of new products in the market, including agency banking, and through giving favorable interest rate indicators to the banks, hence providing a favorable environment for strategy implementation. The bank ensures to operate within the guidelines of the Central Bank of Kenya, hence providing a stable working environment to implement its strategies. Political stability in Kenya has also been an enabling factor influencing strategy implementation in the bank.

4.2.5 Technology and Globalization

Technology and globalization, according to 17% of respondents, was identified as the most important factor influencing strategy implementation. Technology involves the process and means of service delivery, hence influencing implementation of strategies. The respondents cited technology factors to include: speed of service, innovation in service provision, hence convenience to customers, greatly influenced implementation of strategies. The respondents indicated the bank's innovative mobile and internet banking was an enabler for strategy implementation. Overall Information Technology systems are key factors that influence strategy implementation. The bank has adopted the latest technology and systems to aid in getting timely reports on performance in various sectors of the bank. To be a > market leader and to effectively compete in a highly competitive environment, world class technology has been adopted, hence enabling strategy implementation. Globalization plays a major role in strategy implementation. Elements of globalization that affect strategy implementation were identified as: international oil prices, foreign currency trade, internet and the availability of information, open markets
that have led to emerging super powers like China, and overall stability of the East African region and markets. The bank has adopted global standards of banking, with a view of serving its customers across the globe, and has introduced products and services that are favorable to the global market. Constant scanning of the global environment forms an important function during the strategy implementation process.

4.2.6 Competitors' Strategies

The banking industry is highly competitive in Kenya. The respondents indicated that determining competitor strategies was an important factor that influences strategy implementation.

![Diagram: Competitors' strategies influencing strategy implementation]

Figure 4.5: Competitors' strategies influencing strategy implementation
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4.2.6 Competitors* Strategies

The banking industry is highly competitive in Kenya. The respondents indicated that determining competitor strategies was an important factor that influences strategy implementation.

Figure 4.5: Competitors' strategies influencing strategy implementation
Competition in the banking industry consists of the commercial banks, recently licensed deposit taking micro finance institutions, and most recently competition from mobile money transfer. The respondents indicated that competitive strategies and their implementation should be benchmarked against actions of competitors, in order to maintain a competitive advantage and increase market share. The bank continues to identify strategies that are innovative and aggressive in order to compete effectively in the market. The strategies used by competitors have to be analyzed to determine: the value proposition offered by competitors, competitors’ strengths and weaknesses, new products in the market and their cost strategies. Banks have had to contend with the new entrants, and have formulated and implemented strategies that enable them to compete effectively in new markets and products. Competitive strategies have to be considered during strategy implementation. They include: cost leadership, differentiation or focus strategies to create a competitive advantage. Strategy implementation will be greatly influenced by the competitive strategies adopted by the firm, as well as those adopted by the firm’s competitors.

**Competitive Advantage**

![Porter's Generic Competitive Strategies](image)

*Figure 4.6: Porter's Generic Competitive Strategies*
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a summary of discussions and conclusions drawn from the study. The chapter also covers limitations of the study, suggestions for further research, and recommendations for policy and practice.

5.1 Summary of Findings and Conclusion

The objective of the study was to determine factors influencing strategy implementation at the Co-operative Bank of Kenya. The study findings show that factors include: organization structure and leadership, staff motivation, economic and political factors, technology and globalization, organization culture and competitor's strategies. Organization structure and leadership was identified by the respondents as most influencing strategy implementation at the Co-operative Bank of Kenya is organization structure. Johnson and Scholes, (2002) indicated that organization structures facilitate or constrain how the process and relationships work, hence affecting strategy implementation process. Organization structure provides the framework within which strategies are formulated and implemented to achieve the bank's goals and objectives. The organization structure has a flat structure, with clear reporting lines and clear objectives for each functional unit. Strategic leadership offers the platform for giving strategic direction to the organization, to achieve set targets and goals. As Kotter (1990) Unserved, organizational leadership involves guiding the organization to deal with
constant change, and to clarify strategic intent, that builds the organization and shape their culture to fit with opportunities and challenges change affords.

Staff motivation was also identified as an important factor influencing strategy implementation. Involvement of staff during strategy formulation and implementation process ensures that the managers and supervisors understand the strategy, believe in it, and are enthusiastic to implement it. Other measures to ensure a highly motivated staff are through training of staff, and reward and recognition of high performance to achieve a successful strategy implementation. David (1997) observed that the most important resource in an organization is its people. Strategy implementation can hardly take place without a highly motivated and inspired staff. David (1997) also recommends that dialogue and participation as essential ingredients to strategy implementation.

