

**AN ASSESSMENT OF THE IMPACT OF GLOBALIZATION ON
STRATEGIC PLANNING PRACTICES AT STANDARD
CHARTERED BANK**

BY

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

NOVEMBER, 2011

DECLARATION

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

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

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ACKNOWLEDGMENT

First and foremost, I wish to recognize and give thanks to God for his grace and mercies throughout the entire MBA course. I would like to thank all those who helped make this project a success. This includes the management of SCB Kenya for take time out of their busy schedules to provide me with the information that I needed to make this research project complete.

To my supervisor, Dr. James Gathungu for taking his time, the guidance he offered and the valuable advice during the process of carrying out the research. My appreciation goes to the University of Nairobi's business administration department, for all the overwhelming support and encouragement accorded to me.

DEDICATION

This study is dedicated to my parents Mr. L.M. Muhoro and Mrs. Priscilla Muhoro for their undying love and endless support during the entire period of the course. The research project is also dedicated to my brother and sisters for their support and kindness. God bless you all.

ABSTRACT

Chapter one contains the background information and purpose of the study. The purpose of this study was to determine the impact of globalization on strategic planning practices at Standard Chartered Bank Kenya. The objectives for the study were to establish the effects of globalization on strategic planning practices at SCB Kenya and also to establish how SCB Kenya has responded to globalization challenges and opportunities. The respondents for this study were 9 managers out of the 11 that the researcher targeted. This constituted 82% of the response to the interview questions.

Chapter two contains the literature review which mainly focused on strategic planning practices and globalization and also the drivers of globalization. Planning refers to the process of deciding what to do and how to do it. This chapter summarizes the strategic planning practices, effective planning takes into account diverse perspectives and impacts, allowing decision-makers to identify and implement the most effective ways to achieve goals. Global business, that is, business activities between individuals, companies, governments and non-government organizations in different countries, has existed for centuries. Globalization is a much newer concept. Globalization implies an integration of world economies. It includes a rapid increase in the movement of goods, services and capital across national borders. Globalization is related to the increase in the significance of individual businesses that operate in a range of countries.

Primary data was collected using an interview guide and the respondents were both middle level and the senior management as SCB Kenya. The data collected was analyzed through the use of content analysis to arrive at analytical conclusions as the data collected was qualitative in nature

Findings of the study did indicate that globalization influenced the operations of SCB Kenya thus the need for strategic planning practices. The bank adopted different strategies depending on the prevailing situation so as to take advantage of opportunities resulting from globalization as well as cope with the challenges.

Finally the study recommends that the management at SCB Kenya engages all cadres of employees in the strategic planning process as well as the implementation so as to ensure positive attitude as well as compliance. Evaluation of the plans should be closely monitored to ensure timely feedback for decision making and the corrective actions that need to be taken.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Globalization has an impact on all business undertakings and since banks operate globally, many have opted for a competitive advantage of internationalization. Deregulation, new technology, free access to information and the reduction of business boundaries have created opportunities for banks. The new global economy of the 21st century has transformed the economic, political, social, technological and educational landscape in a profound and indelible manner. Never before in human history has the pace of structural change been more pervasive, rapid and global in its context (Pearce and Robinson, 1997). The new economy is composed of a trilogy of interactive forces that include globalization, trade liberalization, and information technology and communication revolution.

Strategic planning practices consist of a set of underlying processes that are intended to create or manipulate a situation so as to create a more favorable outcome for a company. This is different from the traditional tactical planning that is more defensive based and depends on the move of the competition to drive a company's move (Ansoff, Miller and Friesen, 2000). Strategic planning is the cornerstone of every organization without which the organization will never know where it is going or how to get there. A mismatch between the environment and the organization brings about failure to respond to changes in the environment which creates a strategic problem. A strategic problem requires a strategic response (Ansoff and MacDonnell, 1990).

Strategic planning practices are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve the firm's objectives (Pearce & Robinson, 1997). Thus organizations need to know the underlying sources of competitive pressure to develop plans. The banking industry is one of the most important and influential drivers of the economy and has to be responsive to changes both international and domestic. The most important of those changes include technological developments, the globalization of money markets, the removal of barriers that prevent some financial institutions from working in certain sectors and the trend to manage the risks.

The severe competition among commercial banks in the past two decades led to an urgent need to study the impact of the elements of the quality of the banking services provided for the clientele on the competitive position of banks and therefore, their profitability. Schwartz (1989) identified four basic dimensions for measuring the quality of banking services. These are banking service, consumer service, physical and electronic resources and method of providing service to customers. Bergman and Klefsjo (1994) noted that quality has become a strategic weapon in the conflict taking place to gain market shares and promote profitability.

1.1 .1 The concept of globalization

Globalization was the buzzword of the 1990s, and in the 21st century, there is no evidence that globalization will diminish. Essentially, globalization refers to growth of trade and investment, accompanied by the growth in international businesses, and the integration of economies around the world. Globalization has created environmental

uncertainty for many corporations. As more and more markets become global, the number of factors a company must consider in any decision become huge and much more complex. Environment uncertainty is a threat to strategic management because it hampers their ability to develop long-range plans and to make strategic decisions to keep the corporation in equilibrium with its external environment.

In recent times, the concept of globalization has nearly overtaken all other streams of economic policies throughout the world. It has put its effects, directly or indirectly, on practically all the major macro-economic policy decisions of the governments everywhere. Never in recent history, has such a powerful phenomenon affected developing countries, their financial and trade institutions as well as their policies, as the globalization policy. This process has presented an entirely new flow of thinking towards foreign investment, trade and technology which are geared to play a significant role. The core of globalization lies in freeing a country's economic frontiers to allow unrestricted international trade in goods and services, entry and exit of foreign capital and technology and also giving the foreign investors a treatment similar to that given to domestic investors. In its essence, the term globalization refers to the integration of economies of the world through uninhibited trade and financial flows and also through mutual exchange of technology and knowledge.

