

**CHALLENGES FACING KENYA COMMERCIAL BANK IN  
THE IMPLEMENTATION OF INTERNATIONALIZATION  
STRATEGY**

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## DECLARATION

This project is my original work and has not been presented for a degree in any other university.

Signed  .....

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

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## **DEDICATION**

Dedicated to my mother Lennah W. Njoroge, whose selfless support and constant encouragement have been the endless source of my inspiration, together with my sweet brother Clement N. Njoroge, who is the wind beneath my wings.

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I wish to express my sincere gratitude to many without whom this work would not have been accomplished. First and foremost I wish to thank the almighty God, who has been my guide, strength, comfort and courage to enable me reach this far.

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## ABSTRACT

Strategy formulation and development is the development of long term plans for the effective management of opportunities and threats in light of the organization's strengths and weaknesses. On the other hand strategy implementation is the process that turns implementation strategies and plans into actions to accomplish objectives. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. The process must have the blessings of all interested parties and the top management should play a leading role in the exercise. The objectives of this study were to investigate the challenges facing Kenya Commercial Bank in the implementation of the internationalization strategy and to determine the measures that have been initiated by Kenya Commercial Bank to overcome the challenges.

This was a case study since the unit of analysis was one organization. Primary data was used for the study through use of interview guides that were distributed among senior managers in Kenya Commercial Bank. Content analysis was employed in analyzing the data. The analysis was based on the objectives of the study. The qualitative analysis was used to analyze the respondents' view about the challenges facing Kenya Commercial Bank in the implementation of the internationalization strategy.

The findings from the study suggest that the organization had encountered challenges in implementing internationalization strategy. These included; poor communication, the organizational structure, competing activities that cause distractions, ineffective coordination and inadequate information systems. The study further found out that the organization has at the same time come out with ways of countering the challenges facing its strategy implementation process. Some of the measures include change in its organizational structure. Monthly and Quarterly monitoring and evaluation of strategy implementation process and use of tracking tools like the dashboard that keep abreast all the staff and stakeholders concerned on how much had been achieved or deviated from the targets.

As part of the recommendations, the research puts forward a necessity for review of the organizations policies and procedures as a key step in the process of implementing internationalization challenge and increasing the information systems capacity to cater for peak periods of the month without interfering with quality of service delivery and turnaround time.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Strategy implementation involves organization of the firm's resources and motivation of staff to achieve objectives. The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into the issue of how strategies are best formulated. Strategic management is about managing the future, and effective strategy formulation is crucial as it directs the attention and actions of an organization, even if in some cases actual implemented strategy can be different from what was initially intended, planned or thought. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson et al. 2005).

Despite the experience of many organizations, it is possible to turn strategies and plans into individual actions, necessary to produce a great business performance. But it's not easy. Many companies repeatedly fail to truly motivate their people to work with enthusiasm, all together, towards the corporate aims. Most firms know their businesses, and the strategies required for success but many firms especially large organizations struggle to translate the theory into action plans that will enable the strategy to be successfully implemented and sustained (Ahuja, Khamba and Choudhary 2006).

A clear pattern can be seen where company can begin with long range planning techniques which coincided with a period of expansion, and continued with the corporate planning techniques. The 1980s represent a decade of organizational positioning, which was followed in the early 1990s by a period of concentration on competitive advantage, based on the maximization of internal strengths. The balance has now moved on from efficiency based measures to a greater emphasis on meeting customer needs and ensuring

customer satisfaction. However, the plethora of initiatives presents a confusing picture to organizations. While the majority of firms may have an interest in only one or two initiatives, it is doubtful if greater efficiency is enough in today's business environment.

Ahuja et al (2004), suggests that 'a strategic plan and the strategic planning process itself offers a competitive edge and enables a company to measure achievements against expectations'. However, empirical studies provide a mixed picture in relation to the value of formal strategic planning. For example, Robinson and Pearce (1983) found that there was no relationship between a formal strategy and financial performance. Whilst Mckiernan and Morris (1994) state that a formal strategic planning process in firms often fails to provide a holistic view of the firm, A major study of firms in the USA indicates that a formalized strategic planning process has some benefits. Chan (2006), state that the elements of goal formulation, developing distinctive competencies, determining authority relationships, deploying resources, and monitoring implementation receive more effective attention when small businesses engage in formal planning.

### **1.1.1 Internationalization strategy**

Pearce and Robinson (1997) define strategy as 'A company's game plan'- it reflects a company's awareness of how, when and where it should compete; against whom it should compete; and for what purpose it should compete. A company's strategy consists 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 organizational performance (Thomson et al, 2007).

Cavusgil et al (2008) defines foreign market entry strategy as the manner in which the local firm internationalizes, whether through exporting, licensing or Foreign Direct Investment (FDI). As a minimum, strategy in the international context should help managers to formulate a strong international vision, allocate scarce resources as a worldwide basis, participate in major markets, implement global partnerships, engage in competitive moves in response to global rivals and configure value adding activities on a

global scale (Cavusgil et al, 2003). Kenichi (1998) argues that delivering value to customers worldwide is the overriding goal.

Firms pursuing an International Strategy attempt to create value by transferring core competencies from home to foreign subsidiaries. If they are diverse, as most of them are, these firms operate with a worldwide product division structure. Headquarters typically maintains centralized control over the source of the firm's core competency, which is most typically found in the Research and Development and or marketing functions of the firm. All other operating decisions are decentralized within the firm to subsidiary operations in each country (which in diverse firms report to worldwide product divisions).

The need for coordination is moderate in such firms, reflecting the need to transfer core competencies. Thus, although such firms operate with some integrating mechanisms, they are not that extensive. The relatively low level of interdependence that results, translates into a relatively low level of performance ambiguity. These firms can generally get by with output and bureaucratic controls and with incentives that are focused on performance metrics at the level of country subsidiaries.

The need for a common organizational culture and common processes is not that great. An important exception to this is when the core skills or competencies of the firm are embedded in process and culture, in which case the firm needs to pay close attention to transferring those processes and associated culture from the corporate center to country subsidiaries. Overall, although the organization required for an international strategy is more complex than that of the firms pursuing a localization strategy, the increase in the level of complexity is not that great.

Internationalization can be defined as the process of replacing a market relationship with a single multinational organization spanning in both countries (Peng, 2009). Internationalization of a company can be seen as a process that enables the company to operate in foreign markets besides the domestic markets. The term international usually refers to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad. There is a close relationship between attitudes and actual behavior. The attitudes are the basis for decisions to undertake international ventures and the experiences from international activities influence these attitudes. Considering the development of operations in individual countries we expect a stepwise extension of operations in a firm's quest to internationalize. It is possible to identify different types of steps and a different number of stages in the internationalization process, however for the sake of this study we shall break them down to four stages namely; no regular export activities, export via independent representatives (agent), sales subsidiary and production/manufacturing. These stages are important because they are different with regard to the degree of involvement of the firm in the market and are often referred to by people in business. There are two aspects about the degree of involvement. The four stages mean successively larger resource commitments and they also lead to quite different market experiences and information for the firm.