Economic and political factors have to be identified and strategy implementation carried out within the environment of the economic and political factors. The economic indicators that should guide strategy implementation are: inflation rates, prime interest rates, and foreign currency trade which affect cost of doing business, hence affecting bank's strategy implementation. Political factors such as fiscal policy, regulation by the Central Bank of Kenya and political stability are also important factors to be considered during strategy implementation process in the bank. The direction and stability of political factors are a major consideration for managers in formulating and implementing company strategy as observed by Pearce and Robinson (2007). Technology plays a major role in the implementation of strategy. It is the channel within which businesses used to
achieve their strategy implementation plans. Technology is a key factor in almost any conceivable strategy process today (Mintzberg et al, 2003). The respondents indicated that for the bank to maintain competitive advantage, and ensure successful strategy implementation, it was imperative to have a robust technology platform to implement its strategies. Due to the rapid change technology, organizations must adopt the relevant and current technologies. The bank has adopted a robust technological platform to enable it implement its strategies. The bank also operates within a global environment, which provides an opportunity to compete within a global arena. Growth and expansion plans regionally, and access to banking service through the internet banking platform are some of the elements of globalization considered as influencing implementation process.

Organizational culture has to be supportive to strategy implementation. The culture consists of values, practices, and code of conduct within the organization, which greatly determines how the organization operates. A culture grounded in strategy supportive values, practices and behavioral norms adds significantly to the power and effectiveness of a company's strategy execution effort. Some of the cultures observed in the bank included: team working, open feedback system, discipline, innovativeness and observation of a clear code of conduct. Organization culture determines effectiveness of the implementation of strategies. Competitor strategies were also found to influence implementation of strategies. The strategy formulation and implementation process of an organization to recognize existing strategies of competitors. Companies therefore have to come up with strategies that will ensure a competitive edge in a dynamic environment, and implement those strategies to achieve set goals and objectives. The banking industry in Kenya is highly dynamic with competition for market share, as well as new technology
especially in the telecommunications industry which has provided a competitive environment. Strategy implementation process has to take into consideration competitors strategies.

Researchers Ochanda (2005), Koske (2003) and Muthuiya (2005) observed that there has to be a tight fit between strategy and how the organization implements the strategies. Successful strategy implementation involves creating a series of tight fits between strategy and the organization skills, strategy and budgets, strategy and internal policies and strategy and corporate culture. The tighter the fits, the more powerful the execution becomes, and the more likely targeted performance can actually be achieved. Co-operative Bank's ability to match its resources, reward systems, organization culture and structure enables it to achieve successful strategy implementation. The leadership of the bank has been strategic in general business outlook, through well formulated and executed strategies, keeping in line with changing market needs, robust technological needs, while keenly monitoring economic factors. The bank also operates within regulation guidelines, adhering to fiscal policy while being innovating and competitive in products and service offer, and hence an effective strategy implementation process to achieve its goals and objectives.

The study concluded that the identified factors influencing strategy implementation: organization structure and leadership, staff motivation, economic and political factors, technology and globalization as well as organization culture and competitor strategies have to be considered during the strategy formulation and implementation process. All strategy supportive factors such as: organizational structure and leadership, staff
motivation, technology and globalization, and organization culture need to be instituted within the strategy implementation process. Economic and political factors need to be monitored to enable a supportive environment for strategy implementation.

5.2 Limitations of the Study

The study was limited by scarcity of resources, especially time and the sample size taken could have been more inclusive of geographic regional representation. A large sample could have given a more representative opinion of factors influencing strategy implementation. Most of the respondents approached were time constrained hence a lot of follow up was required. The entire course of the study was covered in three months, which constrained the researcher from gathering enough data to draw a comprehensive conclusion on the objectives of the study.

5.3 Suggestions for further research

Although the researcher carried out an in-depth study of factors influencing strategy implementation at Co-operative Bank of Kenya, further research can be undertaken on a cross sectional survey, to study factors influencing strategy implementation in Commercial Banks in Kenya. This would provide an insightful research on the common factors influencing strategy implementation in commercial banks operating within a competitive environment. Further research can also be undertaken on factors influencing strategy implementation in other industries such as hospitality (tourism) industry, manufacturing, telecommunication industry, which operate within a different regulatory and competitive environment.
5.4 Recommendations for Policy and Practice

All banks operate within a similar regulatory environment. The primary regulator of banks. The Central Bank of Kenya, can implement policies that are supportive of strategy implementation in commercial banks operating in Kenya. These policies and guidelines can include favorable interest rate indicators, regulation on liquidity levels and an innovative approach to new products in the market. Separately, banks can individually consider the identified factors influencing strategy implementation during formulation and implementation of their strategies. These include: monitoring of economic environment and competitor strategies, and instituting enabling internal policies on: organization structures and leadership, staff motivation, organization culture as well as supportive policies on technology and global awareness. There also has to be a fit between these identified factors and strategies in order to achieve a successful strategy implementation process.
REFERENCES


