

**CHALLENGES OF STRATEGY IMPLEMENTATION AT SIDIAN BANK
LIMITED IN KENYA**

KINYOE JENNIFER MUTHONI

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

NOVEMBER, 2016

DECLARATION

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

Signature

Date

KINYOE JENNIFER MUTHONI

D61/74321/2014

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

Signature

Date

MRS. MARY KIMONYE, MBS

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this research work to my family and friends who have supported me and my dreams, but most importantly to my children Njeri and Kori who had to bear with my absence from home as I did long hours of classes, private study and research, and to my mother Grace and my late father Josphat (RIP) who always encouraged me, placed a big emphasis on education and instilled in me the importance of hard work.

ACKNOWLEDGEMENTS

First of all, I would like to thank the almighty God for his guidance, wisdom, love and protection throughout the MBA course. Without God, I would not be where I am today. I am also grateful to several people who have made this dream possible, special thanks go to my family for their support and encouragement and especially my mother Grace for her support, my children Njeri and Kori for keeping me on my toes as I dared to dream and to my siblings Njeri and Wagaki for stepping in for me in caring for my children while I was studying and doing research.

I feel a deep sense of gratitude to my supervisor, Mrs. Mary Kimonye. Without her guidance, constructive advice, coaching, encouragement, persistence and endless hours of dedication, this project would not have been completed. I have gained practical knowledge in this journey, thank you very much, my coach.

I would like to thank the University of Nairobi for the opportunity to learn in a world-class institution and for enabling a great learning atmosphere. I developed as a person throughout the MBA studies, gained valuable knowledge and experience as well as made new friends, I wish you the best in the future.

I am grateful to the Board, Management, and Staff at Sidian Bank who took time off their busy schedules to participate in this research. Their thorough responses, thoughtful insights, and timely interviews helped me gain a thorough understanding of the operations of Sidian Bank and the banking industry as a whole. This research would not have been successful without their dedication. I would especially like to thank the Chairman of the Board James Mworira, Chief Executive Officer, Titus Karanja, Director Business Development, Marianne Nyangi, Head of Credit Risk, Anne Makau and Sheila Ogutu for their useful insights.

Finally, I would like to thank all those who participated towards the successful completion of this research in one way or another, I may not mention all names but I will be forever grateful for your participation and contribution. May God bless you all.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS	iv
ABBREVIATIONS AND ACRONYMS.....	vii
ABSTRACT.....	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Strategy Implementation.....	3
1.1.2 The Banking Industry in Kenya.....	5
1.1.3 Sidian Bank Limited.....	7
1.2 Research Problem.....	9
1.3 Research Objectives	12
1.4 Value of the Study.....	12
CHAPTER TWO: LITERATURE REVIEW	14
2.1 Introduction	14
2.2 Theoretical Foundation	14
2.2.1 Resource-Based Theory.....	14
2.2.2 Stakeholders’ Theory of Strategic Management	15
2.3 Concept of Strategy.....	17
2.4 Strategy Implementation	20
2.5 Strategy Implementation Practices.....	21
2.6 Challenges of Strategy Implementation	23
CHAPTER THREE: RESEARCH METHODOLOGY	25
3.1 Introduction	25
3.2 Research Design.....	25
3.3 Data Collection.....	26
3.4 Data Analysis	26
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	28
4.1 Introduction	28
4.2 Strategy Formulation and Implementation at Sidian Bank	28

4.2.1 Strategic Intention.....	28
4.2.2 Process of Strategy Formulation.....	29
4.2.3 Strategic Awareness and Clarity of Strategic Intention.....	30
4.2.4 Dissemination of Strategic Intention	31
4.2.5 Top Management Support and Involvement	32
4.3 The Challenges of Strategy Implementation at Sidian Bank	32
4.3.1 Leadership and Corporate Governance	32
4.3.2 The Bank’s Internal Environment	33
4.3.3 The Bank’s External Environment	34
4.3.4 Resource Allocation	37
4.3.5 Evaluation of the Strategic Process	38
4.4 Sidian Bank’s Response to Strategy Implementation Challenges	39
4.4.1 Corporate Governance.....	39
4.4.2 Hiring of Staff.....	40
4.4.3 Staff Turnover.....	40
4.4.4 Risk Management	41
4.4.5 Resource Allocation	42
4.4.6 Strategy Evaluation.....	42
4.5 Conclusion.....	43
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ...	45
5.1 Introduction	45
5.2 Summary of Findings	45
5.3 Conclusion.....	46
5.4 Recommendations of the Study	47
5.5 Limitations of the Study	48
5.6 Suggestions for Further Research	49
REFERENCES.....	50
APPENDICES	54
Appendix I: Introductory Letter	54
Appendix II: Interview Guide	55

ABBREVIATIONS AND ACRONYMS

AML	Anti- Money Laundering
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
FRC	Financial Reporting Centre
KBA	Kenya Bankers Association
KBRR	Kenya Bankers Reference Rate
CBR	Central Bank Rate
MFIs	Micro-Finance Institutions
NGOs	Non-Governmental Organizations
RBT	Resource-Based Theory
SME	Small and Medium Enterprises
TA	Technical Assistance

ABSTRACT

Strategy implementation is the action of translating the chosen strategy and policies into actions in order for the organization to achieve its goals and bring about the desired results. Strategies are critical in organizations and the successful implementation of the strategy is a major challenge for most organizations. Strategies fail to achieve the expected results if the execution is flawed, if there is no commitment to the strategy process by the leaders involved and when the right resources are not put in place to support the strategy process. Failure to execute strategy properly limits growth in an organization and the organization is subsequently not able to adapt to the environmental competitiveness. The objective of this study was to establish the strategies implemented at Sidian Bank, establish the challenges of strategy implementation at Sidian Bank in Kenya and to establish how Sidian Bank can overcome these challenges. In order to achieve these objectives, primary data was collected using an interview guide. Face to face interviews were conducted with the bank's senior and middle management and the data collected was analyzed using content analysis. Secondary data was collected from the banks strategic plan, financial reports and the bank's website. The study identified the strategies implemented at Sidian Bank as well as several challenges affecting the bank in the implementation of their strategy. Some of the challenges identified include changes in regulation especially the new laws on interest capping, not being able to attract and retain top talent, inadequate communication, inadequate resources and frequent changes in the organization structure. Recommendations of the study are that the bank should evaluate its external environment carefully and be ready for any changes that may be announced, the bank should also find ways of being an employer of choice in order to attract and retain the right talent, improve on communication of the strategy to the various teams and deploy enough resources for the strategy process.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy is a plan of action or policy designed to give direction to an organization in order for the organization to achieve its goals and bring about the desired results. It involves the process of translating the chosen strategy and policies into actions. Strategy ideally matches the results of an organization's internal and external environment and devises plans of action aimed at meeting the expectations of stakeholders (Johnson & Scholes, 2002). Many organizations commit enormous resources in the development of strategy, however, successful implementation of these strategies remains a big challenge since the environment in which organizations carry out business keeps on shifting (Robinson & Pearce, 2009). As a consequence, organizations have to keep on modifying strategies in order to remain relevant in the business or markets they are involved in. Commercial banks, for instance, operate in a dynamic environment with changes such as customer needs, customer profiles, regulation, exchange rates, and competition among players happening continuously. These constant changes in the environment under which the banks operate puts them under pressure to continually look at their strategic plans and to review their relevance or formulate new ones to suit the existing trends and to remain relevant.

All organizations need to have a clear understanding of the external economic trends that directly or indirectly affect their industry because ultimately they will affect consumption patterns. These include regulation, interest rates, rates of inflation and trends in the Gross Domestic Product (Johnson & Scholes, 2002). As the environment changes, firms must change their strategies in order to survive. In turbulent environments, strategic thinking enables organizations to be flexible enough to change accordingly.

Once an organization has formulated its strategy, the next top priority for the organization is the effective implementation of the strategy. Despite this being a priority, organizations report high failure rates while translating their strategies into actions. This has been witnessed in the banking industry in Kenya, where a number of commercial banks that have been put under receivership in the recent past, these include; Dubai Bank, Imperial Bank, and Chase Bank. These banks failed due to various reasons such as lack of sound corporate governance, poor strategy formulation and implementation, high cost of funding making them unprofitable, changes in regulation, high rates of non-performing loans among other reasons.

Successful organizations take into account the Resource-Based Theory which states that the different resources owned by a firm can have a significant influence on its performance. The Resource Based Theory is a theoretical framework that seeks to understand how firms can use available resources to achieve sustainable competitive advantage and how the competitive advantage achieved can be sustained over the long term (Barney, 1991). Organizations should also take into account the Stakeholder's Theory View. The Stakeholder Theory guides organizations on organizational management and business ethics, it is equivalent to Corporate Social Responsibility (CSR) and looks at the social impact in managing an organization.

