

**STRATEGIC CONSENSUS AND IMPLEMENTATION OF DIFFERENTIATION
STRATEGY BY HABIB BANK AG ZURICH-KENYA**

BY

BANDA MAUREEN NGAIRA

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DECLARATION

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

Signature..... Date.....

BANDA MAUREEN NGAIRA

D61/5042/2017

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

Signature..... Date.....

PROF. ZACHARY B. AWINO

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

DEDICATION

This research project is dedicated to my family who if it wasn't for them I would not made it this far in my studies. To my friends who have been with me, helping me in every step taking up the roles my family couldn't.

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TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABBREVIATIONS AND ACRONYMS.....	viii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the study	1
1.1.1 Strategic Consensus.....	3
1.1.2 Implementation of Differentiation Strategy	4
1.1.4 Commercial Banks in Kenya.....	5
1.1.5 Habib Bank AG Zurich (Kenya)	6
1.2 Research problem.....	7
1.3 Research Objective.....	11
1.4 Value of the study	11
CHAPTER TWO: LITERATURE REVIEW.....	13
2.1 Introduction	13
2.2 Theoretical Foundation	14
2.2.1 Dynamic Capability Theory	14
2.2.2 Knowledge-Based Theory	15

2.2.3 Stakeholders Theory	16
2.4 Strategic Consensus and Implementation of Differentiation Strategy	19
2.4 Empirical Studies and Knowledge Gaps.....	20
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Introduction	23
3.2 Research Design.....	23
3.3 Data Collection.....	24
3.4 Data Analysis	25
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	26
4.1 Introduction	26
4.2 Demographic Information.....	26
4.3. Consensus Building at Habib Bank Ag Zurich	27
4.3.1 Involvement in Strategy development.....	28
4.3.2 Alignment of departmental goals with organization goals.....	29
4.3.3 Management interactions.....	29
4.4 Factors affecting the Consensus-Implementation relationship	30
4.4.1 Influence of organization structure on consensus-implementation	31
4.4.2 Influence of Leadership on consensus-implementation	32
4.4.3 Influence of Human Capital on consensus-implementation.....	33
4.5 Discussion of the findings.....	34

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..	39
5.1 Introduction	39
5.2 Summary of findings.....	39
5.3 Conclusion.....	41
5.5 Recommendations	43
5.6 Limitation of the study	44
5.7 Suggestions for further studies	45
REFERENCES.....	46
APPENDICES	53
Appendix 1: Interview Guide.....	53
Appendix 2: Data Collection Letter	55

ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

CEO: Chief Executive Officer

COO: Chief Operation Officer

FINMA: Swiss Financial Supervisory Authority

HBZ-K: Habib Bank Ag Zurich – Kenya

KBV: Knowledge Based View

SBU: Strategic Business Units

SME: Small and Medium Enterprises

SIC: Standard Industrial Classification

SPSS: Standard Industrial Classification

ABSTRACT

Strategic consensus is the establishment of common understanding towards strategic priorities and it has been linked to improved coordination and cooperation in the implementation of strategies. Implementing a differentiation strategy requires consensus for the cross functional cooperation which facilitate better strategy implementation. With the intense competition among the commercial banks after the introduction of interest caps bank shifted their focus to non-interest income by trying to be different in from their competition. Habib Bank Ag Zurich which was the unit of analysis was in the process of implementing differentiation strategy and the objective of the study was to establish the factors that moderated the relationship between strategic consensus and implementation of differentiation strategy in the bank. The research design used was a case study and the primary data was collected using interview guides. Ten respondents were interviewed and the data collected was analyzed using content analysis due to the qualitative nature of the data. The findings of the study showed that the Leadership was centered in a way that decision making was only done at the top management leaving out the rest of the management levels piling the decisions to be made hence dragging the implementation process. The findings also revealed that the organization structure was narrow but it only encouraged one way communication which was top down and there was no proper interaction between the departments and no proper convergence of ideas. The findings further revealed that there was some sense of resistance from the workers as they were not involved in the whole process also there was no proper match of the workers competencies and the tasks; all the three factors hindered the implementation process by slowing it down and not responding appropriately to the changing external environment. The study concluded that there was a direct relationship between the factors identified and the outcome of the relationship, there has to be a strategic fit between the strategy, structure, leadership and employees even if consensus had been established earlier, the fit enables further development of strategic consensus which would lead to a successful implementation process.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The argument underlying this research is that strategic consensus is linked to improved coordination and cooperation in the implementation of strategy, and hence, with organizational success. Organizations make strategic choices meant to attract stakeholders but the success depends on how well the strategy chosen is implemented. Implementing a differentiation strategy would require combined effort from different areas to come up with products widely valued by customers (Porter, 1980). Shared understanding among managers on the strategic priorities employed by an organization in implementing differentiation strategy enables an organization establish a cross-functional co-operation which facilitates better strategy implementations (Homburg, Krohmer & Workman, 1999).

