CHALLENGES OF THE IMPLEMENTATION OF RESTRUCTURING STRATEGY BY THE NATIONAL BANK OF KENYA

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DECLARATION

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

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

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I would like to take this opportunity to pass my deep sincere gratitude to everyone who played a big role in assisting me complete my studies.

To the Almighty God for his provision and presence throughout my studies and for seeing me through to a successful completion.

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DEDICATION

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ABBREVIATIONS AND ACRONYMS

NBK  National Bank of Kenya

CBK  Central Bank of Kenya

RBV  Resource Based View

DCT  Dynamic Capabilities Theory

TMT  Top Management Team
ABSTRACT

Restructuring strategy is one significant process that occurs because of the need to change unit priorities, initiate new programs, enhance effectiveness, address budget reductions and reduce headcounts among other reasons. The change brought about by restructuring strategy is not a simple task because the success depends on how well the employees adapt to the change. This therefore brings about various challenges during the implementation process ranging from communication, training and retraining, attitudes amongst others which need to be worked through to ensure the success of the restructuring strategy and the overall firm. The main purpose of the study was to evaluate the challenges in implementation of restructuring strategy at the National Bank of Kenya. This research used a case study approach as the research design since the unit of analysis was one organization which is NBK. Primary data was collected using an interview guide with open ended questions to avoid subjectivity. The method involved personal interactive interviews conducted by the researcher. The interviews were carried out among 15 independent respondents in whom a selection criterion of their available experience with the restructuring strategy implementation was used. The respondents were all at a senior management level stemming from the Managing Director to Senior Relationship Managers. The researcher then employed content analysis as a method of data interpretation. The study grouped challenges under three subtopics namely challenges faced at Board of Directors level such as political influence, regulations, high and attitudes, challenges faced at senior management level such as financial issues (inadequate budget), poor communication, external interference, technological hindrances and skills gap and challenges at the operational level such as communication, lack of involvement in decision making and dishonest employees. The researcher went forward to make recommendations on ways to deal with the challenges of the restructuring strategy. The implication of the study in policy is that the results will go a long way in ensuring that after effective policies are developed, even more concentration and effort is given to the implementation process. In theory, the study illustrated that the Dynamic Capabilities Theory and Resource Based Theory play a great role in restructuring strategy implementation effectiveness and therefore the study will guide future scholars in the advancement of theories. The study in practice serves as a reference point to organizations involved in restructuring strategy and have the need to know the “what” and “how” as regards the challenges faced during implementation of the restructuring strategy and measures to overcome these challenges.
CHAPTER ONE
INTRODUCTION

1.1 Background

Heightened global competitiveness along with advances in technology and ongoing changes in the environment have necessitated organizations to continuously adapt and change their structures, strategies, processes and practices to remain competitive. In certain situations, they are obligated to transform themselves from intransient bureaucracies to leaner, more tractable designs, Cummings & Worley (2009). Restructuring strategy is hence a crucial reconstruction of an organization’s structure and methods and their conforming to the new actuality. It means an entire institution reorganizing and renewing all its enterprising functions and is associated with condensing management levels and conceivably altering components of the organization through divestiture or acquisition, as well as retiring part of the workforce. During the process of implementing restructuring strategy, organizations encounter challenges because restructuring strategy implies change and in any change no matter the motive there will be a loser and those who benefit (Burke, 1994). The most common challenges in the implementation of restructuring strategy are fear of the unknown, additional costs, vested interests, lack of support, ineffective and non-innovative leadership, poor or lack of communication and the process can be staggered and disruptive.

The strategy to restructure was adopted in the context of the Resource Based View theory, Collins & Montgomery (1995), which focuses on the internal resources of the organization in formulating strategy to attain a viable competitive advantage in its markets. The organization is seen as made of resources which can be restructured to
provide it with competitive advantage thus its perspective is indeed inside out. This means that its internal potential or competence inclines it to the strategic choice it makes in competing in its external environment. The dynamic capabilities theory, Helfat et al., (2007) embodies an extension to the resource based perspective and focuses attention on the firm’s ability to deliberately create, extend or modify its resource base.

The main motivator for conducting this research was to determine the hurdles NBK top management was facing during the restructuring process because it was not a streamline process and they appeared to receive much resistance in as much as the process was successful. Also, I wanted to gain a deeper understanding of the policies and practices that can help implement restructuring strategy by reviewing these challenges and finding a way around them.

Kenya’s banking sector has prevailed as robust and resilient. Kenyan banks are growing at three times the rate of economic growth and this could be due to changing how things were previously done for example there is an influential role that mobile payment platforms have played, incorporating growing numbers of adults into the banking network. The National Bank of Kenya is a commercial bank in Kenya that opened doors for business in 1968. The bank suffered years of poor financial performance that was mainly attributed to non-performing loans until recently that corporate restructuring took place and that has seen the bank’s profitability rekindled.
1.1.1 Concept of Restructuring Strategy

Restructuring has been the jargon of global firms for the last century. Its meaning is varied. At the heart of the restructuring trend is the belief that some activities within a business’s value chain are more important to the success of the business’s strategy compared to others.

Restructuring takes place at diverse levels; at the whole economy level where it is a long-term reaction to market trends, macroeconomic protocols and industrial changes, at the sector level, restructuring causes adjustments in the production structure and new arrangements across firms, at the enterprise level, firms restructure by formulating new strategies and reorganizing themselves to enable adaptation to new market needs.

When restructuring the organization, two crucial considerations arise to affirm and support strategically critical actions. First, managers need to make the strategically critical activities the main and basic element for designing organization structure. Those activities should be singled out and isolated as much as possible into self-contained parts of the organization. Then the rest of the structure must be designed so as to ensure timely integration with other functions of the organization.

In as much as this is easily said, managers need to appreciate that strategically relevant activities may still lie in other parts of the organization, especially in functionally organized structures. Support department like finance or information processing are often standalone units, usually outside the unit around which core competencies are built. This hence develops to an emphasis on departments obsessed with performing their own tasks more than emphasizing the key results the business as a whole seeks. The second consideration therefore is to design the organizational
structure so that it helps coordinate and bring together these support activities to augment their support of strategy-critical primary activities in the firm’s value chain and do so in a manner as to reduce the costs for support activities and the time spent on internal coordination.

Restructuring as a strategy involves activities such as divestiture of poorly performing businesses, spin-offs, acquisitions, stock repurchases and debt swaps, which are all alone-time transaction, but also structural changes introduced in day-to-day management of the business. Rappaport (1986) classified the above listed one time transactions as Phase I restructuring and those changes that bring continuous value improvement through day-to-day management of the business as Phase II restructuring. Rappaport (1986)argues that companies need to move from Phase I restructuring to Phase II because in Phase II, the shareholder value approach is employed when purchasing and selling a business or changing a firm’s capital structure and in the planning and performance monitoring of all business strategies frequently. Successful implementation of Phase II restructuring ensures that management has met its obligation to advance corporate achievements evaluation systems in tandem with the parameters investors use and minimizes the Phase I concern of managers that a hostile takeover is unavoidable.

1.1.2 Challenges in the Implementation of Restructuring Strategy

The biggest challenge in strategic change is normally the successful implementation of the strategy that is needed and developed and not in developing it as many may think and as Olson, Slater and Hult (2005) say it, ‘doing is harder than dreaming’.
Strategic change is hardly a consequence of a linear process of decision making in which strategy formulation is followed sequentially by strategy implementation. The latter can therefore be defined as a “cascade process of ever more detailed decisions which occur in the context of primary strategic aims” (Clark 1995, P.65). History may imply that change is sequential, bounded, defined, and controlled and a tactful process with instructions for success, but this is impractical. Regardless of how much thought has gone into the change effort, there will be unforeseen external, uncontrollable and powerful forces that will have a profound impact on the success of the change effort (Jick, 2007).

Restructuring is an intricate topic and can bring either total success or total failure to organizations. The advantages of restructuring include cost reductions with creation of more efficient structures, productive methods and engaged workforce. Challenges of implementing the restructuring strategy arise because of the potential strategic priority and critical activities that include the need to compete as low cost provider of products and services, the need to compete as high quality provider, the need to stress customer service, the need to provide rapid and frequent introduction of new products and the desire to vertically integrate.

The specific conceptual challenges of restructuring strategy therefore include need for a broader market, more quality assurance efforts and higher operating costs, high skilled workers necessitating higher wages and more training, broader development of service people and service machines, rapid response to customer needs, rapid and accurate information system, careful coordination, higher research and development costs, need for high capital investment as well as technology and skills beyond those currently available in the firms among others which can be summarized as three
critical challenges that management faces in any restructuring program: (i) Design: which looks into the appropriate restructuring for dealing with the specific challenge, problem, or opportunity (ii) Execution: which focuses on how the restructuring process should be managed and the many barriers overcome so that as much value is created , (iii) Marketing: which focuses on how the restructuring should be explained and portrayed to investors so that value created inside the company is fully credited to its stock price.