Sidian Bank, formerly K-Rep Bank first developed a 10-year strategic plan in 1989 when it changed its business from giving grants to NGOs to lending to the NGOs. In 1999, the bank developed a 10-year strategic plan which involved converting it into a Micro Finance Bank and that is when K-Rep Bank was established. The bank rebranded to

Sidian Bank Limited in April 2016 and changed its strategy to focus on small and medium enterprises (SME) and corporate customers and new business units namely Enterprise, Corporate and Institutional Banking were unveiled. Sidian Bank Limited is now a commercial bank providing various financial services to retail customers, small and medium enterprises, mid-sized companies, and major corporates (Sidian Bank website-www.sidianbank.co.ke).

1.1.1 Strategy Implementation

Strategy implementation in simple terms is all about the organization of the firm's available resources in order to achieve the goals and objectives that the firm has set. During the implementation phase, a firm's strategy is translated into various organizational and business level actions all aimed at enabling the organization to meet its strategic goals and objectives. Implementation is that phase in which the organization puts in place systems, people, policies, and procedures in order to act on set goals and objectives (Drazin & Howard, 2002). According to Pearce and Robinson (2007) implementing strategy is an operations based activity which revolves around the management of people, resources, and processes. Pearce and Robinson (1998) cited out that it is important for an organization to understand and adjust to their environment if they have to successfully meet the goals and objectives set through the strategy formulation process. Implementation is almost as important as the strategy formulation itself hence should be given the same attention as strategy formulation.

Strategy implementation can be challenging and most organizations have recorded very low success rates (Raps & Kauffman, 2005). It is very easy for managers and change leaders in organizations to forget the primary objectives as the strategy moves into the

implementation stage. In most cases, the initial momentum is lost before the full implementation is achieved. Successful strategy implementation poses a challenge to organizations and it demands patience, resilience, determination and effort from the implementation managers. For strategy implementation to be successful, there has to be a seamless interpretation of the entire process of implementation by the people involved (Raps & Kauffman, 2005). In a study on strategy implementation, Awino (2001) noted that when there is no seamless fit between the chosen strategy and the structure in place and when information is not adequate and communication systems are not efficient as well as the failure to cascade the skills, then strategy implementation is affected. He noted that the lack of connection between strategy formulation and strategy implementation, poor resource allocation, resistance to change and a culture that is not supportive of strategy implementation as the main challenges.

Successful implementation of strategy requires the dedication and involvement of everyone in the whole process and thorough planning by the implementation managers. This helps to stem resistance, which is usually one of the main challenges in strategy implementation. The resistance is usually from the people who feel that the strategy implementation is not for their own good and is being forced on them. Resistance to change is driven by various factors and not necessarily the change itself and is an indicator of underlying challenges within the organization. These underlying challenges need to be addressed by the managers charged with implementation and should also be used as a future indicator of underlying problems within the organization (Burnes, 1996).

The challenges of strategy implementation are many and these include unsupportive organizational culture, poor communication, ineffective change agents, and dynamic business environment. In some cases, the stakeholders may be skeptical of the strategy based on past experience where the organization has had failed programs. According to Beer and Eisenstat (2000), there are various problems that affect strategy implementation and these are; poor communication of the strategy, poor coordination across the organization, complacent by upper management, conflicting priorities, ineffective management and inadequate skills.

1.1.2 The Banking Industry in Kenya

The Banking industry in Kenya is regulated by the Central Bank of Kenya Act, the Banking Act and the Companies Act. These acts are applied together with other prudential guidelines issued by the Central Bank of Kenya (CBK) from time to time. The Central Bank of Kenya is responsible for formulating monetary policy, promoting price stability, issuing currency and performing other functions conferred on it by an Act of Parliament. The Central Bank has boards such as the Financial Reporting Centre (FRC), the Anti- Money Laundering (AML) Advisory Board and the Assets Recovery Agency. The FRC is meant to provide guidance in defining strategic direction of the Financial Reporting Centre (FRC) (Central Bank of Kenya - www.centralbank.go.ke)

Banks in the Kenyan economy have come together under the Kenya Bankers Association (KBA). KBA serves as a lobby body for the interests of the players in the banking sector. KBA encourages its members to employ best practice when providing financial services to its customers, including the highest level of customer experience when engaging with

the general public. The bankers association promotes and develops sound and progressive banking principles and practices and contributes to the banking sector's development in Kenya. KBA also manages the public relations aspects of banking as a service industry as well as negotiating employment terms on behalf of its members. KBA maintains close coordination and liaison with the Central Bank of Kenya, Financial Institutions, the Kenya Chamber of Commerce and Industry, the Federation of Kenya Employers, and other such organizations (Kenya Bankers Association - www.kba.co.ke)

Banks are very critical in an economy as they facilitate economic activity through the channeling of savings from depositors to borrowers, creating loans from deposits and enabling economic growth. Players in the banking sector have experienced increased competition over the last few years, resulting from increased innovations such as mobile banking among banks in Kenya and ongoing innovation such as internet banking by the existing banks as well as new banks entering the market. The Central Bank of Kenya is charged with overseeing the operations of all commercial banks in Kenya and has an inspection department which keeps the banks in check and evaluates all risks facing the banks and proposes ways of managing those risks. As at 31st December 2015 the Kenyan economy had 42 Commercial Banks, 22 Micro-Finance Institutions (MFIs), over 200 Forex Bureaus and 3 Credit Reference Bureaus. Three of the banks in Kenya have a significant government ownership while twenty seven are privately owned. Of the foreign owned financial institutions, eight are locally incorporated while four are branches of their foreign incorporated parent companies. Of the forty two commercial banks in Kenya, Seventy one percent are locally owned and the remaining twenty nine percent are foreign owned (Central Bank of Kenya, 2015 report - www.centralbank.go.ke).

1.1.3 Sidian Bank Limited

Sidian Bank Limited, formerly K-Rep Bank, was established in 1984 as a project that supported the development of Small and Micro Enterprises through NGO (Non-Governmental Organization) managed programs and in 1987 the project was incorporated as a local NGO. The NGO developed its first formal strategy in 1989 when it changed from the original focus of supporting NGOs with grants and technical assistance to that of advancing loans to the NGOs. In the same year, the Organization established a micro-credit lending program and established this as the core business and growth area. The Organization also expanded its activities to include research & product development, as well as changing its Technical Assistance (TA) activities to a for-a-fee capacity building service (Sidian Bank website - www.sidianbank.co.ke).

The Organization underwent a change in strategic direction in 1999 when K-Rep Bank, a commercial bank was established alongside two other entities; K-Rep Development Agency to carry on its research and development work and K-Rep Advisory Services to serve as its consulting wing. The bank's strategy over the last couple of decades has been to create value for the customers and also to maintain positive impact to the community.

Centum Investment Company Limited, a Kenyan based investment company listed on the Nairobi Securities Exchange and cross listed on the Uganda Securities exchange acquired a controlling stake of 67.54 per cent in Sidian Bank Limited at the end of the year 2014 thereby becoming the majority shareholder of the bank. Centum immediately embarked on a transformation that saw the Board develop a vision for the bank to tremendously grow over the next five years (Sidian Bank website - www.sidianbank.co.ke).

The Board conceptualized a vision for the Bank as a leading Tier II bank known for convenience and choice based on two pillars. The first pillar was a leading Tier II bank known for convenience and choice, leading in terms of; return on equity of 35%; target of an asset base of Ksh 125 billion in five years; significant market share in microfinance and SME market; exemplary customer service translating to satisfied customers; employee engagement translating to happy employees. The second pillar was a financial supermarket providing excellent customer service, convenience and choice. To support these plans, Centum injected an equity stake of Ksh 1.2 billion into the bank and a new leadership team was recruited, led by the current CEO Mr. Titus Karanja (<http://www.businessdailyafrica.com/Corporate-News>).

It is from this background that Sidian Bank Limited, the then K-Rep Bank, engaged Altima Africa Limited between February 2015 and May 2015 to facilitate the review of the bank's strategy, to be in tandem with the two pillars. The review process included a document review exercise, preliminary meetings with 22 top managers, three staff focus group discussions and eight focus group discussions with customers. This culminated into a two day workshop with 17 senior managers during which the strategic objectives and action matrices were crystallized (Sidian Bank 2014 – 2019 Strategy document)

From the feedback of the review process, the bank rebranded to Sidian Bank Limited in April 2016 and changed its strategy to focus on SME and corporate lending and new business units namely enterprise, corporate and institutional banking were unveiled. Headquartered in Nairobi, with assets of Ksh 18 billion as at March 31, 2015, Sidian Bank Limited is now a fully-fledged commercial bank providing various financial

services to retail customers, small and medium enterprises, mid-sized companies, and major corporations. The bank operates 38 branches in all major towns across Kenya. The bank in its expansion strategy is targeting to put in place 3,000 agency outlets in two years' time to increase convenience and functionality for its 300,000 customers. (www.businessdailyafrica.com/Corporate-News).

1.2 Research Problem

Strategy implementation has not attracted as much attention or research as strategic planning or strategy formulation. Alexander (1985) suggests that the various reasons why strategy implementation has not attracted that much attention as; strategy implementation not as exciting as strategy formulation, it is often overlooked because most people believe that this job can be done by anyone and in most cases the people concerned are not very sure what it involves. Strategy implementation is as important as strategy formulation and should be taken into account when planning and the discussion should include the largest possible number of people in the organization.