Various schools of thought can be used to explain the link between strategic consensus and the implementation of differentiation strategy. It is imperative that organizations operating in dynamic environments become knowledge based as it encourages a learning culture within the organization that allows the acquisition, change and preservation of organization capabilities. The dynamic capabilities theory asserts that tangible assets, human capital and the intellectual power of an organization having developed together over time are more valuable when combined than separately and give an organization a competitive advantage (Douma, Sytse, Shreadee & Hein, 2013). Freeman (1984) stakeholders' theory argues that in rapidly changing business environments organizations seek to create better value through a close relationship among the stakeholders.

To effectively implement strategies, organizations come up with unique approaches that would suit both the internal and external challenges (Baroto,Arvand & Ahmad,2014). According to Chepkoskei (2012), achieving successful implementation remains a continuous challenge for all stakeholders especially if there are factors that would affect the link between strategic consensus and the implementation of differentiation strategy.

Homburg et al, (1999) and Dess & Origer (1987) in their studies, they have established that there are factors that dictate the outcome of the consensus-performance relationship and market dynamism was mostly highlighted. If the factors are not clearly monitored then the outcome of the relationship wouldn't be attractive in the implementation process. Market dynamism being an external factor and no research at least none that is known to the researcher has identified any internal factors. This study will seek to identify the organizational factors that would moderate the relationship.

Banks innovate market specific products as a way of targeting market segments and fast-tracking digitization of internal processes which help the banks improve efficiency and effectiveness hence bringing in the concept of differentiation. HBZ is no exception; being a small bank the old decentralized business model made it difficult to manage operational risks and controls. The increasing regulatory requirements made it less viable and so the bank realigned by centralizing all key operations and remodeling branches from processing units to marketing centers for business development and customer service and they have to work together with the centralized operations to make the model a success. This helps monitor the customers' needs closely.

1.1.1 Strategic Consensus

Consensus at a business level means that there is a common understanding toward shared goals and values among participants. It implies that everyone accepts and supports the decision and they understand the reasons why the decisions were made. Based on the general view of consensus, strategic consensus is the understanding of the strategic priorities by all management levels of the organization (Kellerman, Walter, Lechner & Floyd, 2005). Strategy implementation requires more than a well-drawn plan, it also requires a shared understanding of the strategy being implemented (Kellerman, Walter, Lechner & Floyd, 2005).

In most cases, strategies are not understood well due to some unanticipated issues that come up and the details must be settled in a way that is consistent with the general intentions. When there is shared understanding, managers are able to act rationally and independently but in consistent with the actions of others and the spirit of the decision (Amason, 1996). Initially developing a strategy was purely a top management task but the middle and operating level managers play a substantive role in coming up with a strategy as they are the ones who come up with new ideas and are also a source of variation. They provide the ideas for new initiatives championing the top managers and officially changing the strategy (Burgelman, 1983).

According to Kellerman, Walter, Lechner & Floyd (2005), the involvement of managers from other levels led to the evolution of strategic consensus reflecting the shared understanding of the strategic priorities. Implementation at the functional level is brought by the alignment and adjustment of key operating systems, processes and decisions within the organization like resource allocation.