1.1.3 The Commercial Banking Sector in Kenya

The Commercial Banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The commercial banking sector was liberalized in 1995 and exchange controls lifted. The CBK is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

Kenya’s commercial banking sector faced major crises in the nineteenth and twentieth century because of under-capitalization, high levels of non-performing loans and weaknesses in corporate governance. The crisis culminated in 1992, when, according to Honohan and Laeven (2005), Kenya suffered formally a systemic banking crisis. In 2003, the Government of Kenya published the Economic Recovery Strategy (ERS) paper on Wealth Creation and Employment that defined specific critical prominent objectives that underlined the reform efforts through 2007. In the ERS, the government recognized that there were hurdles that would frustrate the accomplishment of objectives outlined.
In recent years, Kenya’s commercial banks have made considerable progress in improving the stability and efficiency of their systems. They have upgraded their supervisory framework, written-off non-performing loans and reduced government’s role in the financial sector. Interest spreads, while still high, have come down recently, due to lower loan loss provisions and competition. This has also been followed by a reduction in inflation and fiscal deficit and stable exchange rates, which has hence facilitated not only a drop in interest rates, but also seen to the improvements in the government-managed and influenced government institutions.

Kenya’s commercial banking sector has a bright future since the fundamental concept of a trusted institution acting as a store of value, a source of finance and a transaction facilitator is not about to shift. The landscape will however change significantly in response to evolving forces of customer expectations, regulatory requirements, technology, new competitors and shifting economies. Commercial banks need to choose what posture to adopt against this change, whether to be a shaper of the future, a fast follower, or to manage defensively, putting off change. Some priorities for success in the future include developing a customer-centric business model, optimizing distribution, simplifying business and operating models, obtaining an information advantage, enabling innovation and the capabilities required to foster it and proactively managing risk, regulations and capital.

1.1.4 National Bank of Kenya

National Bank of Kenya (NBK) Ltd is a Kenya-based bank engaged in the provision of banking, financial and related services. The Bank offers financial services to the general public and business community through its branch network in Kenya and correspondent banks. The Bank’s portfolio consists of corporate and institutional banking, retail banking and self-service banking. The Bank offers payment services,
business accounts, lending products, investments, trade finance, treasury services, custodial services, saving and transactions accounts, credit and debit cards, internet banking and automated teller machine services. The Bank operates wholly within Kenya and has several branches countrywide. National Bank of Kenya Ltd operates through wholly owned Natbank Trustee and Investment Services Limited, Kenya National Capital Corporation Limited and NBK Insurance Agency Limited. The bank was established in 1968 as a 100% government-owned financial institution. In 1994, the Kenyan Government reduced its shareholding to 68% by selling 32% shareholding to the public. The government further divested from NBK over the years, until its present shareholding of 22.5%, as of August 2014.

NBK suffered years of poor financial performance that was mainly attributed to non-performing loans. Arrears affecting more than half the loan portfolios were classic. Most of the bad debts were attributable to ethical issues: According to Brownbridge (1998), the single biggest contributor to the bad loans was insider lending. Insider loans accounted for a substantial fraction of the bad debts which were often to politicians in at least half of the bank failures. The risk brought about by insider lending to the stability of NBK was worsened because many of the insider loans were invested in experimental projects and were extended to projects which could not generate short-term returns with the result that the maturities of the bank’s assets and liabilities were imprudently mismatched.

The main forces rallying insider lending were political pressure, under-capitalization and over concentration in ownership. The second major factor contributing to bank failure was the high interest rate charged to borrowers operating in the high-risk segments of the credit market. This involved ethical compromise on the part of the
banks and their borrowers and the careless selection of the borrowers. Also, lack of credit risk assessment, lack of aggressive credit collection methods, bank’s negligence in monitoring loans, speedy process in granting loans, clients starting new businesses without experience, debtors concealing vital data in their applications and having insufficient collateral were other factors that led to deterioration in the bank’s asset quality.

The most profound impact of the discussed factors in the bank’s portfolio was reduction in the bank profitability especially when it came to disposals. The bank’s net profits were sluggish for years. In the wake of mounting level of non-performing loans and sporadic instances of scams and systemic hiccups, National Bank of Kenya was forced to become innovative in its efforts to remain in business. Business banking (SME) took center stage moving aggressively to increase new lending, in line with state policy among other remedies. National Bank’s initiatives have already started bearing fruit with evidence of significant revenue growth and cost reduction year on year being seen in their financial performance over the last 3 years. During the same period the company’s balance sheet structure has become more diversified and is now better able to withstand the interest rate volatility.

1.2 Research Problem
The business environment is evolving and organizations are dealing with the aftermath of a global economic slowdown as well. Organizations are under pressure to change the way they do business in order to remain competitive in a more demanding and cost-controlled environment. Many organizations have turned to restructuring as a strategic decision to realign internal structures with changing macro-environmental factors. Through restructuring they implement cost cutting by
downsizing or re-engineering processes and closing down unprofitable divisions. The point of departure is in this study is that restructuring strategy is faced with challenges during its implementation. As a result of the implementation process, employees will be faced with uncertainty and might be suspicious about the future direction of the organization and their role in it. This situation can impact seriously on trust and job satisfaction and without the support of the employees; managers are likely to experience lower productivity and weakened organizational performance. These among others are challenges that if not properly dealt with can result to organizational risks.

The National Bank of Kenya has had to position itself well in a very competitive banking industry through its restructuring strategy implementation. Restructuring strategy implementation, being a change process, attracts numerous hurdles in any given business scenario. Its benefits are accompanied with challenges and if the implementation process is not well planned, the challenges can outweigh the benefits rendering the entire strategy ineffective and redundant. The restructuring strategy must in the end be beneficial for the good of the firm.

Many international studies have been carried out on the challenges in the implementation of the restructuring strategy, Al Jazeera Centre for Studies (2012) researched on the challenges of restructuring the military institution in Yemen, Kwoka (2006) focused on challenges of restructuring the U.S. Electric Power Sector, Tule(2015) researched on challenges of Nigeria’s sovereign debt restructuring and Mats Ericson(2009) looked into management of restructuring on a case study of AstraZeneca with a focus on challenges of managing the process. A number of local scholars too have researched on challenges facing strategy implementation. Tonui
(2008) researched on challenges of strategy implementation at national social security fund in Kenya, Osoro (2014) focused on the effect of financial restructuring on performance of commercial banks in Kenya, Ngonjo (2013) researched on challenges of strategy implementation in commercial banks but his study neither focused on a specific bank nor on a specific strategy, Muthuri (2010) focused on challenges of strategy implementation at National Bank of Kenya which touched on various strategies generally and not specifically yet the main strategy among all was restructuring and it is still on-going.

This study therefore seeks to fill this gap of knowledge by looking into challenges of restructuring strategy at National Bank of Kenya by answering the question; what are the challenges in the implementation of the restructuring strategy faced by National Bank of Kenya?

1.3 Research Objectives

The objective of this study is to establish the challenges in the implementation of the restructuring strategy by National Bank of Kenya.

1.4. Value of the Study

The findings of this study will be of significance to the following groups:

The Government as it will guide it in developing policies that will ensure an effective and efficient way of implementing restructuring strategies in banks and other financial institutions

The National Bank of Kenya and the entire banking industry’s key decision makers as they may use the study findings in policy formulation and practice and to evaluate the contribution of the restructuring strategies adopted and implementation with an aim of strategically positioning themselves in the market and improving governance.
This study will also extend the work of Teece et al. (1997), Eisenhardt and Martin (2000) and Helfat et al. (2007) concerning what constitutes a dynamic capability and develop the notion conceptually while building on prior research on resource-based view of the firm, Barney (1986, 1991), Wernerfelt (1984).

1.5 Chapter Summary

This chapter brings out the background of the study and mentions heightened global competitiveness, advances in technology and ongoing changes in the environment as factors that have necessitated organizations to continuously adapt and change their structures, strategies, processes and practices to remain competitive. It goes forth to define restructuring strategy The Resource Based Theory and Dynamic Capabilities Theory are also defined in this chapter since the strategy to restructure was adopted in their context.

This chapter also reveals the main motivator for conducting this research and gives a brief overview of the banking sector in Kenya. It then discusses the concept of the restructuring strategy, the Commercial Banking Sector in Kenya and specifically National Bank of Kenya are then given a brief overview in which their past, present and future prospects are discussed. A merger is then made between the banking sector and specifically National Bank of Kenya and what exactly necessitated the adoption of the restructuring strategy and henceforth the challenges faced therein.