According to Beer and Eisenstat (2000), there are six reasons why various strategies developed by firms are not implemented effectively. These reasons include poor management, weak leadership and poor teamwork, lack of strategic direction, lack of commitment, and lack of competence by the people involved. According to Johnson and Scholes (2002), the implementation of appropriate strategies remains one of the most difficult areas of management. Substantial energy and resources must be provided for strategy to be implemented efficiently and effectively.

Some of the most common mistakes in strategy implementation include the absence of understanding or insufficient information on how the strategy should be implemented, not having customers in mind while implementing, poor management of the process, staff not fully appreciating the strategy being implemented, ambiguous responsibilities in the implementation process, difficulties or obstacles not acknowledged in good time and acted upon, and finally ignoring the day to day business requirements. It is increasingly acknowledged that the traditionally recognized problem of inappropriate organizational structure and lack of top management backing are not the main constraining factors to effective strategy implementation (Aaltonen & Ikavalko, 2002).

Hansen, Boyd and Kryder (1998) identified failing to occasionally alter the plans or adapt it to changes in the business environment, deviation from original objectives and lack of confidence around success as additional implementation problems. Banks in general face various challenges in strategy implementation ranging from lack of commitment to strategy implementation, bridging the gap between strategy formulation and implementation, among others. Sidian Bank Limited in its endeavor to implement its strategy for the period 2015-2019 faces a host of challenges ranging from regulation, interest capping, competition, high interest rates, inflation, unstable currencies, weak Kenya shilling, and banking crisis that have seen several banks like Dubai Bank, Imperial Bank and Chase Bank put under receivership. High staff turnover, advances in electronic banking and slowed economic growth in Kenya are also facing Sidian Bank.

Various scholars have studied the challenges of strategy implementation in the banking sector in Kenya. For instance; Ochieng (2012) carried out a study on challenges of strategy implementation at Ecobank Kenya Ltd, Nyangweso (2009) carried out a study on

strategy implementation challenges at Co-operative Bank of Kenya, Njagi (2010) carried out a study on challenges of strategy implementation at Equity Bank Kenya Limited and Muthuri (2010) carried out a study on challenges of strategy implementation at National Bank of Kenya.

It is evident that studies have been carried out on Commercial banks in Kenya. At the time of these studies, all these banks were already fully fledged commercial banks and most of them had fully fledged commercial operations and these studies focused on the challenges of strategy implementation in existing commercial banks. All these researchers established that the most important success factors for these banks to achieve a competitive advantage and to better their performance are; developing strategies, utilizing available resources, establishing control systems, and amalgamating the organizational structure. Sidian Bank is of a different context in terms it's completely changed strategic direction from a Micro Finance Bank to a Corporate Bank.

The banking industry has witnessed tremendous changes which are brought about by high cost of funding, globalization, liberalization, shorter product life cycle, intensified competition among rivals, changing regulations and prudential guidelines, new technology, demanding consumers and low regard for local banks following the collapse of several locally owned banks in Kenya. It is clear that Sidian Bank has taken a different strategic direction. The researcher sought to establish the strategies Sidian Bank is implementing in its new strategic direction, the challenges it is facing and how it is responding to these challenges?

1.3 Research Objectives

The objectives of this study were:

- i) To establish the strategies that Sidian Bank Limited in Kenya has implemented.
- ii) To identify challenges of strategy implementation at Sidian Bank Limited.
- iii) To identify measures taken by Sidian Bank Limited to deal with the strategy implementation challenges.

1.4 Value of the Study

Findings of the study will particularly be useful to the managers and Board of directors of Sidian Bank as well as managers in other commercial banks in Kenya. It will help them understand the challenges of strategy implementation in the banking sector and how to overcome them. The findings of this study will help in guiding the strategy team at Sidian Bank in strategy formulation and on how to successfully implement their strategy. The findings will also help the strategy team to establish how they can mitigate the challenges of strategy implementation. These findings will also assist in the development of policy by the regulators such as the Central Bank of Kenya given the challenges facing banks today. For instance Central Bank could use the findings to know if the bank's leadership is a challenge to its strategy implementation and subsequently come up with a policy on how to improve leadership in the banks in Kenya.

The findings of this study are likely to be of use to future academicians and researchers as they could be used to contribute to the existing knowledge in the area of challenges of strategy implementation and could form a basis for further research as it fills gaps for past studies and gives recommendations for future studies. Finally, existing financial

institutions and other institutions could use this study to provide additional knowledge on challenges of strategy implementation in locally owned banks especially during this time when banks are being put under receivership so as to avoid the pitfalls of the closed banks. The study will be useful as a source of information to potential and future strategic management scholars in Kenya, in expanding their knowledge on strategy, strategy implementation and will also give them an opportunity to identify areas of further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter focuses on literature review. It details the various theories underpinning the study, strategy implementation, challenges of strategy implementation and measures of dealing with challenges of strategy implementation. This chapter also summarizes the information from other researchers who have carried out their research in the same field of study.

2.2 Theoretical Foundation

This study was anchored mainly on two theories. These are the Resource-Based Theory (RBT) and Stakeholder Theory. The resource-based theory will give an impetus to the relationship between the strategic planning of resources and strategy implementation in an organization and the influence on firm performance while the stakeholder theory addresses morals and values in managing the firm.

2.2.1 Resource-Based Theory

The Resource-Based Theory of the firm is a theoretical framework where scholars try to understand how competitive advantage within a firm is achieved through the resources available at the firm's disposal and how that advantage might be sustained over time (Barney, 1991). This theory states that the different resources owned by a firm can have a significant influence on its overall performance. Variations in terms of resources will undoubtedly lead to performance differences. Therefore possession of resources which are unique is a source of superior performance in strategic planning (Pasanen, 2013).

The RBT further states that a successful business must have resources to use in the implementation of their strategy. A resource is a source or supply from which benefit is produced to provide a sustainable competitive advantage over the competition. Competitive advantage is created when an organization owns and employs resources and capabilities to create an advantage over its competitors which ultimately results in a superior value which is valuable and non-substitutable (Dollinger, 2003). This theory is used to explain how strategic planning can create a sustainable competitive advantage and hence contribute to the organization performance (Barney, 1991)

2.2.2 Stakeholders' Theory of Strategic Management

According to the stakeholder theory, firms possess both explicit and implicit contracts or agreements with various constituents and are responsible for honouring all the contracts. Stakeholder theory, which has been described by Freeman, Wicks and Parmar (2004) and others, is similar to corporate social responsibility (CSR) where a firm aims to impact the society in which they operate positively. Instead of starting with the business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world and then looks into the business. It lists and describes those individuals and groups who will be affected by (or affect) the company's actions and examines their legitimate claims on the business. Companies are genuinely concerned with social issues affecting their customers and their stakeholders and this has led them to establishing CSR activities which help them connect with their customers and stakeholders (Bigné, Currás-Péred & Aldás-Manzan, 2012). This improves the stakeholders and customers perception of the

firm. Researchers have acknowledged that any firm can focus on meeting stakeholder's expectations and that such strategy of focusing on the stakeholders potentially enhances business performance (Ferrell, Gonzalez-Padron, Hult & Maignan, 2010; Phillips, Freeman & Wicks, 2003).

Stakeholder's theory looks at both internal and external stakeholders of the organization. Employees, the Board, and Management are internal stakeholders who directly participate in the operation of business. The attitudes of employees should be of interest to the management because employees are the ones who drive strategy and are key in the successful implementation of strategy as well their influence on corporate decision making (Spitzeck & Hansen, 2010). The company management is charged with representing the interests of the shareholders as well as the social task of coordinating their interests and balancing the same to safeguard them and eliminate any possible conflict. The effectiveness of managerial actions depend on how well managers understand stakeholder's interests and influences how they respond to them (Wing-Hung Lo et al., 2010). Managers should use approaches which monitor stakeholders such as environmental scanning and stakeholder alignment as these helps to understand the wider business environment. External stakeholders, on the other hand, are individuals, companies or groups outside the company that can affect or be affected by an organization's activities (Fassin, 2008). They equally have an influence on decision making and thus it is important when they accept the firm's social responsibility activities.

2.3 Concept of Strategy

Strategy means looking at the future to determine what the company wants to become, and then putting in place a plan to achieve that future. The organization has to match its operating environment to its markets and customers in order to meet the expectations of the stakeholders (Johnson & Scholes, 2002). In order to formulate suitable strategies, top management must consider all aspects of the dynamic environment and understand the needs to take the future into account and establish a strategy that is able deal with the changes that are taking place in the environment to meet company's objective.

Pearce and Robinson (2000) identified critical tasks in the strategic management process. According to the strategic management scholars, the process starts with the formulating of the company's vision, mission, philosophy, and goals. This is then followed by conducting an analysis of the company's internal conditions and capabilities, followed by the assessment of the company's external environment; both the competitive and general contextual factors and finally an analysis of the company's options by matching the resources with the external environment.