Globalization is a continuous process which has a direct impact on the financial sector. Local banks in Kenya are not well equipped to respond to the needs of the 21st century. Outdated banking procedures, lack of manpower planning, lack of proper market research, inefficient services and lack of long term planning are creating bottlenecks that are preventing local banks from attaining international standards. The reality facing

corporations is that forces, complexities and interdependences associated with global economy and also integration need to be clearly understood and strategically managed. Thus there is need for executives in commercial banks in Kenya to gain an understanding of the concept and the strategic threats and opportunities associated with globalization.

1.1.2 Strategic planning practices

Johnson and Scholes (2002) define strategy as the long term direction of an organization and the type of actions required to achieve the objectives. They continue to define it as the direction and scope of organization over the long term which achieves advantage for the organization through its configuration of the resources within a changing environment and to fulfill the stakeholder's expectations. According to Bryson (1995), strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide an organization, what it does and why it does it. To deliver the best results, strategic planning requires broad yet effective information gathering, development and exploration of strategic alternatives and an emphasis of future implications of present decisions. The planning process can help smooth the process of communication and involvement, promote intelligent and logical resolution making and encourage implementation.

Strategic planning is an organization's process of defining its strategy or direction and making decisions on allocating its resources to pursue this strategy including its capital and people. It is also true that strategic planning may be a tool for effectively plotting the direction of a company. However, strategic planning itself cannot foretell exactly how the market will evolve and what issues will surface in the coming days in order to plan your

organizational strategy. Therefore, strategic innovation has to be a cornerstone strategy for an organization to survive the turbulent business climate. Systematic strategic thinking helps you to find, and decide what to do about, the handful of really big issues facing your business or any other organization. It is the size and impact of these strategic issues that gives rise to the importance of the strategic plan. Few formal management practices have been proven by hard won experience and confirmed by research to enable organizations to improve their performance and a logical formal process to produce a strategic plan is one of them.

Strategic planning process has its roots in the military with the early organizations having this type of chain of command. The decisions and the planning thus was employed by a selected few leaders at the top of the organization. The planning process involved analyzing various situations and deciding in which direction the organization would move. The results of this planning evolved to document now referred to as strategic plan. Once established the plan could now be implemented (Wall and Wall, 1995). In the early 1950s, the business world was captivated with the ideas of formulating strategic plans and the process became widespread. This was due to private and public agencies believing that strategic planning was the answer to their despair. However, after the boom of this era, business discarded this fad until the 1990s when it resurfaced as a planning process that had particular benefits (Mintzberg, 1994).

Thus in the 21st century, strategic planning continues an orientation towards gaining competitive advantage, but with the added dimension of developing and nurturing organizational innovation. As organizations look to strategy to help them grapple with

issues that include reconciling size with flexibility and responsiveness, planning has grown more complex. This can be attributed in part an increasingly interwoven global marketplace and growing number of competitive forces that have accompanied that change. Likewise, planning complexity has been affected by the economic woes of the 2000s, which have driven businesses to form many new alliances, partnerships and mergers. The net effect of these changes has resulted in the need for cooperative strategies, resulting in more planning and execution complexity.

1.1.3 Banking industry in Kenya

Kenya is an East African nation that serves as a regional hub for trade and finance. Kenya is hailed as having the most resilient financial system of its neighbors and a mature private sector that welcomes foreign investors. The Central Bank of Kenya (CBK) was established in 1966 out of a desire to have an independent monetary and fiscal policy. The banking sector was liberalized in 1995 and exchange controls lifted. Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. In reference to the Banking Act, players in the industry have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. The changing economic environment has a significant impact on banks and thrifts as they struggle to effectively manage their interest rates, competition for deposits and the general market changes, industry trends and economic fluctuations.

It is a challenge for banks in Kenya to effectively set their growth strategies in the recent economic market as the effect of the changes on consumers and businesses is not predictable and the challenge remains for banks to grow and effectively manage the spread to generate a return to their shareholders. Globalization has changed the way banks use technology, information and communication to better serve their customers. More banks are rolling out diverse products with the help of technology in order to meet the client's needs. As the banks become more integrated into the global economy, they are facing opportunities and challenges thus the need for strategic planning which will guide the management in the turbulent business environment.

1.1.4 Standard Chartered Bank, Kenya

Standard Chartered Bank opened its branches in Kenya in January 1911 today, 97 years later; the bank has excellent franchise, with a network of 32 branches located across the country. SCB has been listed on the Nairobi stock exchange since 1989. As the oldest foreign bank in Kenya, SCB enjoys a share market of approximately 28%. The bank has two core business divisions: - Wholesale Banking and Consumer Banking. These two businesses are supported by the functions of operations and technology, finance, human resources and corporate affairs, (SCB Company Profile, 2010).

The strategic intent of SCB Kenya is to be the world's leading international bank, leading the way in Asia, Africa and the Middle East with its values being responsive, trustworthy, creative, international and courageous. The brand promise of SCB Kenya is being the right partner to the customers through provision of quality services. The commitment of the bank to its employees is to help them to grow and enabling individuals to make a

difference. To the investors the bank provides a distinctive investment delivering outstanding performance and superior returns. Finally , to the regulator the banks is to practice exemplary governance and ethics wherever it operates(SCB Company Profile, 2010).SCB Kenya is continuously improving its operating strategy through heavy investments in technology in order to foster innovation thus improving its product portfolio and hence offer improved services to its customers' in order to gain competitive advantage.