Lastly, this chapter defines the research problem then goes forth to discuss the research gap based on previous international studies have been carried out on the challenges in the implementation of the restructuring strategy. It also discusses a number of local studies done. This then leads to the research objective and the value of the study in policy, theory and practice.
CHAPTER TWO
LITERATURE REVIEW

2.1 Overview
Restructuring strategy is one significant process that occurs because of the need to change unit priorities, initiate new programs, enhance effectiveness, address budget reductions and reduce headcounts among other reasons. The change brought about by restructuring strategy is not a simple task because the success depends on how well the employees adapt to the change. This therefore brings about various challenges during the implementation process ranging from communication, training and retraining, attitudes amongst others which need to be worked through to ensure the success of the restructuring strategy and the overall firm. Restructuring strategy involves reorganizing resources to enable the firm achieve a sustainable competitive advantage and this is backed up by the Resource Based View theory, Collins & Montgomery (1995) which emphasizes the internal resources of the organization in formulating strategy. The dynamic capabilities theory, Helfat et al., (2007) constitutes an extension of the resource base perspective and focuses on the firm’s ability to purposefully create, extend or modify its resource base.

2.2 Theoretical Foundation
The dynamic-capabilities theory was introduced by David J. Teece as an extension of the resource-based view of the theory of the firm. The resource-based view proposes that the ability of a firm to create and maintain a competitive advantage is based on certain set of strategically relevant resources, which are valuable, rare, difficult to and non-substitutable. Teece observed that in changing environmental conditions, like an industrial disruption, companies will have to modify their portfolio of resources. He
recommends that companies need to have the capacity to shape, reshape, configure, and reconfigure resources so as to respond to changing technologies and markets. This prioritizes on the role of the manager to implement and sustain the dynamic capabilities of a firm. The achievement of this can only be assured if employees drive the process that combines intelligence gathering and acting.

2.2.1 Resource Based View Theory

The resource based view of strategy has a long history, with links stretching back to Edith Penrose (1959). It is however more frequently associated with the work of Prahalad and Hamel (1990), Rumelt (1991), Grant (1991), and Peteraf (1993). The resource-based view also focuses on the competitive environment facing the organization but it takes an ‘inside-out’ approach, i.e. its starting point is the organization’s internal environment.

The resource-based view points out the internal potential of the firm in formulating strategy to attain a feasible competitive advantage in its market and industries. If we examine the organization as composed of resources and capabilities that can be constructed and reconstructed to give it competitive advantage, then its perspective does indeed become inside-out. In other words, its internal capabilities influence the strategic choices it makes in competing in its external environment. Where an organization’s capabilities are seen to be predominant in the creation of competitive advantage, the organization focuses attention on the configuration of its value chain activities. This is because it will need to identify the capabilities within its value chain activities which provide it with competitive advantage.
It is often the case that the differences between competing outlooks can be overdone. For example, Amit and Schoemaker (1993) argue that the resource-based view can be seen as a complement to the positioning school. Hamel and Prahalad (1993) concede that Porter’s approach which embodies the notion of strategic fit, matching the organization’s resources to the needs of the external environment, is not entirely or exactly wrong but more of unbalanced. For most managers the concept of strategy implies following opportunities that fit the company’s resources. Hamel and Prahalad suggest that this approach is not wrong but gravitates towards obscuring an approach in which strategic stretch complements strategic fit. They argue that being strategic means forging a gap amid ambition and resources. In other words, an organization with a comparably small amount of resources but big ambitions can leverage their resources to achieve a greater output for its smaller inputs.

**2.2.2 Dynamic Capabilities Theory**

The dynamic capabilities approach Helfat et al., (2007) constitutes an extension to the resource-based perspective Collis & Montgomery, (1995). While some see dynamic capabilities as the key to competitive advantage Teece et al., (1997), others seem to doubt that there is actually such a thing. The term ‘dynamic’ refers to capacity to renew competences so as to adapt to the changing business environment Teece et al., (1997). The term ‘capabilities’ emphasises the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organisational skills, resources and functional competences to match the requirements of a changing environment.
The dynamic capability approach focuses attention on the firm’s ability to renew its resources in line with changes in its environment. Dynamic capabilities refer to the firm’s ability to alter the resource base by creating, integrating, recombining and releasing resources (Eisenhardt & Martin, 2000). Teece et al. (1997, page 516) gave another definition: ‘Dynamic capabilities are the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments’. The dynamic capabilities approach is not merely an inward-looking view of the organization and its strategy. Its central focus is on the degree of ‘fit’ over time between an organization’s changing external environment and its changing portfolio of activities and capabilities (Porter, 1996).

Wang and Ahmed (2007) argue that there are contradictory arguments in the literature on dynamic capabilities. Zollo and Winter (2002) stated that dynamic capabilities are structured and persistent in organisations. Contrary to that, Rindova and Kotha (2001) found that dynamic capabilities emerge and evolve within organisations.

2.3 Concept of Strategy

Strategy researchers ever since the 1960’s have been engaged in an ongoing discussion about what strategy actually means. Over the classical evolution of the strategic management field strategy has gone from something that top managers formulated; it has moved from embodying a rather limited analytical process, to being a pattern in streams of actions and to encompass infinite strategic micro processes.

Strategy is all these are perspective, position, plan, and pattern. Strategy is the confluence between policy on one hand and tactics on the other hand. Strategy and tactics together hedge the gap between ends and means. In a nutshell, strategy is a term that hints to a complex web of thoughts, ideas, insights, experiences, goals,
expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is in an instance the course we chart, the journey we imagine and, at the same time, it is the course we drive, the trip we actually make. Even when we are commencing on a voyage of discovery, with no particular goal in mind, the voyage has a purpose, an outcome, and an end to be kept in view.

Strategy therefore has no life apart from the ends wanted. It is a general foundation that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary prerequisite for formulating strategy is a clear understanding of the ends to be obtained. Without these ends in view, action is purely strategic and can quickly deteriorate into nothing more than a striking about. When there are no visible destinations for the organization writ large, strategies still exist and they are still operational and highly effective, but for an individual or unit and not for the organization as a whole. The risks of not having a set of companywide ends clearly in view include but are not limited to missed opportunities, fragmented and wasted effort, working at cross purposes and endless internal fighting.

The leadership of an organization needs to remain clear regarding ends, strategy, tactics and means failure to which there will be loss of morale enormously. Another possible outcome of not remaining clear regarding this is the emergence of a new dominant coalition within the existing authority structure of the enterprise, one that will augment established authority in articulating the ends toward which the company will strive. Another possibility is the weakening of authority and the eventual collapse of the formal organization. No amount of strategizing or strategic planning will make up for the absence of a clear and widespread understanding of the ends sought.
2.4 Restructuring Strategy and Implementation Challenges

In an economic context, the word structure means a specific, stable relationship among the key elements of a particular function or process. To restructure means the purposeful process of changing the structure of an institution, a company, an industry, a market a country, the world, an economy, etc., Sander et al., (1996). This structure describes the forces under which institutions function in their day-to-day operations and their pursuit of better economic performance. Restructuring can therefore be interpreted as the attempt to change the structure of an institution in order to relax some or all of the short-run forces. Restructuring is concerned with changing structures in search of a long run strategy. Crum & Goldberg (1998, p.340) define restructuring of a company as “a set of discrete decisive measures taken in order to increase the competitiveness of the enterprise and thereby to enhance its value”. In this study, we define restructuring as a change in the operational structure and governance structure of a company. The goal of restructuring is to transform the company into an enterprise that is of high value to its owners.

Restructuring is characterised by diverse activities such as spin-offs, acquisitions, stock repurchases, divestiture of underperforming business, and debt swaps, which are all a onetime transaction, but also structural changes introduced in day-to-day management of the business. Rappaport (1986) classified the above listed one time transactions as Phase I restructuring and those changes that bring continuous value improvement through day-to-day management of the business as Phase II restructuring. Rappaport (1986) argues that companies need to move from Phase I restructuring to Phase II because in Phase II, the shareholder value approach is employed not only when buying and selling a business or changing the company’s capital structure, but also in the planning and performance monitoring of all business
strategies on an on-going basis. A successful implementation of Phase II restructuring not only ensures that management has met its responsibilities to develop corporate performance evaluation systems consistent with the parameters investors use to value the company, but also minimises the Phase I concern of managers that a hostile takeover is imminent.

Copeland, Koller and Murrin (1990) also argue that managers should restructure companies to improve value. They therefore claim that it is in the best interest of both managers and shareholders to keep the gap between potential and actual value as close as possible. Management can improve operations by increasing revenue or reducing cost, acquiring or disposing of assets and improving the financial structure of the company. Bowman, et al. (1999) summarised the findings of the corporate restructuring literature of 1990s that examined the impact of restructuring on performance. They classified restructuring activities into three categories, portfolio restructuring, financial restructuring and organisational restructuring. This study mainly focuses on organizational restructuring.