1.1.2 Implementation of Differentiation Strategy

The idea behind generic strategies is that competitive advantage is at the heart of any strategy and in order to gain the competitive advantage firms have to make choices which are central to an organization position in its relative industry (Porter, 1998). Differentiation strategy is one of the generic strategies whose main objective is to try and convince customers to pay a premium price for the unique goods/services being offered by the organization in an attempt to attract a broad market (Porter, 1980).

The effectiveness of the strategy implementation depends on how well an organization balances the benefits of its products and its costs relative to competitive offerings (Slater & Olson, 2001). Firms in developing countries implementing the differentiation strategy concentrate on dimensions such as image, gaining customer loyalty, quality, innovation, level of services being offered all at the same time instead of focusing on one thing (Kim, Nam & Stimpert, 2004).

Regardless of the strategy chosen by an organization, Noble (1999) & Schofield (2004) are in the opinion that the implementation phase is messy and complex because of its ambiguous and involvement of many departments. The complexities arise as a result of the politics of the implementation process. Different personalities, politics, communication problems, strategic consensus may undermine the implementation (Pearce & Robinson, 1994).

1.1.4 Commercial Banks in Kenya

The Kenyan banking industry is viewed as one of the most developed in the east African region. The industry is made up of 44 banks, 43 of them being commercial banks and the 44th being CBK. The industry has been faced with global and domestic financial challenges that have seen a number of banks collapse. Through CBK, the government has set tough measures to ensure the stability of the industry (Muriithi and Louw, 2017).

The interest cap has forced banks to rethink their competing strategies by introducing technology driven products to maintain their position (Musau, Muthee & Mwangi, 2018). Initially banks used to compete on pricing of their product but since the introduction of the price controls, different banks have the same price for their products (Mutindi, 2017). Banks have had to redefine their strategies, by coming up with unique products.

It is however evident that the product in the industry are easily imitated by the rivals and in order for the banks to stand out, they have to differentiate the quality of the products provided (Cytton, 2016). This helps in attracting new customers from their competitors and retaining the existing ones.

Despite the interest rate capping the banks have become resilient, there has been an increase in competition from both the local and international banks serving the Kenyan economy. Banks have re-engineered their business models especially for the small banks who had been hit by loss of deposits which affected their capacity to lend hence pushing their customers to larger banks (CBK, 2018). The interest cap has made commercial banks shift their revenue sources in favor of non-interest income whose share stood at 15.2% as at June 2017 and increase from 12.4 before the introduction of the interest caps (CBK, 2018).

1.1.5 Habib Bank AG Zurich (Kenya)

HBZ was established in Switzerland in 1967 and has solid base of banking tradition. The bank has been in operations for over 50 years where they have excelled in provision of corporate, personal, private, and correspondent banking products. Services are offered via its matchless capacity as an established institution, yet remain focused to its client's needs.

The bank offers high personalized services through its international network of banking branches, subsidiaries and its affiliates. All the banking functions are overseen from the head office located in Zurich Switzerland. The bank is seen as a leader and pioneer in technology and it offers a range of services and products supported by the innovative delivery channels.

As a bank incorporated in Swiss, privacy is adhered to strictly. This is guided by the FINMA a financial regulatory body in Switzerland and several other international banking regulators. The Bank started its operations in Kenya in 1978. Today, HBZ-K operates five branches; three in Nairobi and two in Mombasa.

1.2 Research problem

Successful implementation remains a continuous challenge for all stakeholders as the organization would need approaches that would suit the internal and external challenges. Most studies on strategic consensus show that a higher level of consensus during the implementation of differentiation strategy has a positive impact on the outcome. It is argued that when there is consensus among all levels responsible for implementing the strategy, there is improved co-ordination which in turn enables a more efficient implementation process (Wooldridge & Floyd, 1992).