1.2 Research Problem

Globalization has faded the barriers of trade and development and led to an increase in trade and investment. As powerful internationalization of production and marketing continue to thrive all over the globe, businesses have realized that competing globally is no more an option but a necessity(Ball,2004).This trend seems to create an extra ordinary competitive environment for developing countries as they do not appear to be ready to face the challenges and opportunities that globalization presents. Today's global competitive environment is complex, dynamic and largely unpredictable. To deal with competition and the unprecedented level of change, commercial banks have come up with strategies that will enable them match this complex global environment. These strategies include mergers and acquisition, strategic alliances, outsourcing and diversification of products. The 21st century has seen continued globalization and internationalization of the world's economy.

To gain an insight into the Kenyan banking industry prospects, one must appreciate the changing market environment within which it has been operating and which has affected

its development in the recent years. The most significant trend has been the gradual liberalization and globalization of the economy. The banks have to respond to the ever changing and dynamic business environment with respect to demands for their services. The banking industry, SCB Kenya included is going through a profound transformation. Restructuring is ongoing resulting from deregulation of the industry, increased competition from well established local banks and foreign banks who have been attracted to the growing African market. There is need therefore for the industry to fully understand the forces driving globalization and develop their own effective global strategies that will help them face the increased competition.

There are a number of studies that have been carried out on the impact of globalization on strategic planning practices which focused on other sectors of the economy other than the banking sector. Kamau (2008) did a survey on strategic responses to challenges of globalization by Kenya Airways. The findings were that changing technology and terrorism was a challenge facing the corporation. The company responded to this challenge by developing a comprehensive strategic plan to help it adapt to its environment. Kipsoiso(2010)carried out an investigation of effects of strategic planning on the performance of TSC Kenya. The findings were that through strategic planning TSC hired qualified teachers, gained competitive edge and it positively influenced its performance. Rono(2010) did a study on strategic responses by Kenya airways to the effects of globalization, the findings were that globalization directly affected Kenya Airways business with increased competition. KQ responded to theses effects of globalization by forming alliances and partnerships' with other airlines across the globe to enable it expand its global presence.

Since other studies focused on different sectors of the economy and globalization being a continuous process, more research needed to be done to gain more insight on the impact of globalization on the banking industry. The study therefore sought to establish the impact of globalization on strategic planning practices at SCB Kenya. This was addressed by answering the following research questions: What were the effects of globalization on strategic planning practices at SCB? And how SCB responded to the challenges and opportunities brought about by globalization?

1.3 Research Objectives

The research objectives were:-

- i. To establish the effects of globalization on strategic planning practices at SCB Kenya.
- ii. To find out how SCB Kenya has responded to globalization challenges and opportunities.

1.4 Value of the study

Knowledge on the impact of globalization on strategic planning practices will help SCB understand the current position in the global market and help the bank in developing strategies to avert the negative impact of globalization and be in apposition to take full advantage of the opportunities it avails. The knowledge of the ever changing global business environment will enable the banks to develop sustainable global business strategies so as to gain competitive advantage as well as to survive the turbulent operating environment. The study will contribute to theory though providing more insight into

ways in which corporations can use strategic planning to gain competitive advantage despite the dynamic business environment.

The findings of this study will also benefit other researchers in the area of globalization in the context of the banking industry. University of Nairobi and other institutions of higher learning especially the graduate students will benefit from the outcome of this research as a point of reference especially in relation to globalization and its effects on the Kenyan banking industry. The study will provide bank managers with a holistic picture of the existing business landscape and proficiencies within it, which will enable managers to monitor progress and remove impediments to goal accomplishments.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic planning practices and globalization in an organization. The review focuses mainly on the concept of strategy, strategic planning practices and globalization.

2.2 The concept of strategy

Strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. According to Ansoff (1984), strategic management is a systematic approach to the major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. Consequently, strategic planning is that decision making process that aligns the organization's internal capability with the opportunities and threats it faces in its environment.

Mintzberg (1994) points out that people use "strategy" in several different ways, the most common being these four: Strategy is a plan, a "how," a means of getting from here to there .Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets. Strategy is perspective, that is, vision and direction. He argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start

with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg (1994) called "realized" or emergent strategy.

The top management of an organization is concerned with the selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set of objectives by using its resources. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. There has to be integration of the parts into a complete structure. Strategy helps the organization to meet its uncertain situations with due diligence. Without an appropriate strategy effectively implemented, the future is always dark and hence there more are the chances of business failure (Mintzberg, 1994).

2.3 Strategic planning practices

There is no single "best practice" for how to do successful strategic planning. The timing and process will differ depending on industry, market pressures and the size and culture of the business. Strategic planning practices is the process of devising a plan of both offensive and defensive actions intended to maintain and build competitive advantage

over the competition through strategic and organizational innovation. Generally strategic planning is a top-down, formal, disciplined process to produce fundamental decisions and actions to shape and guide what an organization is, what it does and why it does it. Strategic plans look at the long view (Armstrong, 1986).

To do strategic planning well, organizations must participate in broad scale information gathering, explore various alternatives, and place an emphasis on the future implications of present decisions. Businesses are constantly adapting. To keep pace with the world around them, organizations must regularly engage in strategic planning to reevaluate their positions, and their environment, and adapt accordingly. Many companies attempt strategic planning and fail for one reason or another. Following are some best practices to keep in mind when developing a new strategic plan.

It is important to have organizational diversity when creating a group to develop or updated your strategic plan. Diversity in this sense means individuals from different areas of the company: finance, operations, human resources, and marketing and sales. A business strategy, by its very definition, has a company-wide impact. Not only is it possible that department leaders will feel alienated if they are not included, but failing to include representatives of all relevant departments threatens to leave important considerations unnoticed. Additionally, diversity means having input from different levels of seniority.