Organisational restructuring includes significant changes in the organisational structure of the firm, including redrawing of divisional boundaries, condensing of hierarchic levels, spreading of the span of control, reducing product diversification, revising compensation, streamlining processes, reforming governance and downsizing employment. The findings of Bowman et al. (1999) indicated that lay-offs unaccompanied by other organisational changes tend to have a negative impact on performance. Downsizing announcements combined with organisational restructuring are likely to have a positive, though minimal effect on performance.
Whilst new structures might create cognitive order and alignment with strategic organizational goals and environmental shifts for top executives, it also creates a rift between top managers and their subordinates McKinley and Scherer, (2000). It creates uncertainty for the subordinates in terms of how things are to be done in future, and presents managers outside of the top team with the puzzle of how to make the new structures work. In addition, the more radical a new structure, the more it will require a shift in the mental models of organizational members about doing things the way they are used to. We cannot thus appreciate the true challenges of restructuring unless we see it as a process of psychological reorientation, requiring a shift in not just administrative mechanisms, but also the informal side of organizations, such as assumptions and beliefs about the nature of work.

During restructuring strategy implementation process, organizations have an appalling task ahead of them in a number of procedural and operational areas. Business must be redefined and redesigned and suited to specific geographical and cultural settings. The personnel need to be retrained to be ready for changes in how the work is done, new skills set and knowledge is needed, and ways of relating to stakeholders and customers. The very culture of an organization needs to be adjusted to properly hold up the new methods introduced. Structures, rewards systems, appraisal measurements and the roles need redefinition Bainbridge, (1996). Management approaches and management procedures must change and adapt, and ways of relating with customers, suppliers, and other stakeholders need refining. Technological advances and capabilities must be introduced, and preparation of the workforce to work with the new information technology structures is needed. These can therefore be summarised into five major challenges facing organizations during implementation of restructuring strategy.
Leadership is about changing the organization culture from a knowledge accumulating culture to a knowledge sharing one, and remodelling the organization into a learning organization (Harrington, 2004). It should recognize the difference between leadership and management, i.e. leadership is revolutionary and attentive on coping with change, giving direction and vision and introducing change. Effective leaders must be able to carry out their plans and policies. They should bring up effective teams and recognize when to switch leadership style to maintain team morale. Leaders must be ready for change. Leaders must plan strategically in order to guide the organization to a successful future, and to avoid the risk of being overcome by change.

Communication is an important issue in all aspects of corporate life. Effective communications must be recognized as the basic constituent for organizational change Kotter, 1996; Mainelli, (1996). Communication is often debated as an aspect that determines the attitude towards change. For example, Armenakis, Harris and Mossholder (1993) argue that readiness for change can be created through effective communication of the message for change. A research by Chawla and Kelloway (2004) showed that openness to change is directly and indirectly influenced by communication. Many studies have investigated the magnitude to which information and communication decrease uncertainty about change (e.g., Berger & Calabrese, 1975; Kramer, Dougherty & Pierce, 2004). Finally, communication has been presented as a strategy for dealing with resistance to change Kirkpatrick, (1985).

It is crucial for the organization to be trained to ensure success and advancement. It improves productivity of both employers and employees in an organization. An employee will become more efficient and fruitful if he is well trained. Training is useful as: employee vigour is boosted through job security and job satisfaction. The
more satisfied the employee is and the greater his vigour, the better his contribution to organizational success and the lesser will be employee absenteeism and exodus, also, a well-trained employee needs less supervision as he is well acquainted with the job.

There is thus less wastage of time and efforts and fewer mishaps. Lapses are usually a common occurrence if the employees lack knowledge and skills necessary for doing a certain job. A well trained employee has fewer chances of committing accidents in the job and is very proficient in the workplace. His chances of growth are better as he acquires competence and efficiency during training.

The employee is more eligible for promotion, thus becomes an asset for the organization because of increased productivity and efficiency. Well trained employees show both quality performances. There is less wastage of time, money and resources if employees are well trained.

As regards the workforce challenge, resistance to the new change process and refusal to accept the change are commonly encountered. Politics within the organization involving the change process also arises. Communication still plays a crucial role in creating understanding and avoiding resistance by employees on the change efforts being implied.

Attitude is a challenge during implementation of restructuring strategy because when people hear change in the workplace, their initial reaction is anxiety, reluctance and fear mixed with some curiosity. Change management is not something that should be taken lightly, by either management or the people involved. Overcoming and addressing the various attitudes in change management can be a sensitive issue in organizations that needs to be prioritized if the restructuring strategy is to yield fruitful results.
2.5 Empirical Studies and Knowledge Gaps

Researchers find empirical support for these claims. According to Brinkchroder (2014), who looked into strategy implementation: key factors, challenges and solutions, the most common challenges during implementation are communication and lack of understanding of major aims and direction. Pryor, Taneja, Humphreys, Anderson and Singleton (2008) did a study on Challenges facing change management theories and research which addressed challenges facing organizational leaders in terms of their applications and speed and complexity of the change required. Kieffer (2005) researched on Feeling Bad: Antecedents and consequences of negative emotions in on-going change and Bolognese (2002) studied employee resistance to organizational change.

In Kenya, Joseph Odeny and Francis Kerongo (2014) looked into the challenges of dealing with strategic change management at Taifa Cables and Retreads Limited concluding that the main challenges were communication, training and workforce. Wachira (2011) looked into the challenges of implementing restructuring strategy at Kenya Commercial Bank and concluded that the bank was so far on track but more emphasis was needed on the behavioral challenge management since human beings in all organizations are the main cogs in the organizational production process.

Boniface (2010) researched on challenges of implementation of turnaround strategy at the Kenya Meat Commission and concluded that the main challenges faced in the implementation of turnaround strategy at KMC were ineffective leadership, frequent breakdowns of the machinery, cash flow problems, negative culture/resistance to change, limited funds to undertake adequate marketing, loss of export markets, poor planning especially on livestock off take programmes, slow adoption to changing
technology, non-involvement of stakeholders and lack of budget linkage to specific strategic priority. Mireri (2010) also focused on factors impacting implementation of business process reengineering at the Kenya Ports Authority.

2.6. Chapter Summary

This chapter gives an overview of the restructuring strategy and goes ahead to give an in-depth discussion of the theoretical foundation of the study which is founded from the dynamic-capabilities theory that was introduced by David J. Teece as an extension of the resource-based view of the theory of the firm. These two theories extensively discussed in this chapter owing to the fact the study is adopted from them.

This chapter also discusses the concept of strategy in-depth giving various definitions of what strategy actually is and what is involved in strategy formulation, implementation and evaluation. Restructuring strategy and implementation challenges is then broadly discussed. Here to restructure is defined as the purposeful process of changing the structure of an institution, a company, an industry, a market a country, the world, an economy, etc. according to Sander et al., (1996). The characterisation of restructuring is discussed and the conceptual challenges of restructuring strategy are extensively looked into some of which include communication, leadership among others.

Lastly, this chapter covers empirical studies to support the claims made by the conceptual challenges above and mentions previous research topics covered that near restructuring strategy challenges. From the empirical studies mentioned in this chapter, research gaps are brought forth to justify a reason as to why the study is necessary with clear illustrations on what previous studies missed.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages that were followed in completing the study. It highlights the procedures and techniques that were used in the collection, processing and analysis of data. It includes research design, target population, data collection and analysis.

3.2 Research Design

The research investigated challenges in the implementation of restructuring strategy at the National Bank of Kenya. The research adopted a case study design since it is a research method that can investigate cases in depth and employ multiple sources of evidence making it a useful tool for a descriptive research study where the focus is on a specific situation as is the case for my research topic.

Case study research design provides very focused and valuable insights to phenomena that may otherwise be vaguely understood. It is in answers to ‘how’ and ‘why’ questions however, that case study research comes into its own (Yin 1998), for both the theory building and theory testing. Merriam (2009) describes a case study as valuable for providing “rich and holistic” accounts, insightful to read experiences, and playing “an important role in advancing a field’s knowledge base” (p. 51).

3.3 Data Collection

For this paper qualitative research was conducted in form of interviews using interview guides. Qualitative research, in contrast to quantitative research, acquires stronger information, because it is possible to go deeper into detail. Interviews give research the change to get into contact with the people in practice and to compare
theory with practice and therewith gain deep insight. The strength of findings is increased with that deeper insight. The research was performed to identify challenges in the implementation of restructuring strategy at the NBK.