Banarjee, B.P. "Corporate Strategies", Oxford: Oxford University Press


APPENDIX 1: CO-OPERATIVE BANK OF KENYA'S PROFIT GROWTH
(YEARS 2001-2010)

Co-operative Bank Profits

Years

2002 2003 2004 2005 2006 2007 2008 2009 2010

-2.00
-1.00
0.00
1.00
2.00
3.00
4.00
5.00
6.00
7.00
8.00

CD
CA
sz
<0
co
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
-1.00
-2.00

Co-operative Bank Profits

CD
CA
sz
<0
co
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
-1.00
-2.00

2002 2003 2004 2005 2006 2007 2008 2009 2010

0.10 0.18 0.36 0.71 1.30 2.30 3.40 3.74 5.77
APPENDIX II: INTERVIEW GUIDE

INTERVIEW GUIDE FOR SENIOR MANAGEMENT

SECTION A: BIO DATA

Name (Optional):

Role:

Division/ Department:

SECTION B: Factors Influencing Strategy Implementation at Co-operative Bank of Kenya

1. In your opinion, to what extent does the organizational structure of the bank affect strategy implementation?

2. In what ways has the bank ensured that its organizational structure plays an optimal role in the implementation of strategy?

3. What economic factors affect strategy implementation?

4. How has the bank countered economic factors to ensure strategy implementation?

5. What is the effect of political factors on implementation of strategy?
6. How has the bank ensured strategy implementation within underlying political factors?

7. What are the most important factors influencing strategy implementation in the bank? (Rank 1- most important, 3 least important)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization structure</td>
<td>1</td>
</tr>
<tr>
<td>Economic factors</td>
<td>1</td>
</tr>
<tr>
<td>Political Factors</td>
<td>1</td>
</tr>
</tbody>
</table>

8. From the above, briefly explain why the factor ranked 1 is the most important factor influencing strategy implementation

9. What other factors influence implementation of strategy? (Explain briefly)

Thank you for your Co-operation
INTERVIEW GUIDE FOR MIDDLE MANAGEMENT & SUPERVISORY

SECTION A: BIO DATA

Name (Optional):

Role:

Division/ Department:

SECTION B: Factors Influencing Strategy Implementation at Co-operative Bank of Kenya

1. How does the involvement of staff affect implementation of strategy?

2. In what ways has the bank involved staff members in implementation of strategy?

3. How does technology impact on the implementation of strategy?

4. What measures have been taken to ensure technology is up to date to facilitate implementation of strategy?

5. How does adaptability to change of the organization affect strategy implementation?

6. What measures are in place to ensure that the bank and staff are adaptable to changes?
7. What are the most important factors influencing strategy implementation in the bank? (Rank 1 most important. Rank 3 least important)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement of staff</td>
<td>1</td>
</tr>
<tr>
<td>Technology</td>
<td>2</td>
</tr>
<tr>
<td>Adaptability to Change</td>
<td>j</td>
</tr>
</tbody>
</table>

8. From the above, briefly explain why the Factor ranked 1 is the most important factor influencing strategy implementation.

9. What other factors influence implementation of strategy?

Thank you for your co-operation
INTERVIEW GUIDE: CLERICAL STAFF

SECTION A: BIO DATA

1. Name (Optional): .................................................................

2. Role: ..............................................................................

3. Division/Department: ....................................................

SECTION B: Factors Influencing Strategy Implementation at Co-operative BanK of Kenya:

1. How does the organizational culture affect the implementation of strategy in bank? .................................................................

2. What measures has the bank taken to ensure that culture supports strategy implementation? .........................................................

3. How does globalization impact on the implementation of strategy? .................................................................

4. What measures has the bank adopted to ensure successful strategy implementation in view of the impact of globalization?

5. What role does leadership in implementation of strategy in the bank?

6. How has the bank employed the leadership role in ensuring implementation strategy?
7. What are the most important factors influencing strategy implementation in bank? (Rank 1 - Most important. Rank 3 Least important)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture</td>
<td>1</td>
</tr>
<tr>
<td>Globalization</td>
<td>1</td>
</tr>
<tr>
<td>Leadership</td>
<td>1</td>
</tr>
</tbody>
</table>

8. From the above, briefly explain why the Factor ranked 1 is the most important factor influencing strategy implementation.

9. What other factors, in your opinion, impact on the successful implementation strategy?

**Thank you for your co-operation**