According to Armstrong (1986), a strategic plan formulated by only the top executives will miss out on insight from mid- and lower-level managers and front-line employees. These employees are the ones best positioned to understand the impact of a new strategy on the day-to-day operation of the company and whether a proposed strategy is even

feasible given the culture and constraints of the organization. Strategic planning groups must keep the big picture in mind when developing new strategies or altering existing practices. Three important questions all planning groups should be thinking about during the strategic planning process are, why they are conducting this planning process, what they are hoping to achieve and how they will institute accountability to ensure success. Different stakeholders within the organization will likely have different opinions regarding the answers to these questions. While dealing with disagreement can be frustrating at times, a healthy debate over the answers to these questions is a valuable exercise. Focusing on the above questions and keeping the mission, vision and values in mind will help ensure alignment with the organization's core philosophies (Armstrong, 1986).

Every successful organization has certain core competencies. A core competency may be an extremely efficient supply chain or a particularly strong knack for understanding customer needs. It may be a highly effective sales team or a product design group that is always on the cutting edge of the industry. Whatever an organization's core competencies are, a strategic plan should embrace them and make sure the plan is designed to capitalize on these core competencies. Too often, companies adopt a strategic plan without the full support of the key stakeholders in the organization, the people who will ultimately be charged with implementing the plan. Even when these individuals give their nominal support or go-ahead vote to a new strategic plan, they may not be entirely on board.

To ensure that a strategic plan is embraced by all the important stakeholders, make sure those individuals have a voice in the process of developing the plan. This doesn't mean everyone gets their way on every issue. Managers will be far more energetic in

implementing a plan they see as “our plan” as opposed to “their plan.” Strategic planners should avoid being vague when outlining their plan. The strategic plan is not simply a list of goals. It is a roadmap to where the company wants to be, with goals, objectives, strategies and tactics aligned to get there (Armstrong, 1986).

The plan should include clearly outlined steps with unambiguous goals and expectations so those executing the goal have benchmarks against which to measure their progress. No plan, no matter how well conceived, will ever be perfect as impossible to plan for all contingencies. Changes in consumer preferences, market trends, government regulations and the economy can all make all or part of a strategic plan no longer viable. A successful strategic plan must have clarity and clear steps; however, it must also be flexible enough to deal with the realities of a changing business and economic environment. An important part of flexibility is simplicity. The more complicated a plan is, the more it likely will depend on factors beyond the control of the organization. A plan can be concrete with clear steps and goals and still be simple enough to adapt to changing circumstances.

Strategic planning is not a one-time event with a clear and definite start and end. The process is ongoing and evolving, circumstances change and expectations may turn out to be over or under optimistic. Strategic planners must be kept in the loop in these situations so that they can follow the progress of the plan and determine when and how it should be adjusted. As strategic planners continuously update and improve their plans, they will become more skilled at the overall process. They will become more efficient at making adjustments when circumstances outside their control discredit previous assumptions; they will understand the obstacles to change and implementation within their

organization; and they will learn which types of strategies their organizations are most able to adjust and improve and which areas of their business are more rigid and difficult to adjust. Although a considerable amount has been written on strategic planning, it should be recognized that as a discipline strategic planning and the associated concepts and techniques did not emerge fully until the early 1970's.

There are several reasons for this, perhaps the most significant of which is that, as Kotler (1988) pointed out, largely because of the growing and continuously buoyant markets of the 1950's and 1960's many companies prospered on the back of largely short-term operational planning. The turbulence of the early 1970's that followed a series of crises, including oil supply restrictions, energy and material shortages, high inflation, economic stagnation, labor unrest, increased unemployment and then recession, caused many managers to search for a radically different approach to the running of their businesses

According to Porter (1985), states that strategic planning models are intended to manage the strategic actions of an organization. These actions may be offensive, defensive and proactive in nature. Reactive maneuvers do not fall into the strategic category, but are sometimes required and appropriate. Initiatives related to strategy execution must be monitored and controlled to ensure that they are accomplished over the plan's specified timeframe, as the plan tasks are generally additions to the daily activities and procedures that staff members engage in to get their normal job duties accomplished. By understanding the discipline of strategic planning and how to manage its execution, organizations can begin improving upon their planning capabilities and systematically building their competitive advantage. In doing so, organizations will measurably

improve in performance, decision making, customer satisfaction and long-term competitive positioning.

2.4 Need for strategic planning practices

A strategic planning practice provide an overall strategic direction to the management of the organization and gives a specific direction to areas like financial strategy, marketing strategy, organizational development strategy and human resources strategy, to achieve success. These other kinds of planning, some of which are confused with strategic planning are intended for parts of the organization, or specific functions or processes within the organization. All of these other types of planning should be guided and informed by the strategic plan.

Planning helps assure that an organization remains relevant and responsive to the needs of its community, and contributes to organizational stability and growth. It provides a basis for monitoring progress, and for assessing results and impact. It facilitates new program development. It enables an organization to look into the future in an orderly and systematic way. From a governance perspective, it enables the Board to set policies and goals to guide the organization, and provides a clear focus to the Executive Director and staff for program implementation and agency management.

Some of the benefits that can be gained through implementing a strategic planning process are that focus is placed on the important things; resources (time, talent, money) are properly allocated to those activities that provide the most benefit, proves an awareness of the changing environment as a foundation for needed change. It helps analyze the internal business culture and evaluate its impact on the company's

performance and recognizing the impact the changing business environment is having on the company and affect the needed changes in direction.

2.5 Globalization

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments (Luthans, 1995).

In discussing the globalization of markets Levitt (1983), stated that we live in a rapid globalizing world and certain national identifiers like taste, technology, market and finance are no longer constrained by national boundaries. They operate on a global basis. The defining features of globalization are the interdependence and connectedness of the economics, politics and culture of nations and not uniformity of markets and taste of a single country.