Quinn (1996) defined strategy as the integration of organization's major goals, policies, and actions into actionable plans. According to him, a well-formulated strategy can help in allocating the organization's resources into viable and actionable plans. The word 'strategy' entered in the field of management from the military services and it referred to the act of the general which is to say the psychological and behavioral skills of employing forces to overcome the opposition and to create a unified system of global governance. This is to say a future plan of action, undertaken by senior management at a high level of abstraction (Ritson, 2008). It also refers to applying the forces against an enemy to win a war.

Strategy formulation is the process by which an organization selects the most appropriate course of action from a number of actions aimed at helping them achieve their corporate goals. It is the process of putting plans and strategies into action to reach the desired goals, it involves setting the vision, mission as well as the analysis of the external environment to establish the strengths, weaknesses, opportunities and threats affecting the organization. Organizations have to systematically agree on priorities that are essential to their vision and mission and responsive to their environment. Agreeing on priorities helps organizations to identify and select the most appropriate and efficient methods of using the available skills and resources to achieve the specified objectives, while taking into account the external environment.

Strategy is usually formulated on three levels namely corporate level strategy where the main vision is defined, business level strategy where the various businesses define their business actions and operational level strategy where various operations are defined to achieve the main vision. Strategy is about competition and products are the ones which compete as opposed to the organizations. Corporate level strategy is driven at the Board level while the business level and operational level strategies are driven by business units. The role of the organization is to manage the business units and products so that they can continue being competitive and contribute to the achievement of the organization's goals and objectives (Porter, 1980).

The strategy provides direction to the organization and helps the organization in achieving set goals and objectives and also helps them when responding to the opportunities and threats facing the organization (Pearce & Robinson, 2007). Porter

(2004) defines strategy as a creation of a unique position of compromises in the competition which involves a set of strategic activities that carefully fit together, support each other, are reliable, and ensure maximization of organizational effort. Mintzberg (2003) defines strategy as a pattern or a plan that integrates organization's major goals, policies and action into a unified goal. Pearce and Robinson (2007) define strategy as the company's scheme which results in future-oriented plans acting together with the competitive environment to achieve the company's objectives.

Ansoff and McDonnell (1990) define strategy as a set of decision-making procedures for directing organizational behavior and actions. They go on to state that strategy is used as a pointer to measure a firm's performance and to define its relationship with the external environment. Strategy is the general outline that provides direction for actions to be taken by the organization to achieve the end, meaning that it is necessary to have a clear understanding of the end to be obtained. Without a clear end in view, the actions are just an activity and can quickly turn into nothing more than going round in circles.

Strategy supports in positioning a firm in the environment in which it operates and also in defining the obligations of the firm to its stakeholders (Johnson & Scholes, 2002). Strategy is also defined as an organizations plan of policies and actions and is used to create sustainable competitive advantage, which is according to (Pearce & Robinson, 2000). The organization needs to constantly look at its strategies in relations to what the competition is doing. This is critical because firms in the same industry tend to compete for the same customers.

2.4 Strategy Implementation

Strategy implementation is defined as a way in which organizations develop, make use of structures, control systems, and organizational culture to lay out a strategy that will lead to competitive advantage and better performance (Pearce & Robinson, 2007). It is the process that turns strategies and plans into smart actions in order to achieve strategic goals and objectives.

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning itself. Alexander (1985) suggests several reasons for this as; strategy implementation is not as exciting as strategy formulation, it is often overlooked because it is believed that anyone can do it, the people involved are not sure what it involves, or where it begins as well as where ends and anyway, there are only a limited number of conceptual representations of strategy implementation.

Ansoff (1999) describes implementation as the process of executing plans and actions to enable the organization move towards achieving the desired strategic direction. Thus, it is the process of translating strategic plans, actions and policies into strategic goals. Various management activities are involved in the process of strategy implementation and these activities are necessary to institute controls as well as monitor the progress. Once controls are instituted and progress monitored, the organizational goals and objectives are achieved easily. According to Raps and Kauffman (2005), the strategy implementation in an organization covers matters that enable the cascading of the strategy to all functional areas of the business; these are compensation, management, motivation, appraisal and control processes, these support the implementation process.

The first step in implementing strategy involves organization of resources, creating policies, and creating reward structures. The steps in implementing a strategy includes developing an organization having potential of carrying out strategy successfully, disbursement of abundant resources to strategy essential activities, creating strategy encouraging policies, employing best policies and programs for constant improvement, linking reward structure to accomplishment of results and making use of strategic leadership (Hussey & Hussey, 1997).

Strategy implementation is not a single decision or action but a collection of organized and continuous activities over a specified period of time. It is not the leadership or the management that implements strategies but the people working in the organization. The management needs to consider whether they have the right people with the right skills and competencies and whether they are motivated. Communication is also important since people can accept a strategy if they know about it and understand it well, this is done through communication of the strategy to the people involved.

2.5 Strategy Implementation Practices

Strategy implementation refers to the process of putting strategy in place for the organization. Whereas most organizations develop very good strategies, successful implementation remains a major challenge because translating strategy into action is far complex, difficult and expensive. Strategy implementation involves a degree of modification meaning that things cannot continue being the same and the effective management of change can significantly affect the effective implementation of the desired strategy (Alexander, 1985). Once a strategy is implemented the next phase is

strategy evaluation, at this stage, the assessment of the success of the implemented strategy is carried out to find out if the strategy is working. Strategy evaluation is not as researched as strategy formulation but it is as important in establishing the level of success in the implemented strategy. It mostly deals with measuring the performance and helps to notify when the chosen strategy requires modification or evaluation to match the changes in the external environment. Strategy is a continuous process and not a one off activity and thus needs continuous evaluation (Pearce & Robinson, 1985).

The level of strategy implementation depends on the degree of participation by employees in the planning process and in the acceptance of the set goals and targets. It has become a widely held principle that people provide organizations with a significant source of competitive advantage that the effective management of human capital, not physical capital, may be the ultimate determining factor of organizational performance (Pearce & Robinson, 2003).

Strategy implementation is considered important in most organizations and the importance depends on how different organizations practice it. Various organizations often redefine their vision and mission statements, they organize seminars and hire consultants to offer guidance on formulating strategies that will help the organization achieve competitive in the ever changing environment. The knowledge, skill and experience of people can be the key factors enabling the successful implementation of strategies. Bonoma (1984) suggests that successful implementation of strategies requires execution skills, interaction skills and managing behavior in order to achieve objectives.

Strategy implementation practices play an important role in organizations as it focuses on customer satisfaction, efficient production, quality management, improved technology, research and development and efficient human resources management.

2.6 Challenges of Strategy Implementation

Whereas most organizations develop very good strategies, successful implementation remains a major challenge because translating strategy into action is complex, difficult and often expensive. The challenges range from the vision, the mission, corporate value statements and trust that are emphasized during formulation of the strategy but forgotten during the implementation phase. Effective leadership is the greatest challenge of all and failure occurs due to weak enablement and lack of persistence. Emotional intelligence in leaders is required as it will help eliminate the chances of negative emotions breeding in the organization where positive energy and composed minds are critical.

Another challenge is too much confidence in leaders where the leaders and organizational members believe their brand is more powerful than the competitors leading to complacency in implementation. Forecasts are based on what may happen in future often based on optimistic estimates of uncertainties. Changes in the environment during implementation may become a challenge when the strategy is formulated on the assumption that the environment will not change. Organizational trap is another challenge which could mean an excessive focus on efficiency with no flexibility to adapt to changes. Strategy implementation also becomes a challenge when people believe there should be no mistakes, no questioning or challenging the current strategy is evident.

When organizations put strategy before people they are bound to fail because strategy is driven by the people. When strategy is not aligned to organizational culture it will meet with resistance and opposition. Another challenge is when strategy and structure are not in aligned, structure supports strategy and it is important to have an enabling structure for the strategy to be successful.

Reed and Buckley (1988) identified various problems that are associated with strategy implementation key among the lack of a clear fit between structure and strategy, if the structure of the organization cannot support the strategy then there will be problems with implementation. Aosa (1992) also added that the lack of a fit between strategy and culture can lead to resistance to change and discouragement, which in the end can frustrate the strategy implementation process. Aaltonen and Ikavalko (2001) noted that communication, both oral and written is mostly efficient in most organizations and that there is sufficient top down communication. Communication however great does not always guarantee the acceptance of the strategy and there is still a lot to be done for there to be effective communication of strategy.

For strategy implementation to be successful, top managers must demonstrate their willingness to give drive and devotion to the strategy implementation process (Kombo, 2008). To support effective implementation of the strategy, the firm needs to have the right leadership in place as well governance and operational structures. The organization structure should be aligned with the strategy being implemented (Pearce & Robinson, 2002).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used in the study. It focuses on the research design, data collection and data analysis.

3.2 Research Design

This research was conducted through a case study. A case study is an in-depth investigation of a single person, group, event or community (Mugenda & Mugenda, 2003). Kothari (2004) says that “case study is a form of qualitative analysis where a careful and complete observation of an individual or a situation or an institution is done; efforts are made to study each and every aspect of the concerned unit in minute details and from case data, generalizations and inferences are drawn”. In this case, the phenomenon that was studied is Sidian Bank. One of the main advantages of a case study is that it provides a good understanding of a certain phenomenon and it is a reliable instrument to inquire a certain phenomenon.