The first means that the firm has made no commitment of resources to the market and that it lacks any regular information channel to and from the market. The second means that the firm has a channel to the market through which it gets fairly regular information about sales influencing factors. It also means a certain commitment to the market. The third means a controlled information channel to the market, giving the firm ability to direct the type and amount of information flowing from the market to the firm. During this stage the firm also gets direct experience of resource influencing factors. The fourth stage means a still larger resource commitment.

We call the sequence of stages, mentioned above, The Establishment chain. Development does not always follow the whole chain; this may be because of some markets not being large enough for the resource demanding stages. We could also expect jumps in the establishment chains in firms with extensive experience from other foreign markets.

### **1.1.2 Strategy implementation**

Becker (1993) emphasized that strategy implementation could be more difficult than thinking up a good strategy. Crawford, Blackstone and Cox (1998), explained that the real value of a decision surfaced only after the implementation of a decision. Drazin, R. and Howard, P (1984), mentioned that intended strategies would be implemented as they have been envisioned if three conditions were met. First, those in the organization must understand each important detail in management's intended strategy. Second, if the organization is to take collective action, the strategy needs to make as much sense to each of the members in the organization as they view the world from their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence from outside political, technological or market forces.

Successful strategic planning implementation requires a large commitment from executives and senior managers, whether the strategic planning is occurring in a department or in a complete organization. Executives must lead, support, follow-up, and live the results of the strategic planning implementation process.

Implementing strategy has always been a great challenge for organizations across the industry. Ability to implement strategy is the deciding factor between success and failure of a company's strategy. Implementation manifests the strategic intent of a company through various tactical and competitive actions to achieve the desired results, which otherwise may remain as distant dreams.

Great strategies are not discovered over a couple of strategic sessions. In fact great strategies evolve over time as a result of rigorous monitoring of progress towards strategic goals, when emerging realities are discussed thread bare, the learning of which helps in revising the strategies. In effect, it can be said that meticulous implementation has strategy implementation in the planning phase itself. This can be done by involving persons key to execution during planning phase itself (Noble 1999). It will not only help in gaining insights into practical aspects of strategy at an early stage, but it also helps politically to get their whole hearted commitment to strategy implementation. Planning is no doubt important, but making the plan work is a bigger challenge which deals with organizational politics, culture and sometimes managing change. All of which require single minded pursuit from top and unquestionable commitment from managers. Organizational politics (especially when strategy execution contradicts the existing power structure in the company) may hamper proper allotment of resources, which will adversely impact strategy deployment ( Kodali and Chandre 2001).

Apart from intertwining strategy planning and implementation through incorporating execution into planning and evolving strategy through rigorous follow up and corrections, there are other factors that may bridge the gap between great strategies and effective execution. First of these factors is communication (Hartmann 1992). Many a times we find that managers who are supposed to be delivering performance to meet the strategic goals of the company do not have a clear idea of what the strategy is all about. They do not realize what needs to be done to fulfill the strategic plan. They are unaware of their role in the strategic game plan. They cannot describe company's' strategy in one simple sentence, which means that the strategy is not understood by the people responsible for acting on it. Great strategic plans or intents are represented by a catchy tag line, which conveys the company's intentions to all concerned, even to market place. Lack of proper understanding of what is important for the strategy to be delivered may result in having your priorities wrong and the projected levels of returns will never be a reality(George 2002).

### **1.1.3 Strategy Implementation Challenges**

Today's business environment is dynamic, complex and continually changing (Brown, Squire and Blackmon, 2007). The first challenge for any company on the path of internationalization is analyzation. The company needs to analyze the attractiveness of the target market and the company itself. The attractiveness of a market depends on the size of the market, growth potential of the market, competition and on the level of operational risk. The political and economical situation of the target market affects the operational risk. Company analyses are needed to find out the weaknesses and strengths of the company, opportunities and threats that the company possesses's in the target market and also competitive advantages, which play a major part in forming entry and positioning strategies. These strategies have to be thoroughly thought because the success of the whole internationalization process depends on them.

The implementation of the business operations in the new market can be seen also as a challenge. The correct entry mode and well thought-out positioning strategy helps in succeeding in this challenge. Internationalization often means that the whole organization is in demand of structural change. Change management and building an organization that suits the new goals and operations the best may be challenging, especially when the new organization is multicultural.

According to Beer, Eisenstat and Specter (1990), organizations seem to have difficulties in implementing their strategies, however, researchers have revealed a number of problems in strategy implementation: e.g. weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors.

#### **1.1.4 Kenya Commercial Bank**

The history of Kenya Commercial Bank dates back to 1896 when its predecessor, the National bank of India opened an outlet in Mombasa. Eight years later in 1904, the bank extended its operations to Nairobi, which had become the headquarters of the expanding railway line to Uganda. Grindlays Bank merged with the National bank of India to form the national and Grindlays bank. Upon independence the Government of Kenya acquired 60% shareholding in National and Grindlays bank in an effort to bring banking closer to the majority of Kenyan's. In 1970, the government acquired 100% of the shares to take full control of the largest commercial banks in Kenya. National and Grindlays bank renamed Kenya Commercial Bank. In 1972, Savings and Loan (K) Ltd was acquired to specialize in Mortgage Finance. In 1997, another subsidiary, KCB (Tanzania) Limited was incorporated in Dar-es-salaam, Tanzania to provide Banking services and promote cross border trading. In pursuit of its vision: to be the preferred financial solutions provider in Africa with a global reach, in may 2006 KCB extended its operations to Southern Sudan to provide conventional banking services, then to Uganda in 2007 and Rwanda in 2008.

The government has over the years reduced its shareholding in the Bank. Share holding was reduced to 26.2% following the rights issue exercise in 2004, which raised KES 2.45 billion in additional capital for the bank. In the second rights issue exercise held in the year 2008, the government further reduced its shareholding to 23.1 % after raising additional capital for KES 5.5 billion. The government did not exercise their rights in the recently concluded rights issue which sought to raise KES 15 billion, which further diluted their shareholding in the bank. The latest rights issue generated KES 12.5 billion placing the banks core capital at KES 36.8 billion and thus increasing its lending capacity significantly.