Globalization is fast spreading to all corners of the world through multinational organizations spreading their business due to expansion to seek new opportunities in under developed markets. Well this is very noticeable in all sectors or industry of the Kenyan economy aviation industry, education, health, manufacturing, information technology and to mention a few the banking industries. The current wave of globalization has been driven and facilitated by several developments which have not

previously occurred together. These are the adoption of more open economic policies which have increased international trade in goods and services, and cross-border flows of both capital and labor; Technological progress which has sharply lowered transport and communications costs and has increased the tradability of goods and services; and the emergence of developing, low-wage economies on the world stage which has been led by China and India.

2.6 Global business environment

The Icfai center for management research state that the global business environment can be defined as the environment in different sovereign countries, with factors exogenous to the home environment of the organization, influencing decision making on resource use and capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal and technological environments. Every country in the world follows its own system of law. A foreign company operating in that particular country has to abide with its system of law as long as it is operating in that country.

The technological environment comprises factors related to the materials and machines used in manufacturing goods and services. Receptivity of organizations to new technology and adoption of new technology by consumers influence decisions made. As firms have no control over the external environment, their success depends upon how well they adapt to the external environment. A firm's ability to design and adjust its internal variables to take advantage of opportunities offered by the external environment, and its ability to control threats posed by the same environment, determine its success.

In business world, each decade seems to bring a new way of thinking about the business environment (a paradigm) and new ways of acting corporate strategies (Belohlav, 1996). During the 1970s, business success increasingly became associated with market growth. To capitalize on the growth potential existing within many driver markets, strategy in many companies was linked to corporate structure – especially the conglomerate form. These conglomerates largely became, both in form and substance, portfolios of business or products that often had few connections to each other except as a means of financial growth. Arguably the Boston Consulting Group developed the most popular approach to corporate strategy during this time period.

During decade of 1980s, Porter (1985) presented new rules of competition in two works, competitive strategy and competitive advantage .Porter's approach began with an analysis of an organization's competitive environment. The relevant forces are the threats of new entrants, bargaining power of suppliers, bargaining power of buyers; threats of substitute products or services and rivalry or jockeying for position among industry firm. Porter's believes these forces govern the state of industry competition, which must be properly addressed if organizational decision-makers are to formulate effective strategy. A good SWOT analysis, from Porter's perspective, begins by examining the competitive forces in an organization's environment. This provides a frame of reference for further assessment of organizational strengths and weakness.

“We are an era of aggressively intensified competition, rapidly shifting definition of what financial products are, a general slowdown in world economic growth and much tougher risk management demands” says a chief economist for American Bankers Association. The competition is so fierce, in fact, that of 40 to 45 banks now aiming to be global powerhouse in the year 2000, only a dozen or so will succeed (Boone and Kurtz, 1993). Worldwide, banking is changing “from being a protected industry to a deregulated one”, everybody can invade your market: you can invade everybody else’s market”. Your survival will be based on your ability to take on all comers and succeed often enough to make sufficient profit to pay shareholders and build capital. In 2000, a multinational bank will have to serve the financing needs of both large and small corporations anywhere in the world. It will be also have to capture a leading share of the capital that flows between countries, while remaining flexible enough to shift resources as needed to fast –growing areas and profitable businesses (Boone & Kurtz, 1993).

Banks are our largest and most diversified intermediaries. Commercial banks hold a special place in our financial system because of the key roles they play in the world economics payment system, their large business financing role and their global activities.

Generally the financial performance of commercial bank in the world over the last decade has been very poor. Recently banking has become a global industry, and it is important to consider the world financial system in its global context. World financial system is currently going through a period of great change. Worldwide, the banking industry is also experiencing changes resulting from deregulation, mergers, and increasing competition for global business (Boone & Kurtz, 1993).

2.7 Drivers of globalization

The rapid growth of international business activities especially in goods and services and financial transactions; the integration of the world economies and the concentration of these activities within multinational corporations have been made possible by a variety of economic, political and technological and social factors (Went, 2000). Globalization of markets is one of the drivers. It refers to the merging of national markets into one huge global marketplace. Now selling internationally is easier due to falling barriers to cross-border trade. A company doesn't have to be the size of these multinational giants to facilitate and benefit from the globalization of markets. It is important to offer a standard product to the worldwide. But very significant differences still exist between national markets like consumer tastes, preferences, legal regulations, cultural systems. These differences require that marketing strategies in order to match the conditions in a country.

Globalization of costs or production refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production. The idea is to compete more effectively offering a product with good quality and low cost (Rugman & Verbeke, 2004). The falling of barriers to international trade enables firms to view the world as their market. The lowering of barrier to trade and investments also allows firms to base production at the optimal location for that activity. Thus, a firm might design a product in one country, produce a component parts in two other countries, assemble the product in another country and then export the finished product around the world. The lowering of trade

barriers has facilitated the globalization of production. The evidence also suggests that foreign direct investment is playing an increasing role in the global economy.

Technological changes have achieved advances in communication, information processing, and transportation technology, including the Internet and the World Wide Web (www). The most important innovation has been development in the microprocessors after that global communications have been revolutionized by developments in satellite, optical fiber, and wireless technologies, and now the Internet and the www. The rapid growth of the internet and the associated www is the latest expression of this development. The existence of many global competitors indicates that an industry is ripe for globalization, Global competition will have a cost advantage over local competitors when competitors begin leveraging their global positions .Through cross subsidization, an industry is ripe for globalization (Rugman & Verbeke, 2004).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research methods that were used to carry out the study. Research methodology is defined as an operational framework within which facts are given so that their meaning can be seen more clearly. The methodology of this study included the research design, data collection methods and data analysis techniques.