The interviews were carried out among 15 independent respondents. A selection criterion for the respondents was their available experience with restructuring strategy and strategy implementation; in this study the respondents were all top management to ensure that they were familiar with the topic and add insights to the study. The structure of the interviews was semi-structured. This means the interviewer had predefined key questions that were asked to define the areas to be explored, but also there was some freedom for interviewer and interviewee to diverge and discuss certain topics in more detail. Furthermore this type of interview was chosen to make the interviews comparable as the same questions were asked in each interview and to make them less time consuming and more structured to get the content intended.

3.4 Data analysis

Before processing the responses, the completed interview guides were edited for completeness and consistency. Zikumundet. al (2010) states that raw data from the field may not be in a suitable form for analysis. Unedited responses from the data collection may contain errors that may or may not be from the respondents. Editing thus ensured that the data was checked and adjusted for omission and legibility.

Content analysis was used to analyze the respondents’ views on challenges of implementation of restructuring strategy and the way they were handled. Content analysis is a research analysis technique for making inferences by objectively and systematically identifying specified characteristic of messages and using the same to relate trends. It is scientific as the data collected can be developed and confirmed
through systematic analysis (Nachmias & Nachmias, 1996; Strauss & Corbin, 1990). Content analysis provided the researcher with a qualitative picture of the respondent’s challenges facing restructuring strategy implementation at the bank. The findings were presented in a continuous prose.

### 3.5 Chapter Summary

This chapter sets out various stages that were followed in completing the study. It highlights the research design that was adopted for the study as a case study design and goes forth to justify its implementation as one that can investigate cases in depth and employ multiple sources of evidence, one that provides much focused and valuable insights to phenomena. 

This chapter also mentions the type of research employed as qualitative research and the data collection method used which was interviews using interview guides. Qualitative research is then justified over quantitative research as one that acquires stronger information. The number of respondents involved in the study is also mentioned together with the fact that they were all from the senior management team. The manner in which the interview was carried out is also discussed and justified.

Lastly, this chapter discusses the data analysis method employed as content analysis and goes forth to define what it is as a research analysis technique for making inferences by objectively and systematically identifying specified characteristic of messages and using the same to relate trends. How to go about content analysis is also explained together with its benefits.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter consists of findings and discussion on the data gathered to address this study. The study findings were in line with the objectives of the study; challenges in the implementation of Restructuring Strategy by the National Bank of Kenya. All of the respondents were from the senior management team. They included Executive Directors, Directors from various Departments, Heads of Departments and Senior Relationship Officers. The total number of respondents was fifteen, thereby making the level of responses received to be 100%.

4.2 Restructuring Strategy Implementation at National Bank of Kenya

The National Bank of Kenya hired a consultant (McKinsey & Company), who was the first participant to draft the restructure strategy process which would see the bank attain its strategic intent of being Top tier bank by 2017. The consultant crafted over 50 projects which when delivered was supposed to steer the bank towards achieving its strategic intent. One of the projects by the consultant was hiring Best Available Talent (The second participants) which was largely Directors and top management to steer the envisaged growth. The competent top management was then expected to steer the agenda by guiding all other staff (Third participants) towards achieving the strategy and delivering the brand promise to customers which states “Whenever you bank with National Bank, You Bank on Better”. The top management was then expected to give monthly feedback to the Board of Directors (4th participants).
The study established that National Bank of Kenya has very clear and elaborate action plans to ensure the restructuring strategy is well implemented. These include, among others, adequate training, employee poaching, improved communication and performance management systems.

4.3 Challenges in the Implementation of Restructuring Strategy at NBK

This section provides the discussion of findings from the respondents on the challenges in the Implementation of Restructuring Strategy at the National Bank of Kenya. The study observed that the challenges presented are either as a result of external factors or internal factors and different levels of participants/management had different types of challenges though some challenges cut across all levels of participants at the National Bank of Kenya. The various levels of participants form the basis under which the challenges get noticed and have been used to develop the subheadings under which the challenges will be analyzed and discussed.

4.3.1 Challenges at Board of Directors level

The Board of Directors is answerable to the general membership on the progress of implementation of the Restructuring Strategy. The implementation of the strategy is however not always a smooth process and the directors face several challenges during implementation.

Some Directors pointed out that since banks and the financial sector in general operate in an open economy, they often experience political influence in the process of their services provision. It emerged that since the government still had a big share in the National Bank of Kenya membership, some strong and influential politicians were trying to take advantage by endorsing individuals of their own choice to certain managerial posts hence locking out qualified and experienced people from acquiring
such posts. This led to poor decision making and strategy implementation by such staff. Also, some senior management employees when faced out retired back to their political and tribal cocoons and tried fighting the management team who they blamed for their plight. In addition, political instabilities led to foreign investors shying away from investing in Kenyan banks since during such periods, destruction of property causes huge losses on investors, whom the bank depends on for its success.

The study also revealed that the constant change of local policies and regulations is a challenge in restructuring strategy implementation at the National Bank. The central bank rules on the lending rates, enactment of bills guiding local and international transaction, minimum central bank requirement and the instability of the local currency against foreign currency has been another challenge experienced by the National Bank of Kenya in strategy implementation hence introduction of these new oversight rules has had a far reaching implication on the growth and performance of NBK.

The study revealed that due to the rapid change that needed to be adopted by the bank and to keep pace with the restructuring agenda, staff had to be trained regularly to ensure they were able to take part in the implementation process. These changes included technological changes and adoption of new policies by the bank which meant staff was to be trained on this. The challenge now comes in when the company has to use a lot of money in contracting firms with the skill to carry out the training. Other costs arise from facilitating the staff during the training in terms of meals and transport apart from the cost of hiring the venue. Additionally a lot of time was used in carrying out this training and this meant the few staff left to attend to customers was often under pressure to deliver.
The study established that lack of commitment from some directors was a major impediment to implementation of the restructuring strategy. The study identified instances where certain crucial decisions need to be agreed upon urgently since they played a major role in the process of implementation yet it did not attract the needed attention from all directors and this slowed down decision making. There was also resistance from the old regime who viewed the restructure as a witch-hunt and thus lacked the morale of implementation. The study also revealed a refusal by some directors to change from “how we are used to running business” to the new restructuring strategy since they felt it was cumbersome learning and some feared they would be rendered inactive. All the above attitudes heavily affected the process of restructuring strategy implementation and slowed it down yet all the individual projects had set timelines.

**4.3.2 Challenges at Senior Management Level**

Heads of Departments and Directors are the link between the staff and the Board of Directors. The HODs and Directors are responsible for breaking down information to their subordinates since they are major participants in implementation of strategy objectives in their day to day running of the business. The study established that the Directors and HODs were highly competent and very knowledgeable in their respective areas of responsibility and were really hands on as regarded the whole process of restructuring strategy implementation. The restructuring strategy implementation process was however not smooth on their part too and the challenges they encountered are as discussed below.
Finances are very important in the restructuring strategy implementation process and the finances must be adequate for the restructure to be successful. The study identified that inadequate finances delayed enactment of certain objectives such as capital issue, branding, marketing, new hires among others. Also, when the budget was prepared by certain individuals in the bank, some of the important elements necessary to achieve the strategy were omitted or forgotten intentionally or none intentionally. Constrained budgets also demotivated employees due to delays in improvement of an efficient and effective employee capacity.

The study found out that communication is a key factor on restructuring strategy implementation at National Bank of Kenya and that it affected implementation to a great extent. The study also showed that before an integrated communications plan was developed at the organization to enhance strategy implementation, there was a communication breakdown and that it was essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. It also found that National Bank of Kenya was faced with the challenge of lack of a two-way communication program that permitted and solicited questions from employees about issues regarding the formulated strategy.

This lack of communications caused more harm as the employees were not told about the new requirements, tasks and activities to be performed by them. This led to total disorganization and lack or no input towards the agenda set by the restructuring strategy.
The study identified political interference as an additional barrier that posed great challenges to the implementation of the restructuring strategy. It emerged that since the government still had a big share in the National Bank of Kenya membership, some strong and influential politicians were trying to take advantage by endorsing individuals of their own choice to certain managerial posts hence locking out qualified and experienced people from acquiring such posts. This led to poor decision making and strategy implementation by such staff. Also, some employees when faced out retired back to their political and tribal cocoons and tried fighting the top management team who they felt were responsible for their plight. In addition, political instabilities led to foreign investors shying away from investing in Kenyan banks since during such periods, destruction of property caused huge losses on investors, whom the bank depends on for its success.

Technology has had a great impact on human development and civilization expansion all through the history. Technology can be defined as knowledge, products, processes, instruments, procedures and systems which helps producing goods and services. Technology is at the center of systems designed for finding customers’ needs and satisfaction.