The case study serves as a useful means of revealing an in-depth and extensive description of the challenges of strategy implementation at Sidian Bank. The primary purpose of the case study was to develop a deeper understanding of the phenomenon itself and to establish the relationships among the factors that have resulted in the behavior under the study. This study sought to establish the challenges of strategy implementation at Sidian Bank, a case study was deemed the best design to achieve the objectives of the study.

3.3 Data Collection

The study used primary data. Primary data was collected through the use of an interview guide with open ended questions. An interview guide was used to conduct face to face interviews with the interviewees and this is how the data was collected. An interview guide is a set of questions that guide the interviewer when interviewing, it helps the interviewer to structure the interview (Mugenda & Mugenda, 2003). An interview guide makes it possible to obtain data required to meet specific objectives of the study. The interview guide was preferred over other methods of collecting data because of its ability to extract information from the respondents. The interview guide gives the researcher a better understanding and more insightful interpretation of the results from the study.

In the study, the researcher selected nine respondents who included the Chief Executive Officer, Director of Business Development, Human Resources Manager, Chief Finance Officer, Head of Treasury, Director Strategy, Head of Branches and two branch managers. The selected respondents are critical in strategy implementation process and influence strategy in one way or another due to their senior positions.

3.4 Data Analysis

The data collected was qualitative data and was analyzed using content analysis. Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. Content analysis is defined by Mugenda and Mugenda (2003) as a technique for systematically and objectively describing written, spoken or visual communication and identifying characteristics of key messages using the same approach to relating trends.

The information from the various interviewees was evaluated and documented as findings for this study. The responses in the open ended questions were grouped into categories which are mutually exclusive and exhaustive. The researcher studied each question separately from all the interviewees; this enabled the researcher to get a clear idea about the total responses of subjects to certain issues. The researcher used qualitative analysis method to understand the topic under study and the method was suitable as it did not limit interviewees on the responses and it helped generate more information to meet the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter of the research project presents the findings, analysis, and discussions of the study. The objectives of this study were to establish the strategies Sidian Bank Limited in Kenya has implemented, identify the challenges of strategy implementation at the Bank and to identify the measures taken by Sidian Bank Limited to deal with strategy implementation challenges.

The respondents comprised of top level management and all the nine intended respondents were interviewed and they included the Chief Executive Officer, Director of Business Development, Human Resources Manager, Chief Finance Officer, Head of Treasury, Director Strategy, Head of Branches and two branch managers from the bigger branches. The interviewed respondents had been involved in the strategy formulation and implementation process and thus their knowledge of the strategy process at Sidian Bank helped in the achievement of the research objectives.

4.2 Strategy Formulation and Implementation at Sidian Bank

4.2.1 Strategic Intention

The respondents reported that the bank has undergone a formal strategy formulation process as specified in their strategic intent to grow into a tier 11 bank. It is evident from the feedback from the respondents that strategy exists at Sidian Bank and it is also evident from the website which states the vision, mission and values clearly as well as other branded materials within the bank. All the respondents confirmed that they are familiar with and have seen the final strategy document. The strategy of the bank is to

grow to a tier 11 bank by growing the customer base to 1.5 million customers in the next three years, recruiting 3,000 agents and opening five new branches. This is in line with their vision which is to become the preferred partner in realizing entrepreneurial potential. According to the Chief Executive Officer, the bank plans to dedicate resources, time and staff to understand enterprise owners and their businesses in the specific segments and sectors, they will then ask what their pain points are and see how they can solve them as a team, this way, the bank will be able to help the entrepreneurs realize their entrepreneurial potential. The Chief Executive Officer indicated that the critical element of the Sidian Bank strategy as it being centered on the client who is the entrepreneur. He also indicated that the bank will endeavor to deliver convenience and choice by pursuing a culture of service excellence and results.

According to the respondents, the bank plans to recruit the right people to support in the implementation of the strategy. The Chief Executive Officer mentioned that this strategy has already taken shape and they have recruited a Director of strategy to support the Chief Executive Officer in the implementation process, other staff hired in the recent past are a Business Development Director together with a qualified business development team whose main goal is to grow the customer base as well as implement the business development strategy.

4.2.2 Process of Strategy Formulation

According to the respondents, some of the key strategy formulation tasks included the performance of a gap analysis, sourcing for long term funds and investment in technology which has been the largest investment so far. The bank has invested heavily in

information technology, they recently invested in IBM systems for the core infrastructure and this is up and running through a full managed service by IBM for efficiency and to increase the up time of the core banking systems, mobile systems, internet banking and branch operations. The researcher established from the respondents that the Chief Executive Officer's office is responsible for formulation, implementation and coordination of the strategy process and that the process is led by the Chief Executive Officer and supported by a Director of Strategy.

4.2.3 Strategic Awareness and Clarity of Strategic Intention

All the respondents were able to articulate the mission of the bank with clarity and were aware of the strategic priorities as articulated by the Chief Executive Officer. According to the respondents, the vision of the bank is to be the preferred partner in realizing entrepreneurial potential and their mission is to empower entrepreneurs to create wealth through provision of transformational financial solutions. All the respondents confirmed that they were aware of the shared values at Sidian bank which are to explore, know more, innovate and create, thus bringing new possibilities to their customers.

Six of the respondents indicated that the Board has appointed various Board Management Committees and through these committees, the Board is tasked with the specific strategic areas of the bank's strategy implementation and that this helps to keep the management in check and on track. The committees include Branding Committee, Assets and Liabilities committee, Credit Committee and Technology Committee who meet regularly, at least once a month or a quarter to drive strategy in their specific areas.

4.2.4 Dissemination of Strategic Intention

According to six out of the nine respondents, communication is a critical aspect of the strategy and the six confirmed that the communication of the strategy is done by the Chief Executive Officer's office. The six respondents also confirmed that communication to management and staff is clear whenever there is a change in the strategic direction of the bank. The six respondents indicated that the style of communication that Sidian Bank has applied in communicating the strategy is the top down approach where the executive starts with the bigger picture and breaks it down into smaller segments for the various departments. The study found that the leadership has established mechanisms for communicating the strategy and these include departmental meetings, training, as well as workshops and seminars targeting different groups within the organization. However, some respondents indicated that there are instances where communication has been poor leading to poor strategy cascade and eventually flawed implementation. Poor communication has led to instances of miscommunication of some of the strategic initiatives in the past.

When asked what the process of developing annual objectives and short-term strategies that are compatible with the strategy is, seven out of the nine respondents indicated that the process included a document review exercise, preliminary meetings with top managers, staff focus group discussions and focus group discussions with customers and feedback was taken back to the formulation team. The bank organized focus group meetings during the strategy formulation process and these meetings culminated into a two day workshop with senior managers during which the strategic objectives and action matrices were crystallized.

4.2.5 Top Management Support and Involvement

When asked if the top management support the strategy, all the respondents indicated that top management is very supportive of the strategy and that they have taken time to explain and cascade the strategy to the whole organization. The Chief Executive Officer confirmed that he has taken it upon himself to ensure that everyone in the organization is aware of the strategic intent of the bank and that all employees are working towards the same goals as an organization. All the respondents said that there is early involvement of the employees at all levels in the strategy implementation process and that the early involvement helped the staff feel as part and parcel of the strategy process which led to greater involvement and acceptance of the strategy and subsequent successful implementation.

4.3 The Challenges of Strategy Implementation at Sidian Bank

4.3.1 Leadership and Corporate Governance

Sidian bank has established corporate governance structures and the structures are the Board, Board Committees, the CEO, Directors, Department Heads, Middle Level Management and Supervisors. With this corporate governance structure which is documented in a well laid out and clearly detailed organization structure, the bank is able to allocate strategy implementation related tasks to the different levels of management while ensuring that the Board remains the top organ of the structure and takes full responsibility for the overall bank strategy.

When asked whether the leadership and corporate governance was a challenge and the importance of management ability or competence in achieving successful strategy implementation practices in the bank, the respondents indicated that the leadership was

strong and that department heads have to demonstrate their understanding of the business level strategy and have the ability to lead the team to achieve objectives laid down for their departments. According to the Director of Business Development and some Heads of Departments, there is a targeted drive towards the culture of performance and monitoring of the specific objectives is done on a day to day basis and this has led to achieving the business unit objectives. Four out of the nine respondents interviewed, indicated that sometimes the leadership did not cascade strategy downwards in a timely manner and that this has sometimes led to delay in implementation.

4.3.2 The Bank's Internal Environment

4.3.2.1 Organization Structure

Sidian Bank has an organization structure which is led by the Board and supported by the Chief Executive Officer and the management. When the researcher asked the respondents how appropriate the current organization structure is in supporting the implementation of the strategic initiatives, six out of nine respondents indicated that the organization structure was not appropriate and that more needed to be done to make it more efficient. The Chief Executive Officer mentioned that the bank had recently unveiled a new organization structure which included the newly established strategy office. While this is a positive move towards the right direction, some of the respondents noted that frequent changes to the organization structure over the last few years has made it difficult to execute on the bank's strategy. All the respondents indicated that the bank has a fully constituted and supportive Board with a wealth of experience in diverse industries and have been very supportive in the strategy implementation process. The respondents indicated that the senior management roles were clear and well defined even though the current structure provides for a wide span of control in some areas.