The current organizational structure is made up of seven member Executive committee. The Chief Executive Officer to oversee all the interests of the bank, the company secretary, the Director risk, Chief Business Officer to look after retail, corporate,



mortgages and marketing communications, Chief Business Officer International to look after businesses outside Kenya, Chief Operations officer to oversee credit, operations, logistics and information technology, and Chief finance officer with the responsibility for finance across all domestic and international business units, as well as capital funding management, assets and liability management (Treasury). The chief finance officer will also oversee the strategy function of the Bank. [www.kcbbankgroup.com](http://www.kcbbankgroup.com)

## **1.2 Research problem**

Strategy can only impact on the bottom line if it is successfully implemented. Strategic plan and its implementation are the heart and soul of any business organization and operation. A business strategy is the game plan management that is used to stake out a market position, conduct its operations attract and please customers, compete successfully, and achieve organizational objectives. It is the focal point of the business practices and competitive strategies in the operational management (Sadler and Gough, 2005 and Chan, 2005), and the needs are not exceptional in the accounting industry. Excellent implementation, on the other hand, 'is the best test of managerial excellence that results in the most reliable recipe for turning companies into stand out performers (Thompson, Strickland and Gamble, 2005).

Whether a company makes it and loses in the market place, it is directly attributable to the calibers of a company strategy and the proficiency with which the strategy is implemented and executed. Implementing and executing strategy are thus the core management functions (Afuah, 2003). Indeed competent strategy and good strategy implementation are the most trustworthy signs of quality and good management. To enable a company to survive, remain competitive and grow, it should not only craft a good and practical strategy, but most essentially proficient implementation forms a core part of the overall business growth and success. Nowadays strategic planning and implementation are used to enhance competitive intelligence culture in the internal organization (Viviers, Saagman and Muller, 2005: 577-579). Strategy implementation is a long drawn out process and so in order to sustain the interest and enthusiasm of

managers and leaders alike it is absolutely essential that strategic plans have short term wins built in them. These milestones not only specify standards of performance, but help in keeping managers focused on the results.

A number of scholars have researched on challenges faced in strategy implementation. These include Lucy (2008), Kimeli (2008) research on KRA, Githui (2006) and Achoki (2010) among others. Previous research studies have not concentrated on challenges facing Kenya Commercial Bank. There is no known study that has concentrated on the challenges facing KCB in the implementation of internationalization strategy. This study therefore sought to fill this knowledge gap by investigating challenges faced by KCB in the implementation of internationalization strategy by answering the following questions

- i. What are the challenges facing KCB in the implementation of internationalization strategy?
- ii. What are the measures that have been initiated by KCB to overcome challenges in internationalization?

### **1.3 Objectives of the study**

The objectives of this study were:

- i. To establish the challenges facing KCB in the implementation of internationalization strategy.
- ii. To determine the measures that have been initiated by KCB to overcome challenges in internationalization.

### **1.4 Value of the study**

The findings of this study will be important to KCB as it establishes the challenges of internationalization and the strategies that could be adopted which are beneficial to the organization as far as internationalization is concerned. The results of the study will also be valuable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on

internationalization. To the regulators and policy makers, the findings of this study will form a basis for insightful understanding of the experiences of KCB. The understanding will inform decisions and policy that provide framework of operations in the Banking industry in Kenya.

The strategic measure in response to the challenges might also inform policy on making banking terrain beneficial to all stakeholders. Other firms with similar experiences as KCB will also find the results of this study useful. These organizations might learn lessons on how to handle organizational challenges brought about by internationalization. The highlights on shared experiences will also enlighten market players and fast track search for solutions to internationalization challenges.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter looks at the concept of strategy and internationalization. It also looks at the reasons as to why firms pursue internationalization strategies. The review also looks at the various environmental variables that may have an impact in an organizations operation.

### **2.2 Concept of Strategy Implementation**

Pearce and Robinson (2007) define a strategy as a large scale, future-oriented plan for interacting with the competitive environment to achieve company objectives. The main goal with any strategy is the survival, growth and improved competitive position of the organization in the future. Cavusgil et al (2008) observes that strategy is a plan of action that channels organizations resources so that it can differentiate itself from competitors and accomplish unique and viable goals. In a quite simple explanation, strategy is a firm's theory about how to compete successfully (Peng, 2009).

Ogot (2008) observes that an appropriate strategy can be an important source of competitive advantage abroad. Inappropriate strategy on the other hand can be a liability leading to a competitive disadvantage. He further notes that when a firm decides to enter a foreign market, it must also decide on the mode of entry and operation in the market. Often firms fail in foreign markets because of inappropriate entry and operation strategies (Wech & Luostarinen, 1988). Porter (1990) states that, a global strategy must begin with a unique competitive position that results in a clear competitive advantage. He views competitive advantage as the ability of a country, or more specifically indigenous firms of a country, to use its location- bound resources in a way which will enable it to be more competitive in international markets (Vernon, 1997).

Johnson and Scholes (2007), view strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment, and fulfill stakeholder's expectations. Strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation through a strong corporate culture. Implementing strategies, which together aim at reaching the organization vision. With firms evolving in terms of structure it follows that the style of strategy implementation will differ depending on the style of organization and management that exists in the firm. Different types of leadership style can play a critical role in overcoming barriers to implementation (Miller and Wilson and Hickson 2004).

### **2.3 Why firms pursue internationalization strategies**

Internationalization can be defined as the process of replacing a market relationship with a single multinational organization spanning in both countries (Peng, 2009). Yabs, (2007) argues that private sector firms have mostly used expansion and growth strategies. Growth strategies have included market development strategies, product development strategies innovations, concentration and deepening of specialization. On the other hand, expansion strategies have included the use of concentric diversification, conglomerate diversification, joint ventures, mergers and acquisitions.

There is need for every foreign business to determine the mode of foreign market entry that best suits its objectives and strategic fit in the foreign business environment. Huge amounts of funds are involved in international business and the choice of a particular entry mode is very significant for carrying on business across borders (Sharan, 2003).

Thomson et al (2007) notes that there are a host of generic strategic options for a company that decides to expand outside its domestic market and compete internationally or globally. These strategies include: maintain a national (one country) production base

and export goods to foreign markets using either company-owned or foreign controlled forward distribution channels, License foreign firms to use the company's technology or to produce and distribute the company's products, employ a franchising strategy, follow a multi country strategy varying the company's strategic approach (perhaps a little, perhaps a lot) from country to country in accordance with local conditions and differing buyer tastes and preferences, follow a global strategy using essentially the same competitive strategy approach in all country markets where the company has a presence, or use strategic alliances or joint ventures with foreign companies as the primary vehicle for entering foreign markets and perhaps also using them as an ongoing strategic arrangement arrived at maintain or strengthening its competitiveness.