When there is consensus, self-interest is eliminated, co-operation is enhanced and there is successful implementation of the strategy due to the diversity brought about by the different backgrounds, experience values and personalities. The Kenyan banking industry is a very dynamic business environment caused by the regulations, competition and the customer awareness.

This has impacted on the goals and objectives of the players in the industry which has seen most banks come up with products that would give them an edge over the other players. HBZ-K is no exception, after years of being hesitant to embrace the changes in the market; it has opted for differentiation strategy by centralizing all its key operations. This is aimed at improving the bank's performance and ensuring a sustainable position in the industry and expanding its customer base.

Nandi (2017) undertook a study on the factors influencing strategy implementation at Period Ricard. The researcher used a descriptive study conducted between June and August 2017 by carrying out a census on all the 80 employees in the organization. The researcher used Pearson Correlation to analyze the data and the findings showed that strategic consensus acted as a shared understanding to a strategic directive between individuals or groups within the organization.

Mutunga (2013) investigated the determinants of implementing a strategic plan in Kenyan public hospitals 2008-2012 a case of Mbagathi level hospital. The exploratory study was based on a sample of 80 which was obtained through stratified sampling from all the hospital employees. The researcher used SPSS to analyze the data collected and found that knowledge affected the implementation and that lack of shared understanding led to inadequate implementation.

Nyakirega (2015) carried out a descriptive study on the factors that influenced the implementation of strategic plans in public universities newly established. The study was carried out between Nov 2014 and Feb 2015. The researcher used stratified sampling and based on a sample of 123 the collected data was analyzed using descriptive and inferential statistics. The findings showed that effective communication and consensus influenced implementation of the strategies.

Mutisya (2016) carried out a descriptive study to establish the effects of strategy implementation communication on employee commitment among pharmaceutical companies in Nairobi Kenya and the study was carried out between Sep – Oct 2015. Based on a census of 64 pharmaceutical companies, the data was analyzed by descriptive statistics and the findings show that horizontal communication structure led to shared understanding and successful implementation.

Bujis and Languth (2017) carried out an exploratory study to analyze the strategic consensus building process in a merged organization in Sweden. Data analyzed was based on all the 12 managers in the organization making it a census. The data collected through face to face interviews was analyzed by transcription. Their findings show that consensus on strategic priorities is necessary for the organization's development and that vertical communication, transparency and agility facilitate strategic consensus.

Zadi, Zawawi, Nordin and Ahnuar (2018) carried out a quantitative study to establish the link between strategy implementation process and performance of construction companies in Malaysia. Data was collected from 25 companies based on a specific grade of the construction companies, Pearson Correlation was used to analyze the data and the findings show that strategic priorities need to be understood by the employees which improve their contribution to the successful implementation of the strategy.

Schaap (2006) conducted a study to investigate the relationship between effective leadership and successful implementation in the Nevada casino industry. In all the senior executives and supervisor, the researcher collected data based on 890 level leaders. The data was analyzed using statistics software and the findings show that frequent up and down communication in the organization structures enhanced strategic consensus by promoting common attitude and values.

Homburg, Krohmer & Workman (1999) carried out a study to establish the link between strategic consensus and performance collected data from SBUs in 3 industry sectors in the US and Germany using a cross national sample of 101 firms for the generalizability of the findings and analyzing the data using the SIC codes found that, consensus was associated with performance for a differentiation strategy and dynamism was closely linked to consensus hence positive effect on performance for differentiation strategy.

Granted that different studies have been undertaken to try and establish the link between strategic consensus and implementation, the results consider that there are moderating factors in the relationship (Bowman & Ambrosini, 1997, Homburg et al, 1999) key being the market dynamism. Locally, there has been no study, at least none that the researcher is aware of, that has sought to identify the factors that moderate the relationship.

Consequently, this gap that relates to studies done previously and the lack of research that examine the relationship forms the motivation for undertaking the present research. This therefore leads to the research question: what is the link between strategic consensus and implementation of the differentiation strategy?

1.3 Research Objective

To establish the link between strategic consensus and implementation of differentiation strategy factoring in the moderating factors.