Successful implementing of strategies results from integrating and coordination of technologic innovations, production processes, marketing, financing and personnel. By this means defined goals are achieved. The study revealed that due to lack of the necessary technology, some processes could not be enacted by the bank while some were seriously slowed down.
The study revealed that another challenge NBK faced during implementation of restructuring strategy was not a shortage of people but a shortage of key skills. A skills gap is a significant gap between an organization’s skill needs and the current capabilities of its workforce. It is the point at which an organization can no longer grow and/or remain competitive in its industry because its employees do not have the right skills to help drive business results and support the organization’s strategies and goals. Changes in the nature of business during the process of restructure led to changes in the skills required from employees of NBK. Technology and other forces placed a premium on speed, innovation, and the ability to adapt rapidly to change and be able to implement the restructuring strategy.

4.3.3 Challenges at the Operational Level

This is the level where plans are translated into actions and results. The study treated this level as the people who report to the HODs and understand what the whole implementation process is about and know what goes on. This level of participants faced various challenges too during implementation of the restructuring strategy and these challenges are as discussed below.

The study revealed that communication was a great issue during implementation of the restructuring strategy. Because of lack of it effectively, rumors and fear in the workplace came up particularly because the bank was also downsizing and this played into the output of most employees. Employees were curious to know what was going on regardless of if it was positive or negative news. The feeling of uncertainty that was brought about by management not communicating disrupted work and made some employees feel as though they were not part of the process.
The study established that the fact that not everyone was on board during the decision to make a corporate restructure, there was a bit of reservations from some team members and even managers. They felt as though their decisions were not valued and they had no idea on how the changes would affect the company. This brought about lack of morale and an ‘I don’t care attitude’ amongst some team players to a point where some would abscond meetings and even work. Eventually this did not play down well to the whole restructuring process since there were deadlines to be met and the deadlines needed people who were sometimes absent.

The study also established that initial absence of organizational structure created the lack of company hierarchy for authority and responsibility. The company ran inefficiently and did not develop new ways to improve productivity. Project and administrative responsibilities were neglected and since there was no element of accountability there was almost a complete breakdown in company responsibility. Also due to the weak structure, conflict occurred for several reasons. Job-duty responsibility was not clearly defined and this led to conflicts over who will perform the task and when it would get done. Some people also tried to exert control within the organization when they did not have the authority to do so and this too led to conflict. Eventually this led to low profitability due to lack of clearly defined responsibilities among the management team and each group lacked the proper guidance to generate revenue. Department had no comprehensive understanding of their goals and were left to find out on their own the most productive work methods.
The study revealed that deceit among employees was an impediment during implementation of the restructuring strategy. Some employees, both senior and junior, were dishonest and fraudulent and breached their fiduciary relationships by stealing from the bank through a series of schemes and plots. Due to initial lack of good controls, some team players felt that no one was paying attention and thus decided to be dishonest. At this level, the employees were dishonest with time and company assets. Other employees were dishonest due to greed while for others, it was due to a moral justification. This led to increased cost to try curbing this out and in some instances the company developed a weak reputation among its clients and competitors who now gained advantage in the market. This was frustrating to the restructuring strategy implementation since all the consequences mentioned above were placing the bank at a disadvantaged position yet that was very contrary to the objectives of the restructure.

4.4 Measures Taken to Overcome Strategy Implementation Challenges at NBK.

This study would not have been complete if it did not pay attention to measures to overcome the restructuring strategy implementation challenges. The study sought to provide measures which can be taken up to improve the future strategy formulation and implementation processes at National Bank of Kenya. The study identified challenges which were cutting across all levels of the bank while other challenges were specific to certain levels of the organization. This section displays a detailed analysis on how to overcome challenges encountered at each level.

4.4.1 Measures to overcome challenges at Board of Directors Level

The study established that in order to deal with the challenge of political influence, the Board of Directors need to make a decision to be data driven where they rely on facts to carry out decisions like recruitment. They also need to be people who tell the
truth and look out in the best interest of the company because then, no one can challenge the decisions made. The Board of Directors can also strive to always find a common ground where everyone agrees and sometimes agree to disagree although this should be their last alternative in as much as it’s a powerful tool when they deadlocked.

On the banking industry regulations, the study found that deregulation would offer a solution although not fully. Deregulation is the process of removing or reducing state regulations typically in the economic sphere. It is the undoing or repeal of governmental regulation of the economy. It became common in advanced industrial economies in the 1970s and 1980s, as a result of new trends in economic thinking about the inefficiencies of government regulation, and the risk that regulatory agencies would be controlled by the regulated industry to its benefit, and thereby hurt consumers and the wider economy. The stated rationale for deregulation is often that fewer and simpler regulations will lead to a raised level of competitiveness, therefore higher productivity, more efficiency and lower prices overall. Members of the Board of Directors can lead initiatives on deregulation.

This study on the issue of high training costs established that the Board of directors could employ various alternatives like Self-service and Automated Tutorials where new hires could be let to learn the job (or a portion of it) using online training with tutorial guides to save the time and money of hiring a trainer. This also allows the new employee to learn at his or her own pace. Not only is this a cost effective solution for new employee training, it is a terrific tool for retraining established employees.
They could also employ webinars instead of seminars. Webinars allow for interaction and discussion between parties in different geographical locations while saving on costly airfare and hotel bills. It is a great tool for both training and workshops. They could also use crowd support where they set up online forums for employees to ask and answer questions at no cost, other than its initial setup, and this can be a great way to take advantage of IT employee downtime. Instead of waiting for the next call, the IT team can browse the forums, answering questions and creating FAQ posts. Well-trained employees are the greatest assets of any company and having employees who can do their job efficiently and with personal satisfaction is one of the hallmarks of successful companies. Training however, does not have to come with an astronomical price tag.

On the challenge of attitudes, the Board of Directors could establish the relationship with each colleague from the very beginning and not concern themselves with being friends as doing so promotes a dysfunctional workplace where roles are ill defined. This leads to power struggles and resentments.

The Board of Directors should also not over thank employees for doing the jobs they’ve been hired to do. It is fine to express words of appreciation for exceptional job performance from time to time, but it should not be routine. Compliments and words of affirmation mean much more when they are earned.

There is a school of thought that for every criticism an employee receives five positive pieces of feedback should follow. Frankly, this practice is questionable at best. It’s important that employees grasp the principal message employers are trying to convey. If employers want to deliver a clear message, disguising it with fluffy compliments will have the opposite effect. They could also minimize emotional
communication. Less is more when it comes to emotional exchanges between employers and staff. The Board should also not be arrogant or unkind to exert their power. Employers who behave like they are above the need to be courteous only succeed in provoking feelings of resentment and defiant behavior and can compromise employees’ overall efforts to please the employer.

4.4.2 Measures to overcome challenges at Senior Management Level

The greatest strategy is doomed if it’s implemented badly (Bermard Reimann, 2010). The study established that finances play an important role in restructuring strategy implementation and without finances it is very difficult to implement anything. The study therefore established that the budgeting process need not only be an all-inclusive process to all team leaders but also proper analysis of the cost of all expenses needs to be carried out before budgeting. The bank should also find better ways of investing to avoid financial shortcomings and always have a reserve for projects.

On the challenge of communication, the senior management team needs to realize that communication is the lifeblood of an organization and if a communication breakdown is experienced it will not live for very long because many problems will come up and eventually cause the organization to fall apart. The senior management team needs to involve employees in the change process and the sooner they do this the better off they will be at implementing the change. A formal communication channel is more effective at implementing change than a negative informal one. They should also interview employees regarding their feelings. Implementing change requires the ability to market and to sell. It is difficult to effectively sell without understanding your buyer’s needs, concerns, and fears.
Senior management should also concentrate on effective delegation. Effective delegation is particularly good for two reasons: first, it helps you manage and maintain your workload, and second, it gives your employees a sense of involvement. Involvement positions employees to share responsibility for change. In addition they should raise levels of expectations. During change, employees are more likely to alter their work habits, so reach for the opportunity and push them to try harder and work smarter. Require performance improvements and make the process challenging, but remember to keep goals realistic in order to eliminate frustration and failure. They should also ask employees for commitment and expand communication channels by maintaining their visibility and making it clear that you are accessible bosses. Lastly, they should be firm, committed, and flexible.

The study established that on the challenge of external interference, the team leaders need to make a decision to be data driven where they rely on facts to carry out decisions of recruitments and placements. They also need to be people who tell the truth and look out in the best interest of the company because then, no one can challenge the decisions made. The team leaders can also strive to always find a common ground where everyone agrees and sometimes agree to disagree.