Cavusgil et al (2008) observes that firms may pursue internationalization strategies due to a variety of reasons. Some of the motives may be proactive while others could be reactive. An example of a reactive motive is the need to serve a key customer who has expanded abroad. On the other hand, an example of a pro active motive would be to tap foreign market opportunities or acquire new knowledge. Foreign market strategies can therefore be considered as plans for the organization to position itself positively from its competitor(s) and configure its value adding activities on a global scale. According to Cavusgil et al (2008), the type of entry mode depends on the nature of business, its products and goals. When the nature of the business is dealing in intangibles such as professional services, the local firm may enter into an agency relationship with a foreign partner. This is common among banks, advertising agents and market research firms. On the other hand, Licensing and franchising is common in international transfer of tangibles.

Yabs (2007) describes appropriate strategy as strategy that fits well with the firm's prevailing circumstances and that which can lead the company to the attainment of its objectives. He further notes that the appropriate of a strategy is determined by the results of the environmental analysis and the decisions of the corporate level executives, technology used, availability of funds, political stability, fiscal and monetary policies, level and intensity of industrial rivalry.

According to Cavusgil et al (2008), managers typically consider the following six variables when selecting an entry strategy. The goals and objectives of the firm such as desired profitability, market share or competitive advantage, the particular financial, organizational and technological resources and capabilities available to the firm, unique conditions in the target country such as legal, cultural and economic circumstances such as distribution and transportation systems, risks inherent in each proposed country in relation to the firm's goals and objectives in pursuing internationalization. The nature and extent of competition from existing rivals, and from firms that may enter the market later and the characteristics of the product or service to be offered to customers in the market.

### **2.3 The Challenges of Internationalization strategy Implementation**

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Furthermore, there are only a limited number of conceptual models of strategy implementation. This includes unstable demand, and the variety of products. There are many operation-related problems to implementing strategies. These are problem with suppliers, need for production software, loss of control of inventory, inapplicability of strategies to low volume operations or batch oriented productions, management complacency and fear of late production; and conflicts with ongoing projects (Drazin and Howard, 1984).

Another issue influencing strategy implementation is the perspective one has on strategy (Mintzberg, 1979). Implementation means carrying out the pre-determined strategic plans. Strategy emerges and evolves without interventions by the strategic planners, or in spite of them (Mintzberg,1979). The available literature in the 1990s on strategy implementation was examined in order to identify potential strategy implementation problems. Eisenstat (1993) indicated that most companies attempting to develop new organization capacities stumble over these common organization hurdles: competence, coordination and commitment. These hurdles can be translated into the following

implementation problems: coordination of implementation activities was not effective enough, capabilities of employees were insufficient, training and instruction given to lower level employees were inadequate and leadership and direction provided by management were inadequate.

Lewin and Volberda (1999) stated clearly that most of the individual barriers to strategy implementation that have been encountered fit into one of the following interrelated categories: too many and conflicting priorities, the top team does not function well, a top down management style: inter-functional conflicts: poor vertical communication, and inadequate management development. These categories can be translated into the following problems: competing activities distracted attention from implementing this decision, changes in responsibilities of key employees were not clearly defined, key formulators of the strategic decision did not play an active role in implementation and problems requiring top management involvement were not communicated early enough.

This may result in a lack of top management commitment, poor knowledge about techniques to be implemented, inadequate resources acquired in implementing the techniques, disorderly implementation, lack of employees' participation, lack of training and education. The goals of a company frequently change with time and market conditions. A line of tactics that were chosen in one market condition may not be valid in another. Depending on the market, business and factory (process) conditions at a particular point in time, a line of strategy and tactics should be dynamically designed and introduced. Mid-course corrections are necessary if the assumptions about company goals and market conditions are no longer valid.

Basically these challenges are the same for small and medium sized companies as for the big multinationals, but in practice, there are huge differences. In many cases bigger companies are in a better position when it comes to financing internationalization and size also gives the opportunity to benefit from the economies of scale. Smaller companies can be more flexible in meeting the demands of the foreign target market, and thanks to



development of information technology and logistics, it can be fairly easy for a smaller company to engage in international trade.

The challenging aspect when implementing strategy is the top management's commitment to the strategic direction itself. In some cases top managers may demonstrate unwillingness to give energy and loyalty to the implementation process (Marginson, 2002). This lack of commitment becomes, at the same time, a negative signal for all the affected organizational members. Many organizations are faced with the challenge of lack of institution of a two way communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to inability to solicit questions and feedback, lack of communication causes more harm as the employees are not informed about the new requirements and tasks and activities to be performed by the affected employees.

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstats (2000) top down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team: poor vertical communication: weak coordination across functions, business or borders: and inadequate down the line leadership skills development (Beer and Eisenstats 2000). It is recognized that such change requires a shared vision and consensus if competence, coordination and commitment are lacking. Corboy and O'Corrbui (1999), meanwhile, identify the "deadly sins of strategy implementation" which involve: a lack of understanding of how the strategy should be implemented: customers and staff not fully appreciating the strategy: unclear individual responsibilities in the change process: difficulties and obstacles not acknowledged, recognized or acted upon: and ignoring the day to day business imperatives. Rather, the major challenges to be overcome appear to be more cultural and behavioral in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Aaltonen and Ikavalko, 2002).

Another inhibitor to successful strategy implementation is the impact of an organization's existing management controls and particularly budgeting systems (Otley, 2001). Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimization rather than value maximization (Brander and Atkinson, 2001), they still represent the main integrative control mechanism in many, if not most, business organizations (Otley, 2001). In the apparent absence of suitable alternative information systems (Alexander, 1985), significantly, it is claimed that well established budget control systems can overwhelm or dominate strategic control systems even to the extent that when going gets tough, budgetary pressures will tend to derail strategic goals. In order to overcome such "myopic" tendencies it is suggested that organizations need to establish shorter /medium-term strategic milestones (Goold and Quinn, 1990).

Reed and Buckey (1998) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment Redding and Catalanello (1994). Goal setting and controls are also recognized as problematic, identifying coordinated targets at various levels in the organization is difficult and the need for control is heightened as uncertainty and change provide a volatile environment.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter consists of the research methodology that will be used in the study. This includes the research design, data collection method, and research instruments and data analysis. This chapter will finally look at the data analysis techniques that will be applied. Both primary and secondary data will be collected and used in the analysis.

### **3.2 Research Design**

Research design is the structure of the research and glue that holds all the elements in a research project together. Mugenda M and Mugenda (2003) further define a research design as the scheme, outline or plan that was used to generate answers to research problems. For the purpose of this study, the researcher applied a case study.