3.2 Research Design

The research was conducted through a case study. A case study allowed the researcher to understand the nature and the complexity of the process that is taking place and answer “how” and “why” questions (Mugenda and Mugenda, 1999). A case study is a powerful form of qualitative analysis and involves complete observation of a social unit, be it a person, family, cultural group or an entire community or an institution. The study was an assessment of the impact of globalization on strategic planning practices being a case study of SCB Kenya. The study provided an insight of how the bank can use strategic planning practices to take advantage of opportunities’ of globalization and effectively deal with its negative impact on their operations.

3.3 Data Collection

The researcher used an interview guide as the primary data collection instrument. Personal interviews enabled the researcher to obtain in-depth information as the researcher can adapt the questions to the situation, clarify any doubts and also rephrasing the questions thus improving the quality of information received. The researcher was also

able to probe with additional questions thus gathering supplemental information as well as pick non verbal cues from the respondents through observation.

The researcher interviewed both the senior and middle level managers as they play key strategic roles in the corporation. Thus they were in a position to provide the required information to answer the research questions. The interview guide was administered to 9 out of 11 managers targeted, this represented different functional areas of the bank in an effort to capture the impact of globalization on strategic practices adopted. This approach enabled the researcher to collect as much information as possible on the topic of study. The data collected was qualitative in nature. The main source of secondary information was published guides, journals and excerpts from interviews and commentaries.

3.4 Data Analysis

Organization of data from the interview scripts and observation notes was the first step in the analysis of data. This involved thorough reading; editing and cleaning of the data collected from the interview notes and entry of the data into the computer. Being a case study, the data collected was qualitative in nature and was analyzed through the use of content analysis technique so as to arrive at the conclusions. The use of content analysis enabled the researcher to better analyze the data which was based on the individual participants experiences. This helped to guard against selective perception of the content and provided a rigorous application of reliability. The researcher noted the causal relationships and theoretical statements emerging from the interviews through pairing of the information to represent major themes that describe the strategic practices adopted to deal with the impact of globalization on strategic planning practices at SCB Kenya as well as the challenges experienced.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Data analysis was done by use of content analysis by identifying and extracting key themes, concepts and arguments. The chapter presents data analysis and interpretation. The respondents for this study were 9 managers out of the 11 that the researcher targeted. This constituted 82% of the response to the interview questions.

4.2 Demographic information

The respondents were requested to indicate the position they held at SCB. From the findings respondents were from senior management and from the middle level management. This implies that information on strategic planning practices collected at SCB was collected from the relevant personnel thus credible for the study. They were further asked on the duration that they have been working at SCB Kenya. From the findings most of the participants had worked in SCB Kenya for over 5 years thus they were well aware of the operations of the bank.

Further the senior and the middle level management were asked on the scope of their operations. From the findings senior level managers indicated that their scope was both global and regional and most of the middle level managers indicated that their scope of operation was mostly regional as SCB Kenya is the hub for operations in the East and Central Africa thus they did experience the impact of globalization on their operations.

4.3 SCB Kenya strategic plan

The interviewees were asked if SCB Kenya had a strategic plan. The management present for the interviews did concur that there existed a strategic plan as SCB. From the responses, the strategic plan of SCB Kenya relies heavily on the group's strategic intent which is to be the world's best international bank leading the way in Asia, Africa and the Middle East which is driven by the brand promise "Here for good". However to ensure that all the employees were aware of the strategic plan, SCB Kenya re launched its brand promise as it marked its centenary celebrations in operations in Kenya. However some of the participants were of the opinion that the junior level of management and the employees should be more involved in the strategic planning process.

4.3.1 Strategic planning practices adopted at SCB

Depending on the scope of operations of the interviewees, their views did differ on the strategic planning practices adopted by SCB Kenya. 4 of the senior managers and 5 of the middle managers agreed that strategic choice of SCB Kenya was transnational as it acted as the hub for East and Central Africa. They further explained that this was the case as SCB Kenya was cost efficient while being locally responsive despite the head office being located in London where most of the operating policies and procedures originate from. In addition, the bank engaged its employees in global learning through mandatory e-learning's depending on the area of operation and also through diffusion of innovations.

Two of the senior managers further explained that the challenge of adopting this process was that it was very organizationally complex and very difficult to implement as they have to efficiently coordinate the group expectations with those of the local environment which can be very challenging. However 2 of the middle level managers felt that the strategic choice of SCB Kenya was more of home replication where the bank in Kenya was a replica model for the parent company based in London. The bank in Kenya was driven more on its name thus leveraging home country based advantage and it was easy to implement. They were of the opinion however that this was not the best strategy choice as the bank lacked local responsiveness to its operating environment and it's also ran the risk of foreign customer alienation where the local populace failed to identify with bank.

However most of the interviewees did agree that at no one point did SCB focus on one specific strategy choice but they stated that SCB Kenya bases its business on a combined rather than a single attribute due to its various business functions. The business strategy adopted at any one time included its core competencies thus differentiating the bank from its competitors.

4.3.2 The drivers of globalization

From the findings 2 of the members of the senior management and 6 from the middle level management felt that the major driver of globalization was the globalization of markets as well as technological innovation. The remaining interviewees were of the opinion that there existed other drivers of globalization such as the decreasing barriers of trade, globalization of production where firms are investing in areas and sourcing for services in order to take advantage of the national differences. They also felt that

competition was a key driver of globalization as firms banks included had to position themselves better in gain competitive advantage.

4.3.3 Drivers of globalization influence on operations

There was a general consensus that the drivers of globalization did influence the operations of SCB Kenya. All of the interviewees agreed that technology was the driver that had major impact on operations of SCB. Most of the managers felt that the bank invested heavily on technology so as to better deal with this other drivers of globalization. This was evidenced by the banks effort in investing in a standardized operations system.