1.4 Value of the study

The study was to benefit the academia, Habib Bank Ag Zurich and the banking industry stakeholders. The management was be able to know the factors they should keep an eye on that would end up destabilizing the consensus established and reacting to them accordingly. The banking industry plays a key role in stabilizing the financial system of the country, the study helped guide and shape the way forward towards the banks' growth in the dynamic environment.

In academia, the study was to be valuable to future academic research in the broader area of Strategic consensus. The cumulative results from the study inspired more research to establish more moderating factors; apart from just being a form of reference for future studies the study suggests future research activities that can be explored.

The study was to ascertain that dynamic capabilities, knowledge and cordial relationship among stakeholders were important for organizations implementing differentiation strategy and the unique aspects in the organization fuel innovation. These were considered to be key in establishing strategic consensus and come up with unique products.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers other research works on strategic consensus and strategy implementation. It is based on a summary of and description of the current state of knowledge that guided the study by avoiding duplication and analysing the structure of their arguments and figure out how they addressed the issues.

The main sections covered in this chapter included; theoretical framework which focuses on various school of thoughts that seek to explain the idea behind the study, the implementation of differentiation strategy which focused on other factors that would hinder the implementation of differentiation strategy and a review of empirical studies which helped the researcher identify what had studies had found regarding the subject of study.

The empirical studies included four local studies and four international studies where the researchers tried to establish the link between strategic consensus and organization performance mostly in the implementation of strategies. This guided the researcher in avoiding duplication and clearly established the research gap for the study.

2.2 Theoretical Foundation

This section looked at various theories that were used to guide the study on the relationship Strategic consensus and implementation of differentiation strategy. The study was guided by three theories; dynamic capability theory, knowledge-based theory and the stakeholders' theory.

2.2.1 Dynamic Capability Theory

This theory was developed in order to improve the resource based theory which argues that organizations secure competitive advantage based on the degree of rarity it enjoys in its resources, and explains how organizations perform in dynamic environments focusing on the capabilities they employ in order to gain competitive advantage (Beske, Land and Seuring 2014). The theory argues that companies that are successful in their respective industries respond appropriately towards the market dynamism (Teece and Pisano, 1994).

The banking industry is turbulent at the moment and with introduction of the non-interest incomes, banks are coming up with very many innovative products that would set them apart from the competitors. Most banks are employing the generic strategies differentiation being the most commonly adopted strategy. Teece and Pisano (1994) further argue that there must be co-ordination in the organization for it to take advantage of the various competencies it has. Based on this theory, the dynamism is seen as the capacity of organizations to renew its competencies in order to be in line with the changing business environment. Strategic consensus comes in handy in coordinating all the activities and resources to ensure that the organization's stakeholders work together smoothly and efficiently.

Once there is clear understanding of the strategic choices then the organization would have an adaptive, absorptive and innovative capability. An organization is able to gain competitive advantage through a collection of routines, skills and complementary assets that are difficult to imitate. Rivalry is inevitable in any industry and for that it is up to an organization to constantly improve and develop new types of competencies in order to cement its competitive positions (Teece and Pisano, 1994).

2.2.2 Knowledge-Based Theory

Knowledge is considered to be one of the most important resources of an organization, just like in the resource based theory Knowledge cannot be imitated its unique in its own nature. When an organization is implementing a strategy it focuses on the ability of the employees to embrace a learning culture leading to innovation as a basis of gaining a competitive advantage. KBV states that firms exist to create and convert knowledge into competitive advantage (Kogut & Zander, 1992). Knowledge leads to the development of dynamic capabilities which have a capacity to transform knowledge into complementary assets.

Knowledge is created through a combination of different views of people in the organization which fuels innovation which is key in a differentiation strategy of a firm. KBV supports the importance of having a common base of knowledge shared across the organization which leads to the coordination of specialized knowledge. Development of common knowledge domains and practices is very important for a firm seeking to develop a sustainable competitive advantage, which is dependent on the knowledge integration across the organization (Grant, 1996).