A case study was considered as the appropriate research design since it is a more appropriate strategy for answering research questions which ask 'how' and 'why' and which do not require control over the events (Kothari, 2004). This is because such questions deal with operational links that would need to be traced over time, rather than mere frequencies or incidence. A case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations (Kothari, 2004). There is need for an in-depth analysis of the challenges that KCB has faced in its internationalization strategy hence the use of a case study.

### **3.3 Data Collection**

The study used both primary and secondary data. Primary data is information gathered directly from respondents. Primary data was collected using self administered interview guide while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data includes the bank's publications, journals, and periodicals. The interview guide has open ended questions. The open ended questions enabled the researcher to collect qualitative data. The interview guide was

preferred over other methods of collecting data because of their capability to extract information from the respondents as well as giving the researcher a better understanding and a more insightful interpretation of the results from the study. Interview guide was also preferred because they enabled the researcher obtain more up to date information as well as eliciting information which might not be captured in other data collection techniques. The use of an open interview strategy enabled better exposure of the interviewees' personal perspectives, their deeper thoughts, emotions and ambitions (Bromley, 1986; Paton, 1990). This less structured approach allowed the interviews to be much more like conversations than formal events with predetermined response categories, permitting the respondents' view to unfold, rather than the predisposition of the researcher.

The target population of this study was four staff in the department of Strategy, Research and Innovation which is based at the banks headquarters and four other staff in the ranks of management based at the various subsidiaries. This made it easier to get adequate and accurate information necessary for the research.

### **3.4 Data Analysis**

Data collected was analyzed using content analysis. Content analysis has been described as a technique for the objective, systematic and quantitative description of the manifest content of a communication (Cooper & Schindler, 2006). According to Kothari (1990), content analysis consists of analyzing the contents of documentary materials such as books, magazines, newspapers and the contents of all other verbal materials which can be either spoken or printed. It is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends. Content analysis examines the intensity with which certain words have been used. Content analysis systematically describes the form or content and or spoken material (Kombo and Tromp, 2006).

# **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

## **4.1 Introduction**

The study on challenges facing Kenya Commercial Bank on the implementation of its internationalization strategy was aimed at addressing the following research questions : What are the challenges facing KCB in the implementation of Internationalization strategy?;What are the measures that have been initiated by KCB to overcome challenges in internationalization? The study employed case study research design to bring a clear and an in-depth understanding of the objectives. With the study objectives in mind, an interview was conducted to eight staff who are engaged in strategy implementation. This was carried out with the assistance of an interview guide and their responses were captured for a more detailed content analysis. Probing was also used to exhaust the required information when administering the interview guide.

## **4.2 Strategy Implementation**

Successful strategy implementation process includes executing certain managerial bases which include: building an organization with competencies, capabilities and resource strengths to execute strategy successfully; marshaling sufficient money and people behind the drive for strategy execution; instituting policies and procedures that facilitate rather than impede strategy execution; adopting best practices and pushing for continuous improvement in how value chain activities are performed; installing information and operating systems that enable company personnel to carry out their strategic roles proficiently; tying rewards directly to the achievement of strategic and financial targets and to good strategy execution; instilling a corporate culture that promotes good strategy execution and finally exercising strong leadership to drive execution forward, keep improving on the details of execution, and achieve operating excellence as rapidly as feasible.

The respondents comprised top management of KCB. In total, the researcher interviewed seven respondents out of the intended eight to be interviewed in the research design. Only one of the targeted interviewees was not available during the interview period as he was on leave. The respondents comprised of each of the subsidiaries unit head and four senior management staff at the department of Strategy, Research and Innovation. This group of respondents was found to have the necessary knowledge on the strategy implementation challenges that the organization faces in implementing its Internationalization strategy. All of the respondents interviewed had university degrees with four of them having a further second degree. In addition all of the respondents, had worked in the organization for over three years.

The study sought from unit heads how various managerial bases such as; human resources, organizational structure, policies and procedures; information and operating systems, coordination and communications either facilitate or impede strategy implementation.

### **4.3 Conditions for successful strategy implementation**

The study further sought to know the opinion of the respondents on what were the necessary conditions for successful implementation of strategy in KCB. From the findings, respondents stated that the necessary conditions for successful implementation of strategy were collective participation of all staff, adequate relevant training, clear communication of strategy and creation of awareness to stakeholders in advance and effective monitoring and evaluation. Also the proper legal frameworks are the necessary conditions for successful implementation

The study sought to know the role of communication in the process of strategy implementation in KCB. From the findings, the respondents stated that the role of communication ensures that KCB plans and policies are understood by the targeted groups. This ensures that the entire business is aligned with one message. The study further found that majority of the respondents indicated that communication eliminates

fear, misunderstanding and resistance to change and it enables effective monitoring and evaluation of success to be identified. This ensures all members of staff contribute towards the development of the tactical and operational strategies.

The study sought to investigate the role of staff involvement in achieving effective strategy implementation in the ministry. From the findings, the interviewees indicated that members of staff were a tool for implementation. The respondents indicated that staff were responsible for planning and identifies need of KCB, monitors and evaluate projects to implement. The respondents also indicated that staff play a great role in strategy implementation at KCB as they bring about critical feedback source in order to achieve effective strategy. The respondents also indicated that the staff involvement enables them to own up the failures and success realized and this helps them learn from experience. The study further found that staff involvement in achieving the effective strategy implementation enables the bank to correct mistakes promptly to avoid serious consequences as the staff involvement is a direct means of eradicating resistance to change. Staff involvement also helps in the alignment of lower level tactical plans.

The study sought to know the strategy monitoring and evaluation practices employed by KCB. From the findings, the interviewees indicated that KCB practiced top to bottom approach using authority channels like regional operations manager, branch manager, operations manager for strategy implementation. The study further revealed that a quarterly monitoring approach over the entire implementation year of strategy implementation was adopted. Majority of the respondents also indicated KCB has employed strategies like the dashboard, establishing annual targets, devising policies, allocating resources, altering an existing organizational structure, restructuring and reengineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive culture, and developing an effective human resource function.

#### **4.4 Challenges in the implementation of Internationalization strategy**

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organizational structure, reward system, organizational culture, resources and leadership. Just as the strategy of the organization should be matched to the external environment, it must also fit the multiple factors responsible for its implementation. Organizations face difficulties while implementing their strategies for different reasons ranging from weak management roles in implementation; lack of knowledge and communication to guide their actions; unawareness or misunderstanding of the strategy; poor coordination; inadequate capabilities; competing activities within the working teams; misaligned operations; insufficient monitoring and evaluation, among others. Kenya Commercial Bank, just like any other organization has been faced with numerous challenges arising from both internal to external factors as indicated below.