Some of the respondents felt that competition was a major driver of globalization as more banks try to be more competitive and this has really influenced operations at SCB Kenya. The bank was therefore rolling out products that will give it a competitive edge over its competitors as well as intense advertizing of its brand promise.

4.3.4 Challenges of globalization

The participants did agree that the bank faced challenges stemming from globalization.6 of the respondents felt that SCB Kenya faced the challenge of diversity as result of globalization. This was evidenced in the complex composition of the workforce, where employees are from very diverse backgrounds. Globalised competition has forced a 'race to the bottom' in wage rates and labor standards. SCB Kenya is left to deal with high employee turnover as competition in the market for highly skilled employees in the banking sector increases.

They were also of the opinion that modern communications had spread awareness and opened up opportunities that were not there before. Advancement in technology had made it mandatory for the bank to invest in more friendly and up to date technology that will enable it achieve its goals and this has been very costly. Most of the respondents pointed out that globalization posed a lot of challenges to the bank and they were of the opinion that only responsive strategic plans can keep the bank focused on its core business and be able to deliver on its brand promise.

4.3.5 Response to the challenges of globalization

Almost all of the respondents did agree that SCB Kenya was not trying to solve the problems posed by globalization but managing them as globalization is characterized by very few certainties. They felt that SCB was faced with very many objectives as the business environment was very dynamic thus it is impossible to reconcile all these objectives at any one point as some of them are competing or conflicting objectives. Thus the bank adopted multiple strategies across the different bank functions in order to deal with the challenges emanating from globalization.

The participants who were interviewed were of the opinion that the bank had invested heavily in technology as a way of dealing with increased competition. This is evidenced by its rolling out of the Ebbs system .The bank had also invested heavily on its workforce by bringing highly qualified and competitive individuals to steer it to the next level. As a way of managing costs most of managers did agree that the bank had standardized most of its procedures thus enabling individuals to be very proactive and also centralized

activities like procurement and placement of orders to ensure consistency .This allowed the bank to have processes and procedures that were well monitored and controlled

4.4The management of diversity as a result of globalization

In order to align itself so as to cope with the influence of globalization on strategic planning practices, the bank was actively managing its diversity. Majority of the respondents felt that initially increasing diversity was a major problem in the bank as most employees felt that roles were being given out to foreigners yet there were more competent locals who could handle the jobs and responsibilities very well. However the managers did agree that SCB had done progressively well in dealing with the issue of diversity and had embraced it very well. This was evidenced as the bank not only has diverse people but also diverse people structures, diverse way of thinking and acting and diverse processes. However 2 of the managers still felt that dealing with diversity was still a challenge in the bank and more needed to be done.

4.5 Future of SCB with respect to globalization

The managers did agree that the future of SCB Kenya with regard to globalization was very bright as it had a clear strategic plan and they key resources were strategically placed to give it a competitive edge over the competitors. They felt that its success will depend on the attributes to the roles of intellect and knowledge. Knowledge was critical to SCB Kenya especially to its achievement of the goals and objectives' and this would help it in achieving competitive advantage.

They further felt that for SCB to be able to cope with the changes in the operating environment resulting from globalization, it was important for it to have global leader competencies that will help it at managing competencies by looking at the big picture, assist in managing complexities that may arise, alignment of change and learning by being open to new ideas and ways of doing things.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings and recommendation as regards to the objectives of the study. The research findings clearly indicated that globalization did influence the operations of SCB Kenya thus the need for strategic planning practices.

5.2 Summary of the findings

From the study, senior and the middle level management were involved in strategic planning practices at SCB Kenya and most of them had over five years experience in their areas of operations. The scope of operations in SCB was both regional and global as Kenya was the hub for the east and central African region. The study also showed that SCB indeed had strategic plans in place although they were greatly influenced by the group policies, procedures and the strategic intent.

According to the findings, there was no one strategic choice at SCB Kenya, but the strategy adopted varied according to the prevailing circumstances. The bank incorporated more than one strategy in order to cope with the changes in the environment due the uncertainty resulting from globalization. The strategies adopted included both transnational and home replication.

The major drivers of globalization were identified as being globalization of markets and technological innovation. Competition was also mentioned among other drivers. From the study, it was noted that globalization did influence operations at SCB Kenya.

Advancement in information and technology was singled out as having the most influence followed by completion resulting from globalization.

The response to these challenges were identified as the bank investment in technology in order to standardize processes and procedures and also the use of advanced technology to roll out unique products in them market that will give it leverage so as to cope with the increased competition resulting from globalization. Being able to manage diversity was one of the ways SCB was aligning itself to cope with the challenges of globalization and its future was promising if the bank paid more attention to knowledge management.

5.3 Conclusion

Globalization has its positive side as well as its negative side. It affects the economic dimensions; that is trade, finance, aid, migration and ideas. Increases in these dimensions of globalization, affects the way in which corporations carry out their day to day activities. Strategic planning practices can be used by banks to achieve bank liability management and trade off between risks and returns through having an efficient information processing cycle, creation of database management systems, adoption of modern technology, corporate strategy and effective implementation of strategy for efficient bank management.

Strategic planning practices can be used by SCB to aid proper bank management through analyzing monitoring and managing its operations so as to meet commitments towards stakeholders, clients and also be able to assess competitors. Activities and strategies should be redesigned so that the management of the bank can take realistic decisions and implement its objectives. The practices adopted should be flexible enough to allow for

the bank to deal with uncertain economic conditions of global threats and opportunities and most importantly the attitude and behavior of the competitors. Thus strategic planning activities adopted at SCB Kenya should meet the challenges and opportunities resulting from globalization. In order for it to be a success, it should be accompanied by a monitoring and implementation mechanisms so as to ensure consistency in operations.