In the Kenyan banking industry, the dynamism require the banks to constantly come up with innovative products, and to do that there must be shared understanding between all parties involved in coming up with new ideas and products. The establishment of common knowledge supports strategic consensus towards the development of unique products for the already competitive market.

2.2.3 Stakeholders Theory

Stakeholders' theory states that it is necessary for organizations to consider the interest of the stakeholders as their investment have an impact on the organization's performance. Applying the stakeholder theory enables a business gain goodwill and cooperation of stakeholders. Doing business requires values that the shared sense of created value brings together business stakeholders hence generate great performance.

Harrison, Bosse and Phillips (2010) argue that it is more useful for organizations to create a cordial relationship among stakeholders in the process of creating value. Organizations that have established cordial relationship between the business, groups and individuals, have better chances to deal effectively with value creation in a rapidly changing business context and explicitly connect business and ethics to effectively deliver the desired finished product (Freeman, Colle, Harrison, Parmar and Wicks 2010).

Strategic consensus require managers to have clear and creative minds in order to think about the methods they will apply in order to come up with products that will allow them to differentiate the products from their competitors. Just like the stakeholders theory suggests, strategic consensus is also in the view that companies create value by ensuring all the stakeholders' interest are aligned in the same direction (Freeman,2008).

2.3 Implementation of Differentiation Strategy

Implementing a differentiation strategy is supported by the alignment and the adjustment of the main system, processes decisions within the organization which brings about shared understanding toward the set out objectives and goals. Strategic consensus is just but one of the factors that would determine how well the strategy would be implemented. In this section will look at other determinants of successful implementation of the strategy.

Regulations govern and control how thing are done in a business environment, they affect the operability of organizations as they limit the applicability of strategies chosen (Pehrsson, 2013). There has been a significant change in banking industry government re-introduced section 44 of the banking act which seeks to control the bank charges. This meant that the banks would only be able to charge premium prices for their products with the approval of the Central Bank of Kenya even if such products were perceived by customers as relatively superior in quality (Atieno, 2004). However, this approval is not guaranteed and this brings the question of the extent of the implementation of differentiation strategy in a controlled environment.

Culture is essential in coming up with a sustainable change which has a huge impact on company's competitive advantage. According to Brien (1998), most organization failures have been linked to organization culture and failure to practice organization ethics. This motivates employees from top to bottom to pursue growth oriented innovations focused on competitive strategies. Organization culture helps an organization to distinguish itself from its competitors which is the sole aim of a differentiation strategy. However important culture is, if not taken care of well it would lead to failure in strategy implementation (Martins ad Martins, 2003).

Organization structure defines how work is done by individuals and teams within an organization. It specifies the span of control encourages formal communication and describes how different individual actions are linked together. Organizations are supposed to realign and restructure when environmental inefficiencies force them. In order to properly implement a strategy, organizations are required to restructure its processed to fit the strategy (Chandler, 1962), this always leads to structure stability.

Accurate monitoring of performance, facilitate comparison between division improving resource allocation process (Hilt, Ireland and Hokisson, 2007). Implementing a differentiation strategy would require a cross functional structure to support creativity among product development teams which contribute to a development oriented culture.

2.4 Strategic Consensus and Implementation of Differentiation Strategy

Dynamic environments dictate that stakeholders are to be kept happy and loyal by the service providers or they move elsewhere (Think Business, 2017). There has to be a consensus among the organization participants during the implementation of any strategy.

If a corporate strategy does not emphasize on nurturing the success of each unit, the strategy would end up failing regardless of how well it was structured (Porter, 1985).

According to Porter (1980), implementing a differentiation strategy would require combined efforts from managers in different functions to come up with unique products.

Mile's and Snow's prospector strategy which is compared to the differentiation strategy support the idea that managing conflicts and coming into consensus is very important for a differentiation strategy (Ruckert & Walker, 1987). Without trying to achieve consensus, managers from different function involved in the innovation process cannot resolve conflicts, which has a negative implication on the implementation. On the other hand, if there is agreement between business units co-operation will be enhanced thus successful implementation of the strategy (Homburg, Krohmer & Workman, 1999).