The study requested the respondents to indicate the challenges of internationalization strategy at Kenya Commercial Bank. From the findings, the interviewees indicated that KCB was challenged by inadequate information systems. The study further found out that human resource competence and competing activities that cause distractions hinder success of strategy implementation in KCB. The respondents indicated that poor communication and ineffective coordination interferes with strategy implementation at KCB. The respondents indicated that the KCB organizational structure and the high level of bureaucracy involved before a decision is passed hinder effective strategy implementation.

##### **4.4.1 Human resources at Kenya Commercial Bank**

Building an organization capable of good strategy execution entails staffing the organization with the needed skills and expertise as well as building core competencies and competitive capabilities that will enable good strategy execution. The study revealed that KCB lacks adequate competent staff in some of its subsidiaries leading to impediment in strategy execution. This is as a result of laws passed by the various subsidiaries government to have its citizens employed instead of having staff from the



parent company working in their country. This conflict between the KCB human resource policy and the laws and regulations governing the various countries has led to recruitment of employees whose areas of competence does not match job specifications and tasks to be implemented.

#### **4.4.2 Organizational structure at Kenya Commercial Bank**

Another important factor that was highlighted having affected the implementation of the internationalization strategy in KCB was the structure of the firm. An organization should be structured in such a way that it can quickly respond to environmental pressure to change and pursue any appropriate opportunities which are spotted. The structure of an organization is designed to breakdown how work is to be carried out in its various business units and functional departments. In the case of KCB, the respondents pointed out that due to the major strategic moves being set in the organization's parent company in Kenya then it's relayed to the country level, its response structure has been slow and in some cases lead to the loss of opportunities. It is therefore important that in designing the organizational structure and making it operational, key aspects such as empowerment and communication process are considered. The study also found out the majority of the respondents indicated that the administration structure and the high bureaucracy involved in decision making posed a great challenge in strategy implementation at KCB.

#### **4.4.3 Impact of poor communication**

The study sought to investigate the impact of poor communication on staff during strategy implementation. The KCB bank group is big and communicating the same message was found to be a great challenge. From the findings, majority of the respondents indicated that poor communication makes the staff miss the priority purpose of strategy. The study further found that majority of the respondents also indicated that poor communication results to staff resistance due to fear of consequences and lose focus due to misunderstanding hence affecting the effectiveness of strategy implementation in KCB.

#### **4.4.4 Competing activities that cause distractions**

The study sought to know the competing activities that cause distractions inhibiting strategy implementation. From the findings, most of the respondents indicated that the periodic election that lead to shift in focus and other factors like changes in leadership, size of the country and poor budgeting systems that do not cater for emergencies, the constant reorganization of the government as new political systems emerges were the competing activities that cause distractions inhibiting strategy implementation. The study further found out that other competing activities that cause distraction include laws and regulations and unique market. Laws and regulations are not harmonized among the different countries in which KCB is implementing the internationalization strategy, and each country provides a market with unique characteristics different from other markets in which KCB operates in.

#### **4.4.5 Challenges posed by Inadequacy of Information System**

The study sought to know the challenges posed by the inadequacy of information systems in the implementation of internationalization strategy at KCB. From the findings, save for Uganda, the other subsidiaries are not as developed in telecommunications. The fibre optic cable first came into Kenya and the countries rely on this for their day to day communication. This has slowed down the banks internationalization strategy in terms of speed and capacity. The study further found out that developing an online dashboard is still a challenge, majority of the respondents indicated that KCB still relies more on hard copy message document which delays the communication. The study further found out that, the information system utilized by KCB lacks adequate capacity to cater for large volumes. This affects service delivery especially during peak period like end months and back to school period.

#### **4.4.6 Ineffective Coordination**

From the findings, respondents indicated that conflicts and poor coordination among strategy implementers, duplication of implementation efforts, lack of harmony and

inconsistency in implementation are caused by ineffective coordination and poor sharing of responsibilities of strategy implementation at KCB. From the findings, culture came out strongly as a factor that affected coordination in strategy implementation. Different countries have different cultures. This in turn affects organizational culture that will prevail in the company domiciled in the country. Organizational culture is a general pattern of behavior, shared belief and values that members have in common and helps in nurturing and dissemination of core values. The study revealed that the organizational culture at some KCB subsidiaries impedes strategy implementation since it does not embrace team work. Unit heads were found to execute strategies in their “own ways” without any coordination between respective units in KCB. Besides that, the culture does not embrace creativity and innovation of new ideas since unit heads are older generation who resist change and prefer maintaining the status quo. As a result, the bank has developed a poor organization which highly impedes strategy implementation.

#### **4.5 Overcoming strategy Implementation challenges**

From the findings, the respondents indicated that for effective strategy implementation, staff must be well trained, and that effective communication could solve challenges faced during implementation and to a large extent, involvement of stakeholders through the implementation process and use of teamwork to implement strategy. The study also found that evaluation of the achievement against target, aggregation of implementation stages and effective monitoring and evaluation adjustment could be possible solution to challenges of strategy implementation at KCB.

The study further found that continuous monitoring of the strategy implementation to ensure it was in tandem with the corporate plan was yet another solution to challenges to strategy implementation at KCB. The respondents indicated that there was continuous monitoring of strategy implementation which was done monthly and quarterly. The respondents also indicated that the management personnel were responsible of frequently monitoring the strategy implementation process at KCB. Evaluation of the achievement against the target were done and communication of results to staff. Majority of the respondents indicated that coordination and sharing of responsibilities among implementation, needs for effective implementation, availing finances and empower staff

to perform through motivation were other possible solutions to challenges of strategy implementation at KCB.

On the other hand to a moderate extent the following mechanisms were used to cope with strategy implementation challenges, change in the organizational structure and overall leadership and addressing environmental issues individually like unharmonized laws and regulations and uniqueness of market.

## **CHAPTER FIVE: SUMMARY, CONCLUSION RECOMMENDATIONS**

### **5.1 Introduction**

This chapter summarizes and concludes the research that was undertaken. At the end of the chapter, some applicable recommendations are given for the organization to improve on the problem under study based on research findings.

### **5.2 Summary**

The results centered on determining the strategy implementation challenges faced by KCB. In summary the study established that the necessary conditions for successful implementation of strategy were collective participation of all staff, clear communication of strategy and creation of awareness to stakeholders in advance and effective monitoring of strategy implementation.

In the pursuit of achieving implementation success of the internationalization strategy, KCB has faced a number of challenges. The challenges ranged from Human resources at KCB, KCB organization structure, Poor communication, competing activities that cause distractions, inadequate information system and ineffective coordination. It was also noted that though the organization had revised its organizational structure, it should be restructured to be flexible and to facilitate quick decision making other than currently witnessed. The respondents observed that in the case of KCB, the managers have not been enthusiastic enough in implementing the strategy and coming up with strategies to counter the challenges.