4.3.2.2 Staff

Six out of the nine respondents confirmed that the bank has a high staff turnover (22% in 2014), this is coupled with remuneration disharmony and uncondusive culture of lack of staff loyalty, brand ownership and this has led to gaps in strategy implementation. This was noted as a major challenge in strategy implementation as staff do not last long enough to see strategy through to the desired results. The same respondents indicated that the management needed to do a lot more to attract and retain quality staff as this is the only way to reduce the high turnover. The inability to attract and retain top talent in the past had led to the bank losing very good resources in the past. According to the respondents, most of the staff who left cited below the market pay and poor people management practices in some instances as their reasons for leaving. The respondents also indicated that balancing between deploying resources and generating income has been a major challenge as it is not always clear whether to generate the income first and then recruit the resources or recruit the resources who will then generate the income. According to the respondents, in as much as resources had been deployed for the strategic process, there is still a gap in prioritizing the strategic actions at hand since the bank is still way too small and competing in the same market as giant banks which are more than 10 times the size of Sidian Bank.

4.3.3 The Bank's External Environment

4.3.3.1 Regulation

The banking industry in Kenya is highly regulated by the Central bank of Kenya in accordance with the regulations of the banking Act and the prudential guidelines. These regulations govern their prudential position and market conduct in order to safeguard the soundness of the financial system in the country. Changes in regulation affect strategy

implementation in that whatever is planned is not always what the regulator is going to enforce and sometimes the regulator brings changes that affect the planned strategies.

The banking environment has experienced a lot of changes in regulation in the recent past and all the respondents indicated this during the interviews, from interest rates to capital requirements among others. The biggest change in regulation so far which has a big impact on strategy has been the capping of the interest rates which was enforced in September 2016. According to the respondents, this change has affected their strategy implementation since they have to go back to the drawing board to plan with lower interests and the cost of funding has either increased or not changed at all. This change has introduced interest capping in all lending to not more than 4% above the Central Rate (CBR). CBR as at the time of doing this report, 21 September 2016 stood at 10% per annum and therefore Sidiya Bank and all other banks in Kenya cannot lend above 14% per annum even though when the budgets were drawn at the beginning of the year 2016 they were based on lending rates of 18-24%. This has particularly affected the profitability and the bank has to look for ways of cost cutting and some of the cost cutting will involve the reduction in the staff count which is always the easiest place to begin when cutting costs.

The respondents noted that while the capping of interest rates may be a good move for the Kenyan Economy, it will affect the banks since their cost of funds have not reduced accordingly. They noted that banking sector has been riddled with many other changes in the last few months including the increase in capital requirements. The respondent noted the best way of dealing with the external environment as close monitoring of the

environment and working with partners who have the capabilities to assist or those who have been instrumental in dealing with the changes in the external environment in the past. The other way of dealing with the external environment is to stay close to the Kenya Bankers Association, the lobby group which works as an umbrella body to support all banks.

4.3.3.2 Market Risk

Banks operate in a dynamic environment with changes such as customer needs, customer profiles, and change in product life cycle happening continuously. Sidian Bank is exposed to risks such as interest rate risk, credit risk, default risk and market risk, other regulatory risks such as employment regulations.

When asked about the model used by Sidian Bank to match its resources with the external environment when implementing strategy, the respondents indicated that the bank's management has developed a risk matrix and mapped their resources and processes in implementing the strategy and therefore they are able to see the pitfalls in advance and put in place measures to mitigate the same.

4.3.3.3 Competitors

Competition in the banking sector has been very stiff as banks go after the same bankable customer, the customer needs are similar and banking products are generally generic, for instance an overdraft is an overdraft no matter what you call it and a loan will always remain a loan. The respondents indicated that competition was a major challenge when it comes to strategy implementation as information new products goes to the market even before implementation and before they know it someone else has implemented their

strategy. Competitors have become very aggressive and product lifecycle has reduced as new products are unveiled every day. Competition from other financial institutions such as micro finance institutions have affected the way Sidian Bank is acquiring customers since the customer pool has not changed whereas the financial institutions and banking products have more than doubled in the recent past.

4.3.4 Resource Allocation

A resource is a source or supply from which benefit is produced to provide a sustainable competitive advantage over the competition. The Research Based Theory states that the different resources owned by a firm can have a significant influence on its overall performance. Variations in terms of resources will undoubtedly lead to performance differences. Having sufficient funds for instance is a good way of ensuring that strategy is implemented smoothly because every step of the implementation requires funds.

From the interviews, the respondents indicated that sufficient funds had been set aside by Sidian Bank for strategy implementation and that the total cost of implementation was included during the budgeting processes by each unit head. In the year 2016, Ksh 1.2 billion was received from Centum Investment Company limited to support the bank's strategy and according to the CEO these funds are sufficient for 2016 plans but more money will be required the next year.

The respondents indicated that even though the financial resources dedicated to strategy implementation may be sufficient, resources such as time were constrained and it was generally felt that the strategy implementation deadlines were tight and sometimes not achievable and according to some of the respondents, reliance on external business

partners such as IT partners, marketing partners and branch expansion partners made keeping the strategy timelines even more difficult as they cannot control the delivery 100% of the time.

When asked what the process for the resource allocation was and how the bank went about matching of tasks, people, structures, technologies and reward systems, the respondents indicated that through the strategy formulation process, the management was able to identify the key areas the bank was going to focus on and from that process, they were able to map out resources required, timelines, reward systems to follow the desired culture of performance and training. The respondents indicated that the initial training that was done on the bank wide level was on performance management which was critical in driving the performance culture that was tied in with their mission and vision.

4.3.5 Evaluation of the Strategic Process

Once a strategy is implemented the next phase is strategy evaluation, at this stage, the assessment of the success of the implemented strategy is carried out to find out if the strategy is working. Strategy evaluation mostly deals with measuring the performance and helps to notify when the chosen strategy requires modification or evaluation to match the changes in the external environment.

When asked how Sidian Bank evaluates the strategic process for future decision making, all the respondents indicated that each Department/unit has a Board Committee that focuses on the strategies for the different units. The respondents indicated that a Strategy Director was appointed recently to oversee this area of strategy implementation and evaluation and that prior to that this role was with the CEO's office who has other business issues to look after thus not giving strategy evaluation the attention it deserves.

Strategy communication was seen by most of the respondents as a critical success factor for the strategy to be successful. The respondents indicated that there was initial communication to staff and periodic sharing of monitoring and evaluation information as well as review reports with staff to bolster continuous communication on the objectives from the CEO and department heads across the organization. Some of the respondents also indicated that the bank had developed a strategy implementation monitoring tool to enable quarterly strategy implementation review of strategic initiatives as appropriate through CEO meetings with department heads to discuss the status of implementation.

4.4 Sidian Bank's Response to Strategy Implementation Challenges

The second objective of this study was to establish the measures taken by Sidian Bank to deal with strategy implementation challenges. From the findings, it is clear that Sidian Bank's management is putting in place measures to deal with all the challenges they face as they implement their strategy.

4.4.1 Corporate Governance

Sidian Bank has well constituted Board that consists of people with diverse experience and they sit regularly to review the strategy implementation and the performance of the bank. To make managing the affairs of the bank simpler, the Board has constituted Committees whose members are drawn from the main Board and the committees which include credit committee, branding committee, assets and liabilities committee, risk and compliance committee are supported by the management in strategy implementation. The committees consist of individuals with relevant experience in the different areas of the business and they meet regularly to thrash out areas that may need Board attention at the

earliest opportunity to ensure successful strategy implementation. The Board of Sidian Bank is aware of the huge task before them of ensuring that the organization upholds the highest level of corporate governance and that the organization is compliant with all the laws and regulations in the banking sector.

4.4.2 Hiring of Staff

According to the respondents, some of the measures taken to deal with strategy implementation include hiring of qualified staff to drive strategy, the hiring of a Director of Strategy to oversee implementation of the strategy, training staff on the strategy process, better communication and cascading of the strategy process, striving to become an employer of choice in local markets, selling the vision, and deploying a monitoring tool linked to the balance score card to monitor progress in strategy implementation.

The bank is addressing the issue of staff not being committed to strategy by hiring the right people and the right team leaders, ensuring that the staff are well trained, motivating the staff through performance pay and ensuring that the staff are aware of the bank's strategy and can implement the strategy effectively.

4.4.3 Staff Turnover

On the challenge of high staff turnover, the respondents indicated that the bank's management has embarked on a project of hiring the right people and is working hard on training programs and staff motivation initiatives in order to become an employer of choice. When staff are motivated, recognized and well trained on the tasks they should be performing, they tend to work harder and also stay longer to see the fruits of their hard

work. If Sidian bank is able to motivate, train and recognize high performers then they will be able to attract and retain top talent. The organization structure has to be stable for strategy implementation to be successful and management is addressing the issues of the structure by constituting a working organizational structure which covers all business lines and ensuring that the structure supports strategy.