The management should also solve technological challenges by training employees using the most economical means since we earlier on established the issue of cost as a challenge in restructuring strategy implementation. The management should also replace worn out or broken down tech equipment and always have a backup for all their data.
The study established that the challenge of skills gap can be solved by recruiting early. This can be done by working with main universities locally or according to the specializations that are needed. This can help them get in front of young and excellent talent sooner and help them understand the skills and experience they’re going to need to require; in addition to education. NBK management can also build good internship programmes where they expose these interns to as many aspects of the company’s operations as possible. The interns need to handle actual projects while being supervised and receiving feedback, much like they would if the company were attempting to quickly absorb a new employee into operations. The management also needs to encourage more employees to seek higher education and training as they develop themselves.

4.4.3 Measures to overcome challenges at Operational Level

The study established that at the operational level on the issue of communication, communicating change should be structured and systematic therefore being proactive in communications can minimize resistance and make employees feel like they are part of the implementation process. It has often been observed that communication creates the conditions for commitment, and hence should be seen as one of its important antecedents.

A meta-analysis (Postmes et al., 2000) reveals that: employees were strongly committed if they obtained adequate information to perform their task, and this information was presented to them via formal bureaucratic channels rather than informal channels. Interpersonal communication with peers, and direct superiors predicted commitment less than communication with more senior management did, and communication with socio-emotional content was less predictive of commitment
than formal communication was (Postmes et al., 2001, p. 231). As Postmes et al., stated: people's sense of belonging to the organization does not primarily depend on the quality of their informal and social-emotional interactions with peers and proximate colleagues, but it is related more strongly to their appreciation of the management's communication (Postmes et al., 2001, p. 240). The team leaders here should also schedule regular time to communicate and identify and share effective and ineffective behaviors. In summary, the team leaders need to realize that communication is the lifeblood of an organization and an organization that is experiencing a breakdown in communication will not live for very long because many problems will come up and eventually cause the organization to fall apart.

Lastly, the study established that lack of involvement in decision making could be addressed by management team by involving employees in the decision making process to assert their value in the organization and make them feel that they belong. This interprets to them that they are owners too of the businesses and their decisions really matter thus fostering a sense of responsibility and commitment from them.

Dishonest employees should be helped by engaging them because alienating employees may enhance moral disengagement even in those with higher integrity. They should be given meaningful tasks, made to feel valued, treated like adults, and they will be more compelled to exercise organizational citizenship, no matter how unprincipled they are. Dishonest employees should also be led by example because studies show that when subordinates trust their supervisors they are happier and more productive at work and everyone wins. They should also be paired with ethical peers as teaming your less moral employees with colleagues who have strong integrity will motivate them to behave more ethically.
The bank should also invest in moral training and reduce their temptation. Everybody has a dark side, but the antisocial aspects of our personalities are much more likely to surface in toxic environments or situations of weak moral pressure. It is hard to change someone’s personality, but managers can do a great deal to affect the environment employees inhabit. Managers can help employees who are less capable of exercising self-control by surveying and controlling them a bit more. If all this fails, management may be forced to fire such employees.

4.5 Discussion

The findings of this study on challenges in the implementation of restructuring strategy are well aligned to previous studies (Aosa 1992; Koske 2003; Machuki 2005; Gichema 2012) which confirms that strategy implementation challenges cut across various industries and that what varies is the degree of impact and extent of each challenge. As earlier seen in the literature review, strategy implementation challenges affect all industries, whether profit or non-profit making.

Just as RBV theory argues, it was very evident from this study that implementation of a restructuring strategy is not possible if there are inadequate resources. Lack of human resources was a great challenge in the implementation of the restructuring strategy at the NBK. The same scenario is experienced by (Thompson and Strickland (2003) where they found out that depriving strategy critical groups of the funds they require in executing their pieces of the strategy can undermine the implementation process. Adequate resources need to be provided for a strategy to be implemented and therefore budgeting process should be an all-inclusive process to ensure that the implementation is consultative as much as possible as well as to avoid omissions of budget lines which are paramount in effective strategy implementation.
Organizations do operate in open systems and therefore the environment does affect their strategy implementation, as is evident from the study. Political and social economic factors are some of the things that affected the restructuring strategy implementation process at the National Bank of Kenya. This finding is in agreement with Aosa (1992) where he stated that the settings in which managers operate differ and environmental factors influences strategy implementation within and without the organization. Environmental issues have more often than not led to the bank’s loss of income and therefore management needs to come up with ways of dealing with the environment and more so the external environment factors.

The study established that National Bank of Kenya have attempted to fully utilize the dynamic capabilities that complement the premise of the resource-based view of the firm. Dynamic capabilities impact the resource base of the firm, which in turn is the source of the firm's competitive advantage (Ambrosini and Bowman, 2009).

However, dynamic capabilities do not just appear from nothing, but instead they are typically the outcome of experience and learning within the organization. The first example of dynamic capabilities identified from the study applies to NBK at a more general level. It seems that they have been continuously searching for new business opportunities. In practice, these studied opportunities have been product innovations, new geographical markets and other opportunities for growth. The search has not been very systematic but has relied more on intuition. In other words, managers gather information mainly from informal sources and then they combine these market signals to make more holistic mental pictures. The management's intuition has guided the firm quite successfully.
Another important example of dynamic capabilities identified from the study is the factor behind NBK’s growth which is the firm's modernization capabilities. It is argued that SMEs have to increase their growth through resource reconfiguration processes; something that is necessary because they often have very limited chances to acquire new resources. In this case, the firm’s modernization capabilities have developed over many years and are an intangible combination of resources and capabilities. Another example of dynamic capabilities identified from the study is concerning the role of the firm's technological capabilities in its growth are its capability to improve its production technologies to better match demand requirements for example in its ATM’s and e-banking facilities among others. According to Johnson and Scholes, 2002, an organization is viewed as a bundle of resources and capabilities, dynamic capabilities underline the processes of transforming firm resources and capabilities into outputs in such forms as products or services that deliver superior value to clients.

The study was in agreement with (Galbraith and Nathanson, 1978; Koske, 2003; Machuki 2005) that well managed organizations do have distinctive cultures that are in some way responsible for their ability to successfully implement strategies. Organizational structure plays a crucial role in charting how people relate to each other and in influencing the momentum of change. NBK had a fairly good organization structure which was able to support the restructuring strategy implementation.
4.6 Chapter Summary

This chapter consists of findings and discussion on the data gathered to address this study. The study findings were in line with the objectives of the study; challenges in the implementation of Restructuring Strategy by the National Bank of Kenya. All of the respondents were from the senior management team. It discusses the implementation of the restructuring strategy that was formulated by Mckinsey & Company.

This chapter also gives an in-depth discussion of the various challenges faced during the implementation of the restructuring strategy at Board of Directors level, Senior Management Level and Operational level. Thereafter, measures taken to overcome strategy implementation challenges are discussed extensively and in-depth based on the interview findings and these are again discussed at the three levels of participation from the Board of Directors level down to the operational level.

Lastly, this chapter gives a discussion of the study findings and aligns the findings to previous studies which confirms that strategy implementation challenges cut across various industries and that what varies is the degree of impact and extent of each challenge. It also discusses briefly the theories from which the study was adopted in reference now to the findings and links the two bringing out the applicability of the theories to the actions of National Bank of Kenya. This chapter also highlights the various researchers to whose work the study was in agreement to.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
From the analysis and data collected, the following discussions, conclusions and recommendations were made. The responses were based on the objectives of the study which was to establish the challenges in the implementation of the restructuring strategy by National Bank of Kenya.

5.2 Summary
The objective of this study was to find out the challenges faced during implementation of restructuring strategy by the National Bank of Kenya. The study revealed major challenges which were grouped under three subtopics namely challenges faced at Board of Directors level such as political influence, regulations, high and attitudes, challenges faced at senior management level such as financial issues (inadequate budget), poor communication, external interference, technological hindrances and skills gap and challenges at the operational level such as communication, lack of involvement in decision making and dishonest employees.

The study went further on to establish measures to overcome the challenges in the implementation of restructuring strategy. The results of the study show that measures to tackle the challenges faced during implementation of restructuring strategy by NBK are majorly internal and not greatly affected by the external environment except for very few instances. Some of the measures to overcome challenges in implementation of the restructuring strategy by NBK include strictly relying on data during recruitment and placement processes, exploring other cheaper training alternatives like Self-service and Automated Tutorials and Webinars, encouraging
good morals amongst dishonest employees and enforcing controls, coming up with performance evaluation measures, improving on the entire aspect of communication in the organization, making all employees feel as though they own the organization and are part of the change process, addressing the problem of rumors and attitudes by digging out the root cause and solving it among other measures that help overcome the challenges.