5.4 Recommendations

Globalization affects everyone in the corporation thus the research recommends that the top management of SCB should involve employees at all levels so as to achieve the optimal results. In most instances employees at the operations level were not involved in the decision making process relating to the strategic choices of the bank. Thus they are usually in an awkward position when strategy implementation comes into effect as they don't own the process as expected by the management.

Controls should be in place and continuous evaluation of the strategic plans clearly stated and communicated to the employees involved. The time lines for the review should be also communicated and documented so as to keep focus of the whole process. This is because globalization is a continuous process and it comes with a lot of uncertainty that needs to be managed. This will allow the management to easily know the areas where there exists deviations from the plan and where the need to make changes as a corrective measure.

5.5 Limitations of the study

The targeted group for the research was the top management at the bank and some of the managers were not present for the interviews thus their views were not captured in the study. Where the departmental heads were not available their representatives were interviewed on their behalf. The study was also carried out within limited time and resources. This constrained the scope of the research as well as the depth of the research.

The method used to analyze the data was content analysis. This means that the results provided were largely subjective depending on the experiences of the individual participants and also their perceptions of the whole process and their interpretation. Additionally some of the information was deemed very confidential and could not be divulged.

5.6 Suggestions for further studies

The study was designed to involve the top and middle management, thus the involvement of the lower level managers and the junior employees was not covered and they are key to successful strategy implementation thus their input is critical. Further studies can be carried out to identify how their activities are influenced by globalization and whether the strategies adopted by the bank really work on the ground and the challenges they faced. The researcher also highlighted the challenges resulting from globalization and since its an on going process further research should be carried out to identify better ways of handling the challenges.

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APPENDIX I: LETTER OF INTRODUCTION

Millycent Muhoro

P.O. Box 30003-00100

Nairobi.

Tel: 023293345

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION

I am a student undertaking a degree of Master of Business Administration at the University of Nairobi. As a requirement to complete the program; I will need to submit a project report on a management problem. I am carrying out a research entitled:

“AN ASSESSMENT OF THE IMPACT OF GLOBALIZATION ON STRATEGIC PLANNING PRACTICES AT STANDARD CHARTERED BANK KENYA.”

As a manager at SCB Kenya, you are kindly requested to be part of this study. The information collected will exclusively be used for academic purposes only and the findings shall be made available to you upon your request

Thank you in advance.

Yours faithfully,

Millycent Muhoro

MBA Student.

Supervisor

Dr James Gathungu

University of Nairobi

APPENDIX II: INTERVIEW GUIDE

GENERAL INFORMATION

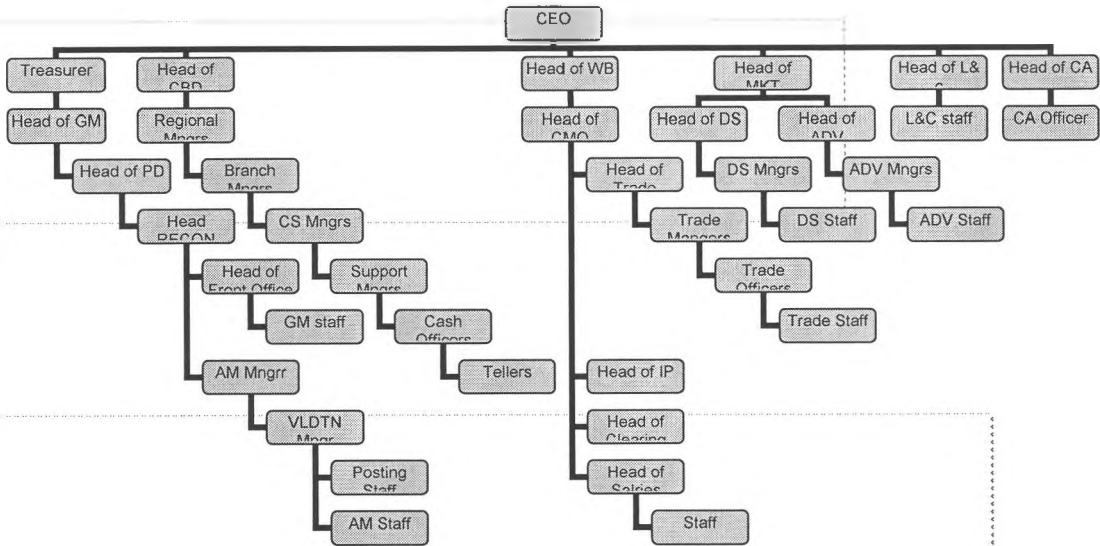
1. Name (optional)
2. Position
3. For how long have you been working at SCB Kenya
4. What is the scope of the operations you are involved in?

SECTION B: CHALLENGES OF GLOBALISATION AND THE STRATEGIC PLANNING PRACTICES ADOPTED

5. Does SCB have a strategic plan?
6. What strategic planning practices are practiced at SCB Kenya?
7. How have these strategic planning practices been adopted in the bank?
8. How has globalization influenced operations in the bank?
9. From your experience what are some of the drivers of globalization.
10. To what extent have these drivers influenced the operations?
11. How has SCB responded to the influence of globalization on the strategic planning practices?
12. What are the challenges facing the bank arising from globalization?
13. What strategic planning practices has the bank adopted to deal with the challenges?
14. How is SCB aligning itself to cope with these challenges?
15. In your view, what is the future of SCB Kenya with respect to the impact of globalization?

APPENDIX III

ORGANIZATION STRUCTURE OF SCB KENYA LIMITED



Key:

CEO: Chief Executive Officer

GM: Global Markets

PD: Product Delivery

RECON: Reconciliation

AM: Accounts Maintenance

VLDTN: Validation

CBD: Consumer Banking Division

CS: Customer Service

CMO: Cash Management Operations

MKT: Marketing

DS: Direct Sales

ADV: Advertisement

LC: Legal and Compliance

CA: Corporate Affairs