4.4.4 Risk Management

The bank's external environment is very fluid and keeps changing and in order to deal with the ever changing bank's external environment, the bank management continuously scans the environment and have developed a risk matrix which enables them to see the pitfalls or challenges in advance and put in place measures to mitigate the same. The management is also on the ground and can anticipate these changes so as to reduce the impact of the same to the strategy and focus of the bank.

The management and team leaders are staying ahead of the competition by being innovative in areas such as internet banking, mobile banking, unique products, understanding the customer and this has enabled them to offer competitive products in the highly competitive environment. For Sidian Bank to always to ahead of the competition, the management have to be aware of what the competition is doing and be flexible enough to change tactics when required in order to beat competition.

4.4.5 Resource Allocation

On the challenges of resources allocation, seven out of the nine respondents confirmed that the management has identified the key areas the bank was going to focus on and had mapped out resources required for these key areas. Time resources had also been considered and sufficient timelines allocated for the implementation process. Reward systems and training programs had also been put in place to ensure successful allocation of resources. The respondents also confirmed that training that was done on the bank wide level was on performance management which was critical in driving the performance culture that was tied in with their mission and vision.

On financial resources, the Chief Executive Officer confirmed that centum Investment Company Limited had already committed enough money for the strategy implementation and that budgets had already been done on how the money will be used for the strategic intent. The money committed by Centum will be used to improve the IT infrastructure, increase the branch network while improving existing braches as well as for marketing and business development in order to position the bank for growth.

4.4.6 Strategy Evaluation

On the challenges of timely evaluation of the strategy, the respondents indicated that the bank had invested in a new position, Director of Strategy whose role is to oversee implementation of the strategy. The bank has also embarked on training staff on the strategy process, better communication of the strategy and is striving to become an employer of choice in local markets.

The respondents also indicated that the bank had developed a strategy implementation monitoring tool to enable quarterly strategy implementation review of strategic initiatives as appropriate. This was done through the CEO's meetings with department heads to discuss the status of implementation.

4.5 Conclusion

As can be seen from the results of this research, successful and efficient strategy implementation is very important and for business to be successful in the chosen strategy, there are several aspects which need to be put into place within the organization. These include; proper leadership and corporate governance, awareness of the bank's internal and external environment, proper allocation of resources and continuous evaluation of the strategies put in place. Eight out of nine the respondents noted that organizations have to come up with specific and timely action plans once the strategy is formulated. The respondents also reiterated the importance of resources in the process of strategy implementation and that adequate resources have to be put in place to ensure the desired results are achieved. An organization structure which supports the strategy was cited by most of the respondents as critical to the successful implementation of strategy.

Staff engagement and involvement of all staff from the initial states was cited as a key element in ensuring a successful strategy implementation since the staff are the owners of the process and can determine if it's successful or not depending on how well they feel part of the process. The strategies should also not exclude the customers since customers are the sole reason for the existence of the bank and the bank should consider the requirements of their customers before they come up with any strategies. Employee

motivation is one of the most significant opportunity to increase the rate of the success of the strategy, happy employees' equals happy customers and eventual overall success of the bank. When incentives are tied to performance, employees are motivated to deliver results and this linkage of strategy, performance management and rewards keeps employees engaged and motivated to achieve results. Organizations should therefore ensure that reward strategies are designed together with the strategy to ensure motivation of the staff and consequently effective implementation of the strategy and achievement of the desired results.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings, conclusions and makes recommendations as per the research findings. The chapter also includes suggestions for further research, research gaps and contributions to the body of knowledge.

5.2 Summary of Findings

Banks in general face various challenges in strategy implementation ranging from lack of commitment to strategy implementation, bridging the gap between strategy formulation and implementation, among others. From the study, it is clear that the organization strategy formulated by Sidian Bank is well understood by all the stakeholders and that employees feel as a part and parcel of the strategy, however the bank has faced various challenges as they attempt to implement their strategies. The employees are involved in the implementation process as well as ready to find ways of dealing with any challenges they come across during the implementation process. The level of strategy implementation depends on the degree of participation by employees in the planning process and in the acceptance of the set goals and targets. It has become a widely held principle that people provide organizations with a significant source of competitive advantage. Sidian Bank management have taken upon themselves to sort out the issue of employees and this will help eliminate most of the challenges faced.

As a bank with responsibility to shareholders, staff, customers, external stakeholders and the community at large, Sidian Bank has to always be alert and committed as far as strategy implementation is concerned, they have to be alert to what is happening around

the bank and this will help them keep all the internal and external stakeholders happy or at least satisfied. This can only be done through having clear strategies and executing on the same seamlessly.

In summary, the respondents revealed through the research that they were aware of the strategies implemented at Sidian Bank, they are involved in the process and are also aware of the challenges that Sidian Bank faces at it implements these strategies and have taken various measures taken to deal with the challenges faced. From the responses received, the researcher felt that the results obtained from the respondents were a true representation of the state of the organization as far as strategy implementation and challenges of strategy implementation are concerned.

5.3 Conclusion

Based on the findings of the study, strategy implementation is critical to organization success. The strategy has to be well understood by all involved, it should follow a defined process with a clear top down approach in communication and should involve all stakeholders. The strategy has to also look at the organization's internal environment such as the structures in place, the staff involved, and the team leaders to ensure that all are ready for the process of implementation. Most of the respondents indicated the importance of involvement of the employees in the strategy process from an early stage and for management and team leaders to own the process and ensure clear communication to the involved staff.

Another important conclusion is that the strategy process cannot ignore the external environment as there are forces which will come from outside the organization which will affect strategy implementation, a case in point is the new banking regulation in 2016

which meant that Sidian Bank management had to go back to the drawing board to establish where they will be getting their income from after the capping of the interest rates to not more than 4% above the Central Bank Rate (CBR).

The study also concludes that allocation of resources, both financial and otherwise is critical in the implementation of strategy and that even though the financial resources may be sufficient, resources such as time need to be taken into consideration and strategy implementation deadlines should be well thought out and other resources such as external business partners should be well managed to ensure there are no delays originating from such partnerships. The researcher also concludes that matching of tasks, people, structures, technologies and reward systems is an important aspect of the strategy process and that management should identify key focus areas and map out resources required, timelines, reward systems in order to achieve the desired results.

Finally, the strategy has to be reviewed and evaluated on a continuous basis to ensure that focus is not lost and that the desired results are achieved. Strategy is a continuous process and requires continuous evaluation to ensure that the organizations stays in the right direction.

5.4 Recommendations of the Study

This study recommends that the strategy process should be looked at as a continuous process and that a continuous strategy review needs to take place to ensure that the organization does not lose focus on the strategy. Strategy evaluation provides executives and managers with performance information about the strategy and helps in identifying any flaws in the strategy process and these are corrected at the earliest opportunity.

This study further recommends that although Sidian bank has been successful in strategy implementation, they should continuously strive become an employer of choice in the market. They should recruit and retain the best people and find ways of keeping these people motivated and well trained in order for them to continue implementing the bank's strategies successfully. This will enable them remain competitive and profitable in the highly competitive banking environment. The management should also involve all the staff in the strategy process and communicate the strategy effectively and involve them in critical stages of the strategy to keep them as part of the strategy.

Finally the study recommends that sufficient resources should be allocated to the strategy process in order to ensure success. People, structures, technology and financial resources should be well allocated to ensure that the desired results are obtained.

5.5 Limitations of the Study

Some of the limitations of this study were that some of the intended respondents were not available for the intended interview period as they had to juggle their day to day tasks and still make time for the interviews hence some interviews were carried out in more than one sitting thereby losing the trail of thought in some instances and some of the interviews were hurried as some interviewees could only spare a very limited time. The small size of the respondents could also have limited the information obtained.

This study focused on the employees and management of Sidian Bank, it would have been valuable to obtain the views of the customers and other stakeholders dealing with Sidian Bank. The scope and depth was mainly limited by the time and unavailability of financial resources.

The case study research design was limited to Sidian Bank and generalizing it to other organizations operating under different management, leadership and environment and with different resources could be misleading.

5.6 Suggestions for Further Research

The study was carried out on the strategies that Sidian bank has put in place, the challenges facing Sidian Bank as they implement their strategy and measures taken to deal with these challenges. The researcher observes that further research should be carried out in similar banking institutions to find out the challenges faced in implementation of strategy so that the organizations can minimize and eliminate them in order for their strategy process to be successful.

Future researches in this field should expand the sample to include all the stakeholders in the organizations such as customers, stakeholders and shareholders in order to have greater confidence in the results obtained.