Strategic consensus is a very significant factor in implementing a differentiation strategy as it requires the understanding and commitment of functional managers. The diversity brought about by the different backgrounds, experience, values and personalities stimulate creativity and enhance innovation (Zahn, 2009).

2.4 Empirical Studies and Knowledge Gaps

Studies have been carried out to establish the link between strategic consensus and implementation of strategies. Nyakirega (2015) undertook a descriptive study on the factors that influenced the implementation of strategic plans in public universities newly established. The study was conducted between Nov 2014 – Feb 2015 in a population of 123 respondents, the data collected was analyzed using descriptive and inferential statistics and the study found effective communication and consensus influenced implementation of the strategy.

Nandi (2017) carried out a descriptive research between June to August 2017 that examined the factors influencing strategy implementation at Pernod Ricard. The researcher collected data from all the 80 employees in the company and analyzed using Pearson Correlation and the findings show that strategic consensus acted as a coordinator to a strategic directive between individuals or groups within the organization.

Mutunga (2013) conducted an explanatory study investigating the determinants of strategic plan implementation in Kenyan public hospitals 2008-2012 focusing on Mbagathi level 4 Hospital. The researcher used stratified sampling to settle for 80 out of all workers in the hospital, the data was analyzed using SPSS and found that leaders did not involve the staff in the whole planning process and so there was no understanding among the employee and that staff knowledge affected the implementation.

Mutisya (2016) undertook a descriptive study to establish the effect of strategy implementation communication on employee commitment among pharmaceutical companies in Nairobi Kenya. With a study population of 64 respondents the researcher used census due to the size of the respondent hence no sample, the study took place between Sep – Oct 2015. Data collected was analyzed using descriptive statistic which led to the findings that the company used horizontal communication structure. This led to shared understanding which played a big role in the implementation process.

Zadi, Zawawi, Nordin and Ahnuar (2018) carried out a quantitative study to establish the link between strategy implementation process and performance of construction companies in Malaysia. Data was collected from 25 companies based on a specific grade of the construction companies, data was analyzed by Pearson Correlation and the findings show that strategic priorities need to be understood by the employees which improve their contribution to the successful strategy implementation.

Schaap (2006) conducted a study to investigate the relationship between effective leadership and successful implementation in the Nevada casino industry. In all the senior executives and supervisor, the researcher collected data based on 890 level leaders. The data was analyzed using statistics software and the findings show that frequent communication enhanced strategic consensus through shared attitude and values.

Homburg, Krohmer & Workman (1999) through their study to establish the relationship between strategic consensus and performance collected data from SBUs in 3 industry sectors in the US and Germany using a cross national sample of 101 firms for the generalizability of the findings and analyzing the data using the SIC codes found that, consensus was linked to success for a differentiation strategy.

The studies have supported the notion that shared understanding led to successful strategy implementation leading to better performance of an organization. Global studies have established moderating factors while the local studies have shied away from trying to find out the variables or factors that moderate the relationship.

The studies have focused on external factors affect the outcome of the relationship, none has established any internal factors and hence the motivation for carrying out this study which will seek to find out the internal factors that moderate the outcome of the relationship in the banking industry namely; resources, leadership and organization structure.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main purpose of the research was to find factors that moderated the relationship between strategic consensus and implementation of differentiation strategy. The chapter covered an outline of the approach and method used in conducting the study. This section entailed the discussion of the summary of the research methodology which was used in the study.

It focused on the research design, methods of data collection and was finalized with data analysis and methods of data presentation that will be used in this study. The study tried to measure the extent to which the interaction of the moderating variable and the independent variable impacted the outcome of the dependent variable.

The data was collected from all five branches of HBZ-K which was the main context of the study. The data was analyzed using the content due to its qualitative nature and it helped examine the stakeholders' perceptions.