The organization has at the same time come out with ways of countering the challenges facing its strategy implementation process. Some of the measures include change in its organizational structure. Monthly and Quarterly monitoring and evaluation of strategy implementation process and use of tracking tools like the dashboard that keep abreast all the staff and stakeholders concerned on how much had been achieved or deviated from the targets.

### **5.3 Conclusion**

The study concluded that KCB faced challenges in implementation of internationalization strategy. This is supported by respondent's identification of three key challenges. The study also concluded that current mechanisms put in place by KCB are effective and more controls should be put in place.

### **5.4 Recommendations**

In view of the above, the researcher recommends the following: KCB top management to consider a culture change by adopting a "bottom- up" approach in strategy formulation and implementation in order to bring on board all the employees and relevant stakeholders. It should also develop a communication policy that will be able to provide real time information as and when it is needed. An expansion of the information system in use should also be considered, to cater for large volumes and peak periods as well as regular training of staff so as to achieve the required level of competence to perform on the job.

### **5.5 Limitations of the Study**

The banking industry is very dynamic and wide but due to time constraints, it was not possible to research on all issues that affect KCB and the banking industry. The study is also specific to KCB and the findings may not relate to other industries or be applicable to other banks. It was also challenging to come up with challenges that affect all the four subsidiary units that KCB is implementing the internationalization strategy in because each subsidiary unit encounters unique challenges that may not be generalized to apply in all the four.

The scope and depth of the study was also limited by time factor. It was difficult to get appointments with the managers of bank given their tight schedules. Some appointments had to get rescheduled and interviews done in bits. It was also difficult to elicit and collect all data given the short time that these managers set for the interviews.

Given the nature of banks operations, bank managers were not quite comfortable with revealing all information during the interview.

## **5.6 Suggestions for Further Research**

The study confined itself to Kenya Commercial Bank from a population of many commercial Banks. This research therefore should be replicated in other commercial banks who have also implemented the internationalization strategy and the results compared so as to establish whether there is consistency within the banking industry. Due to the unique characteristics of each subsidiary, further research could be conducted concentrating on each one of them.

## **5.7 Implication of the study on Policy, Theory and Practice**

Finally, the study focused on the implications of policy and practice in the banking sector in Kenya. The banking sector in Kenya is becoming dynamic and therefore experiencing changes in a wide range of areas. Some of these changes do have an impact on the banking sector policy and practice. The Central Bank of Kenya has been constantly undertaking a comprehensive review of the banking act to address shortcomings, and bring it in line with the Basel Core Principles for Effective Banking Supervision. For Example, the Banking (Amendment) act of 2006, which entered into force on may 1 2007, effectively ceded the authority to issue/ revoke licenses from the ministry of finance to the CBK. This was meant to strengthen the regulatory and supervisory framework, and align regulatory practices with international standards. Competition in the banking industry has led to the introduction of new products and services in the banking sector and has also led to widening of markets. This has also meant that there is an urgent need to come up with a proper anti money laundering and counter terrorism financing law. The changes in the banking industry have also meant that the banks become more rigorous in enforcing ‘know- your –customer’ rules without becoming customer unfriendly. The raising of minimum core capital to one billion by the CBK will also have an impact on the banking sector and as mentioned earlier it is expected to lead to mergers as banks may experience challenges in raising the minimum core capital. A suitable legal framework to address compliance with laws as well as safety and soundness concerns should be established. This study was also of the opinion that with the penetration into our neighboring markets, boundary less banking is also present with us. One needs not carry cash around in order to access the banking services.