REFERENCES

- Aaltonen, P. & Ikavalko, H. (2001). *Implementing strategies successfully. A paper presented at the XII world productivity congress*. San Jose, CA.
- Alexander, L. D. (1985). Strategy implementation: Nature of the problem. *International Review of Strategic Management*, 2(1), 73-91.
- Ansoff, H. I. (1999). *Implanting strategic management*. Cambridge: Prentice Hall.
- Ansoff, I. & McDonnell, E. (1990). *Implementing strategic management*. New York: Prentice Hall.
- Aosa, E. (1992). *An empirical investigation of aspects of strategy formulation and implementation within large private manufacturing companies in Kenya*. Unpublished PhD Thesis, University of Strathclyde, Glasgow.
- Awino, Z. B. (2002). *Purchasing and supply chain strategy: Benefits, barriers and bridges*. An Independent Conceptual Study. University of Nairobi.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- Beer, M. & Eisenstat, R. A. (2000). The silent killers of strategy implementation and learning. *Sloan Management Review*, 41 (4), 29-40.
- Bigné, E., Currás -Pérez, R. & Aldás-Manzano, J. (2012). Dual nature of cause-brand fit influence on corporate social responsibility consumer perception”, *European Journal of Marketing*, 46(3/4), 575 -594.
- Bonoma, Thomas V. (1984). Making your marketing strategy work. *Harvard Business Review*, 62(2).
- Burnes, B. (1996). No such thing as a one best way to manage organizational change. *Management Decisions*, 34 (10), 11-18.

Business Daily Africa (www.businessdailyafrica.com/Corporate-News)

Central Bank of Kenya - www.centralbank.go.ke

Dollinger, M. J. (2003) *Entrepreneurship, Strategies and resources*. 3rd ed. Eaglewood Cliffs, NJ: Prentice-Hall.

Drazin, R. & Howard, P. (2002). Strategy implementation: a technique for organizational design. *Journal of Management Studies*, 34(3), 465-485.

Fassin, Y. (2008). Imperfections and Shortcomings of the Stakeholder Model's Graphical Representation. *Journal of Business Ethics*, 80, 879-888.

Ferrell, O. C., Gonzalez-Padron, T. L., Hult, G. T. M., & Maignan, I. (2010). From market orientation to stakeholder orientation. *Journal of Public Policy & Marketing*, 29(1), 93-96.

Freeman, R. E., Wicks, A. C. & Parmar, B. (2004) Stakeholder Theory and The Corporate Objective Revisited. *Organization Science*, 15(3), 364-369

Hansen, L. Boyd, M. & Kryder, A. (1998). *Implementing Strategic Plans*. New Jersey: Prentice-Hall.

Hoffer, C. W. & Schendel, D. (1978). *Strategy formation: Analytical concepts*. St. Paul, MN: West.

Hussey, J. & Hussey, R. (1997). *Business research method: qualitative and quantitative approaches*. London: McMillan Press Ltd.

Johnson, G. & Scholes, K. (2002). *Exploring corporate strategy*. 6th ed. New Jersey: Prentice-Hall.

Kombo, H (2008). *Evaluation of Strategy Implementation: Study of Non-governmental Organizations*. Kenyatta University, Kenya.

- Kothari, C. R. (2004). *Research methodology: methods and techniques*. New Delhi: New Age International Publishers.
- Mintzberg, H. (2003). *Structure in Fives: Designing effective organizations*. Englewood Cliffs, NJ. Prentice Hall,
- Mugenda, O. M. & Mugenda, A. G. (2003). *Research methods: Quantitative and qualitative approaches*. Nairobi: Acts Press.
- Muthuri, D. G. (2010). *Challenges of strategy implementation at National bank of Kenya Limited*. Unpublished MBA Project: School of Business, University of Nairobi.
- Njagi, S. (2010). *Challenges of strategy implementation at Equity Bank Limited*. Unpublished MBA Project: School of Business, University of Nairobi.
- Nyangweso. D. M. (2009). *Strategy implementation at Co-operative bank*. Unpublished MBA Project: School of Business, University of Nairobi.
- Ochieng', M. O. (2012). *Challenges of strategy implementation at Ecobank Kenya Limited*. Unpublished MBA Project: School of Business, University of Nairobi.
- Pasanen, M. (2003). *In search of factors affecting SME performance: The case of Eastern Finland*. Unpublished PhD thesis. Kuopio: University of Kuopio.
- Pearce, J. A. & Robinson, R. B. (1985), (2000), (2002) (2007) and (2008). *Strategic Management: Implementation and Control*, 3rd edition. Boston: Richard D. Irwin McGraw-Hill.
- Phillips, R., Freeman, R. E. & Wicks, A. C. (2003). What stakeholder theory is not. *Business Ethics Quarterly*, 13(4), 479-502.
- Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.

- Porter, M. E. (2004). *Competitive strategy: Techniques for analyzing industries and competitors*. New York, Free Press.
- Quinn, J. B. (1996). *The strategy process: concepts, contexts and cases*. London: Prentice-Hall.
- Raps, A. & Kauffman, D (2005). Strategy implementation—an insurmountable obstacle? *Handbook of Business Strategy*, 6(1), 141-146.
- Reed, R., & Buckley, R. M. (1988). Strategy in action: techniques for implementing strategy *Long Range Journal of Planning*, 21(3), 67-74.
- Ritson, N. (2008). *Strategic management*. Frederiksberg: Ventus Publishing ApS.
- Sidian Bank 2014 – 2019 Strategy document
- Sidian Bank website (www.sidianbank.co.ke)
- Spitzeck, H., & Hansen, E. (2010). Stakeholder Governance – How do stakeholders influence corporate decision-making? *Corporate Governance*, 10(4), 378-391.
- Wing-Hung Lo, C., Fryxell, G. E. & Tang, S.Y. (2010). Stakeholder pressures from perceived environmental impacts and the effect on corporate environmental management programmes in China. *Environmental Politics*, 19(6), 888-909.

APPENDICES

Appendix I: Introductory Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 8/8/2016

TO WHOM IT MAY CONCERN

The bearer of this letter ... JENNIFER KINYOE

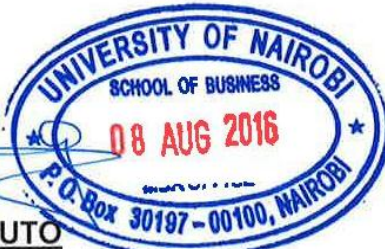

Registration No. ... DG1/74321/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix II: Interview Guide

Kindly answer the following questions by filling the spaces provided.

PART A: GENERAL INFORMATION

1. Name of respondent (Optional) _____
2. How many years have you worked in the bank? _____
3. What is your position? _____
4. How many years have you worked in the current position? _____

PART B: STRATEGY FORMULATION AND IMPLEMENTATION

STRATEGY FORMULATION

1. Has the bank gone through a formal strategy formulation exercise? If yes, have you seen the final strategy document?
2. What is the vision and mission of Sidian Bank Limited?
3. Name the critical elements of the strategy?
4. What are the shared beliefs and values by members of your organization?
5. Who is in charge of the strategy formulation?
6. How is strategic change communicated, both internally and externally? Who is responsible for communication?

STRATEGY IMPLEMENTATION

1. Who is in charge of the strategy implementation?
2. What role does the Board play in the process of Strategy Implementation?
3. What role do employees play in the process of Strategy Implementation?
4. What role does communication play in the process of strategy implementation at Sidian Bank?
5. What is the process of developing annual objectives for the corporate level strategy? (CEO)

6. What is the process of developing short term objectives for the business level strategy for your business? (Managers)

LEADERSHIP AND CORPORATE GOVERNANCE

1. How motivated are the Board of Directors and Senior Management in supporting the strategic initiatives?
2. How committed are the Board members and Management in providing financial resources to support implementation of strategy?
3. In your opinion what is the importance of management ability or competence in achieving successful strategy implementation practices in the bank?
4. What challenges are posed by Leadership not fully appreciating strategy implementation in your department?

COMPANY'S INTERNAL ENVIRONMENT

1. How appropriate is the current organization structure to support the implementation of strategy initiatives?
2. In your opinion, is the current organizational structure of the bank appropriately structured to meet the bank's mission and vision?
3. How capable is the available human resource in managing and implementing new strategy direction?
4. What is the impact of Organizational Culture on strategy implementation your department?
5. In your opinion, is Sidian Bank's technology investment sufficient for the current strategy?

COMPANY'S EXTERNAL ENVIRONMENT

1. Explain whether the bank is prepared to face external and environmental factors affecting the business?
2. What are challenges posed by customers not fully appreciating the strategy on strategy implementation practice?
3. What is the model used by Sidian Bank to match its resources with the external environment when implementing strategy?

ALLOCATION OF RESOURCES

1. How much resources in Ksh have been allocated to the strategy implementation process?
2. What is the process of resource allocation in which the matching of tasks, people structures, technologies and reward systems is emphasized?
3. What are the management development programs /training on effective strategy implementation at Sidian Bank?

EVALUATION OF THE STRATEGIC PROCESS

1. How does Sidian Bank evaluate the strategic process for future decision making?
2. What are the other factors leading to strategy implementation success at the bank?

PART C: CHALLENGES OF STRATEGY IMPLEMENTATION

1. Has the bank faced any challenges in the process of strategy implementation?
2. If yes, what are the challenges the bank has faced? Please list them below.
3. How capable is the available human resource in dealing with strategy implementation challenges identified above?

PART D: MEASURES TAKEN TO DEAL WITH THE CHALLENGES

1. Has the bank put in place measures to deal with the challenges you have identified?
2. If yes, what are these measures? Please list them below
3. What organizational policies or systems have been put in place to respond to these challenges of strategy implementation?