5.3 Conclusion

National Bank of Kenya has been facing challenges in restructuring strategy implementation mainly due to internal stimulants such as inadequate communication, resistance to change, skills gap, high cost of restructuring, mixed attitudes and perceptions, lack of performance evaluation methods, lack of commitment from employees and external influence. It can therefore be concluded that if the bank implements the proposed measures to deal with the restructuring strategy implementation challenges, it will experience better growth and it will be enabled to achieve her set goals and objectives at the end of the strategic plan period.

From the results, conclusion can be made that there was fair cooperation between employees and the management during strategy implementation, which was as a result of good communication among the senior management team and reward systems among the employees as an incentive to avoid employee resistance.

The study also concludes that the challenges in the implementation of restructuring strategy by the National Bank of Kenya that were found to be significant strongly suggest the need to adopt certain guidelines and mechanisms to reduce these obstacles in achieving successful implementation of formulated strategies.
These suggested adoptive mechanisms revolve around Training, Communication, Performance Management Systems and New hire. This requires a) Training employees who were previously present and developing them b) development of better information and communication systems and feedback mechanisms c) motivational reward incentives tied to implementation success through performance management systems d) poaching fresh talent from other banks to drive the change process.

5.4 Recommendation

The study recommends that the bank should evaluate its progress and come up with a course of action which will assist in achieving the objectives of the restructuring strategy. The bank should consider full implementation of the measures to overcome restructuring strategy challenges.

The research suggests that strategists should place more emphasis on implementation challenges while they are drafting their plans. Most of these challenges are avoidable if they have been accounted for during the formulation stage. It is obvious that some deadlines failed to be realized due to challenges faced during implementation.

National Bank of Kenya should consider involving all the stakeholders in the strategy formulation and implementation especially the implementers so that they can own the whole process. Noninvolvement of all staff may be the reason why some deadlines are not met. The management should also induct new employees, regardless of their level, on the set strategies and how to implement them.
Specifically, some of the recommendations for senior managers aiming to successfully implement restructuring strategy at the National Bank of Kenya are as follows: the senior management must make sure that the supportive structure is in place to provide staff employees with the necessary training and instructions during implementation phase, the senior management should link employee performance during implementation phase with the overall reward and compensation system in the organization, the project management team should develop a good information and tracking system. Employees need to be updated on implementation tasks and progress, the senior management team has to align its own organizational structure to what the strategy is calling for in order to enhance effectiveness of communication and coordination during implementation processes and the entire company as a whole has to be involved and maintain focus during the implementation processes.

5.5 Implication of Study

5.5.1 Implication on Policy

This study has strong grounding in policy formulation and implementation and the results will go a long way in ensuring that after effective policies are developed, even more concentration and effort is given to the implementation process which the study has clearly illustrated to be the main work.

5.5.2 Implication on Theory

The study is in agreement with the two supporting theories, Resource Based View and Dynamic Capabilities theory which state that the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu & Mercer, 1983 p142, Wernerfelt, 1984, p172; Rumelt, 1984, p557-558; Penrose, 1959) and Dynamic capability is “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly
changing environments” (David J. Teece, Gary Pisano, and Amy Shuen) respectively. The study illustrated that the above theories play a great role in strategy implementation effectiveness. This study will therefore guide future scholars in the advancement of the theories.

5.5.3 Implication on Practice

The study can also serve as a reference point to organizations involved in restructuring strategy and have the need to know ‘what’ and ‘how’ as regards the challenges faced during implementation of the restructuring strategy and measures to overcome these challenges.

5.6 Limitations of the Study

The limitations of the study refer to those characteristics of design or methodology that impacted the application or interpretation of the results of the study. Time constraint was one limitation to the study which contributed to difficulty in accessing information. This was mainly due to unavailability of the respondents for interview at the agreed upon time, owing to their busy schedules in attending to official issues that may not have been earlier on planned, which at times were conducted outside the country and/or out of town. This therefore led to rescheduling of the interview time to fit into the respondents ‘diary; the study was therefore not allocated enough time to capture all the information that may have been required for this study. Also, some respondents would include other challenges affecting their day to day operations which were not relevant to the topic of study whose objective was to find out challenges in implementing the restructuring strategy.
Mistrust by the target group also came out strongly especially owing to the fact that just recently National Bank was in the media due to various allegations. It therefore took a lot of persuasion by assuring the respondents of absolute confidentiality to get them to participate in the study; some respondents also withheld important information which in the long run impacted on the outcome of the study.

The methodology employed was also limiting in the sense of data was only collected from the senior management of NBK so it is not clear what the junior staff perceive as regards the changes that the restructuring strategy brought about and how they reacted.

5.7 Areas for Further Studies

The study concludes that implementation of restructuring strategy is faced with various challenges that are otherwise avoidable if better planning is done and structures are well aligned to implement the strategy. Further research could be on ways of minimizing challenges during implementation of restructuring strategy and how to go about the challenges faced during implementation of restructuring strategy.

A replication of this study can be done on a different company in a different industry in order to compare the results with those of these studies or on the same company to find out whether there have been any improvements on challenges of strategy implementation. These studies will assist the researcher to identify whether the challenges experienced in this study are unique or common.
Future researchers should adopt different methodologies while undertaking research on the area under study. This will establish whether different methodologies give different results or the reverse is true. There is also need to undertake a comparative study in other commercial banks in our economy.

5.8 Chapter Summary

This chapter gives a summary of the whole study at large. The objective of the study is now linked to the findings which reveal major challenges which were grouped under three subtopics namely challenges faced at Board of Directors level, challenges faced at senior management and challenges at the operational level.

This chapter also gives a conclusion of the study that that there was fair cooperation between employees and the management during strategy implementation and there’s need to adopt certain guidelines and mechanisms to reduce these obstacles in achieving successful implementation of formulated strategies. This chapter then goes forth to give recommendations on what the bank should do to tackle the challenges faced, what strategists should place more emphasis on and how else the senior management team should go about in the implementation process.

Lastly, this chapter discusses the implication of the study on policy and suggests that the results will go a long way in ensuring that after effective policies are developed, even more concentration and effort is given to the implementation process. It also gives implication on theory mentioning that the study will therefore guide future scholars in the advancement of the theories. The study’s implication on practice is the study can also serve as a reference point to organizations involved in restructuring strategy. This chapter also discusses limitations of the study faced by the researches and gives suggestions on areas for further studies.
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Postmes Fredrick,Postmes et al., 2001, p. 231


APPENDICES

Appendix I: Interview Guide

1. Why was it necessary to restructure the organization?
2. What was the organization setting out to achieve from the restructuring strategy?
3. Were there specific departments in the organization targeted for the restructuring strategy?
4. Who were the main participants in the restructuring process?
5. During the restructuring process, were there new policies and procedures incorporated into the organization that were not originally there?
6. What were the challenges faced during the restructuring process?
7. How were the challenges associated with the restructuring process addressed?
8. How did these challenges affect the way the operation carried out its activities?
9. How were these challenges communicated to the management?
10. Did the restructuring process meet the stipulated deadlines?
11. How do you regard the extent of achievements with regard to the restructuring strategy so far?
12. What were the outcomes of the restructuring process?
13. What monitoring and evaluation techniques did you have in place to ascertain the restructuring process achieved the intended objectives?

Many thanks for participating in this project. Your time and input are greatly appreciated.
Appendix II: Letter of Introduction

Patricia Akoth Odongo
P.O Box 104697- 00100
Nairobi, Kenya
Tel: 0725 705 192
June 2015
To the Chief Executive Officer,
National Bank of Kenya Limited
P.O Box
Nairobi, Kenya.
Dear Sir,

RE: DATA COLLECTION; MBA RESEARCH PROJECT

I named above is an MBA student at the University of Nairobi, School of Business specializing in strategic management. I am requesting for permission to collect data from the National Bank of Kenya Limited. My mode of data collection will be through conducting personal interviews with some of the senior management of staff in the organization.

I would also like to confirm to you that the data collected is intended for academic purposes only and will be treated with utmost confidentiality. A copy of the research project will be provided to you upon request.

Your assistance will be highly appreciated.

Yours faithfully,

Patricia Akoth Odongo
Student (SOB)
The University of Nairobi.

Professor Zack Awino
Senior Lecturer (SOB)
The University of Nairobi.
APPENDIX III: LETTER CONFIRMING DATA COLLECTION

August 2015
To The School Of Business,
University Of Nairobi,
P.O. Box 30197 – 00100,
Nairobi.

Dear Sir/Madam,

REF:
STUDENT: Patricia Akoth Okembo – D6/55555/2013
TOPIC: 7 Challenges In The Implementation Of Restructuring Strategy By NBK

In reference to the subject topic, we confirm that the subject student conducted the research interviews through the organisation’s staff.

Farouk Hirmi
Director – Business Banking

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