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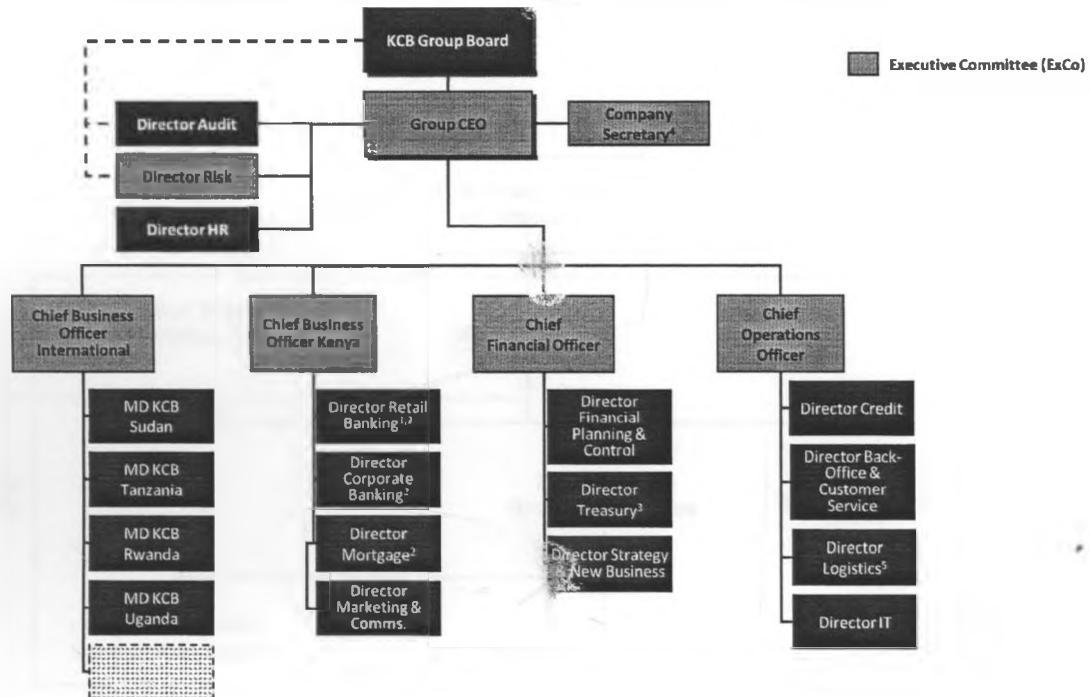
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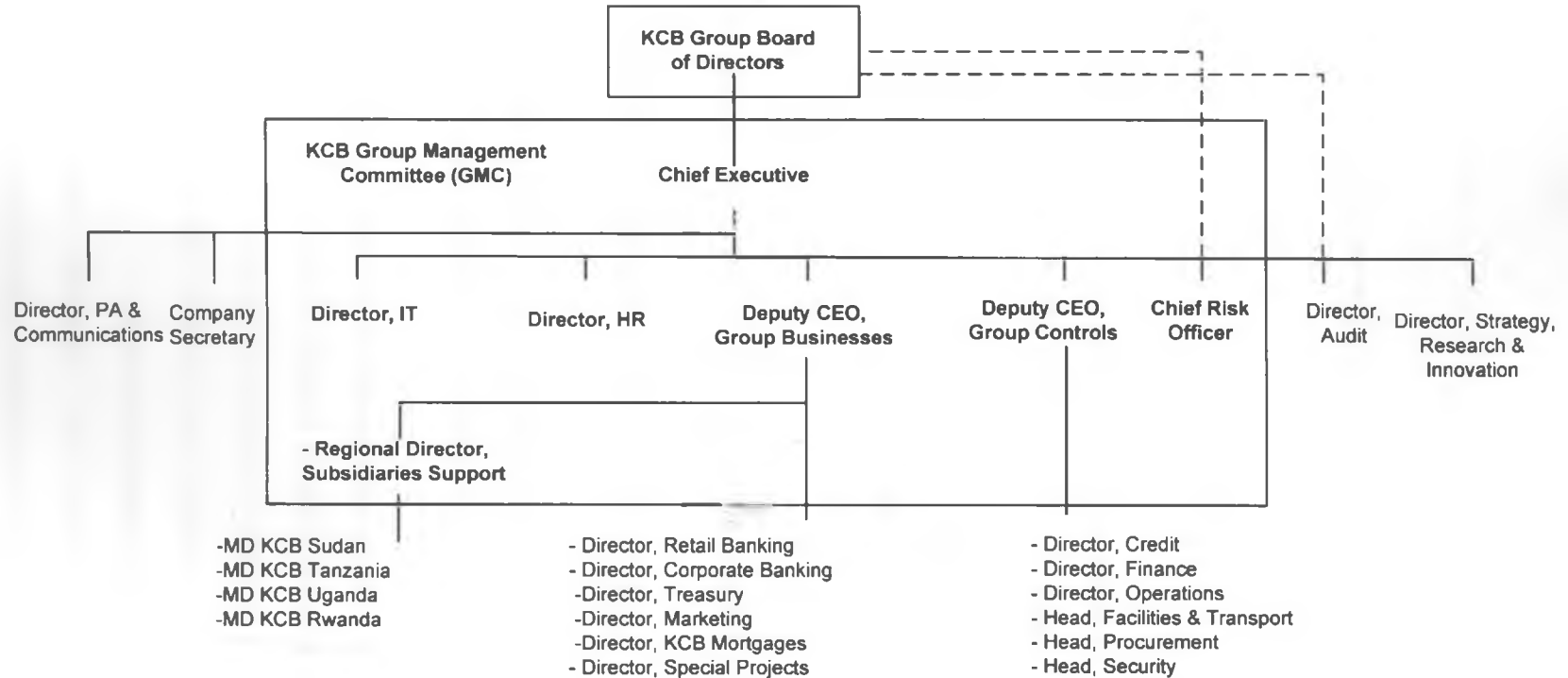
# Appendix I

## KCB Group Organisation Structure Effective 17<sup>th</sup> May 2011



## Appendix II: KCB Old Organizational Structure

### KCB GROUP STRUCTURE:



### Appendix III: INTERVIEW GUIDE

The interview guide will seek to achieve the following objectives:

- iii. To establish the challenges facing KCB in the implementation of internationalization strategy.
- iv. To determine the measures that have been initiated by KCB to overcome challenges in internationalization.

The following sections provide sample questions to be used in evaluating Challenges facing Kenya Commercial Bank in the Implementation of Internationalization Strategy

#### SECTION A: BACKGROUND INFORMATION ON THE INTERVIEWEES

- i. What level of education and professional qualifications have you attained?  
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- ii. What current position in the organization do you hold?  
.....
- iii. For how long have you been holding the current position?  
.....

#### SECTION B: STRATEGY IMPLEMENTATION CHALLENGES AT KENYA COMMERCIAL BANK

- 1. What are the major factors that led Kenya Commercial Bank to move to Uganda, Tanzania, Southern Sudan and Rwanda?  
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- 2. Would you advice the bank to move to other African countries and why?  
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- .....
3. What are the major challenges facing Kenya commercial bank in these countries?
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- .....
- .....
- .....
4. State the role or communication in the process of strategy implementation in KCB
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- .....
- .....
- .....
- .....
5. Kindly indicate the role of staff involvement in achieving effective strategy implementation
- .....
- .....
- .....
- .....
- .....
6. What initiatives are taken by mgt in promoting better working environment within KCB that motivates staff?
- .....
- .....
- .....
- .....
- .....
7. Kindly indicate the challenges of strategy implementation facing KCB
- .....
- .....
- .....
- .....
8. What are some of the challenges that surface during Strategy Implementation that



had not been anticipated?

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9. What are some of the competing activities that cause distractions inhibiting strategy implementation

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10. What are the challenges posed by the inadequacy of information systems used in strategy implementation?

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11. What challenges are posed by clients and staff not fully appreciating the strategy on strategy implementation?

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12. What is the impact of poor communication on staff during strategy implementation at KCB?

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13. What are the challenges caused by ineffective coordination and poor sharing of responsibilities of strategy Implementation?

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**SECTION C: OVERCOMING THE STRATEGY IMPLEMENTATION CHALLENGES**

14. What are the possible solutions to the challenges of strategy implementation at KCB?

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## **Appendix IV: LETTER OF INTRODUCTION**

Emmah Wambui Njoroge  
Faculty of Commerce  
Department of Business ADM  
University of Nairobi  
P.O. Box 30137  
**Nairobi.**  
September, 2010

Dear Interviewee,

**Re: Collection of Data**

I am a post graduate student pursuing a master of business administration (MBA) degree at University of Nairobi, School of Business. As part of the partial requirements for the award of the degree, I am currently conducting a Strategic Management research project whose title is “Challenges facing Kenya Commercial Bank in the Implementation of Internationalization Strategy.”

I kindly request you to assist with information outlined in the interview guide while carrying out the interview. I wish to assure you that all the information provided will be treated with utmost confidentiality and will be used only for the purpose of this research and your name and position will not be disclosed in the research findings or mentioned in the report.

Thanking you in advance.

Yours sincerely,

Emmah W. Njoroge  
MBA Student



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Nairobi, Kenya

DATE 25 - AUGUST - 2011

**TO WHOM IT MAY CONCERN**

The bearer of this letter... RICHARD WAMBUI HISOADGE

Registration No. 061/72861/2009

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.

  
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**DR. W.N. IRAKI**  
**CO-ORDINATOR, MBA PROGRAM**