3.2 Research Design

This is a plan that helps researchers conduct studies having maximum control over elements that may hamper the validity of the outcome. The research design that was used was a case study; this helped the researcher to closely study data within specific context with a very limited number of individuals as a subject of study. The HBZ is a small bank and a case study was helpful since the researcher was able to cover all angles.

According to Tellis (1997), a case study would enable the researcher go beyond the quantitative statistical results as it will also include qualitative data that will help explain various processes through complete observation. It enables the researcher explore a situation that will build understanding rather than prove a theory. The research design was appropriate for the study as it helped provide insight and expand understanding of the situation that was being studied.

This method was selected on the basis that it could collect diverse information types and was quick and less costly. The respondents were easy to reach and were spread in all the bank branches. The respondents were members of the different strategic teams handling different aspects of the implementation process.

3.3 Data Collection

Primary data was used in the study which was obtained using an interview guide that helped the researcher collect in-depth data for more insightful interpretations of the results from the study. The data was to be collected from 10 respondents across all the management levels in the bank. The respondents were part of the team that was spearheading the strategy implementation process.

An interview guide is a set of questions asked by an interviewer during an interview (Muthaura, 2014). The choice of the data collection instrument was based on the nature of the data collected which was qualitative; this allowed the researcher to investigate the respondent views in greater depth (Alshenqeeti, 2014).

This helped the researcher clarify ambiguities and in places of incomplete answers the researcher was able to follow up. The interview guide was designed by the researcher based on the research objective as attached in the Appendix 1. It contained two sections, part A had questions on the demographics of the respondents and part B contained questions on strategic consensus and implementation of the strategy.

3.4 Data Analysis

The collected data was qualitative in nature as it was collected using an interview guide and based on this, the data was analyzed using content analysis. According to Haggarty (1996), content analysis allows qualitative data to be analyzed systematically and reliably so that generalization can be made. The analysis allowed the researcher to examine the stakeholders' perceptions on the implementation process of the strategy.

The analysis involves a systematic and qualitative description of the composition of the objects or materials of the study (Neuendorf, 2016). The researcher observed and detailed description of objects, items or things that comprise the object of study. The data was compared to the school of thoughts covered in the literature review which enabled the researcher to arrive at an informed interpretation and conclusion.

The mode of analysis was effective when it came to capturing in-depth opinion of respondents. This was done by breaking down responses from the respondents into meaningful unit to ascertain the characteristics of the message analysis and interpretation. The final report was compiled and presented in Microsoft word after the data has been analyzed.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents an analysis and findings of the study as set out in the research objective and methodology. The objective of the study was to establish the link between strategic consensus and implementation of differentiation strategy factoring in the moderating factor in Habib Bank Ag Zurich.

The analysis and the results focus on the moderating factors, this are the factors that affect the strength of the relationship between the independent and dependent variables. The study clearly shows how the factors affect the outcome of the implementation process.

The study targeted a total of ten interviewees comprising of all management levels across the bank. The 10 included Head of Departments, Branch Managers, Bank Officers and other departmental managers. Out of the targeted 10, one head of department, one branch manager, two credit managers and five officers took part in the interviews with the researcher thus giving a 90% response rate.

4.2 Demographic Information.

Demographic information was collected from the respondents to determine the suitability of them taking part in the study as the information they were to provide was crucial. They were required to indicate their gender; from the response given, three out of the nine interviewees, three were female while the remaining numbers were male.

The respondents were also required to indicate the level of education of each interviewee, five had attained post graduate education and four had graduate education. According to Almanderez (2011) education is an engine of growth and key developments in the society; he also argues that formal education is instrumental in the productivity and development of an organization. The respondents were further required to indicate the positions they held in bank, from the responses; one of the respondents was a head of department, one was a branch manager, two were departmental managers and five were departmental officers.

In order to determine how well the respondents understood strategy implementation processes operations, they were asked to indicate their work experience. Based on the responses it was established that the respondents had worked in the bank for an average period of between 5 – 21 years. These findings indicate that the years they have worked in the bank were enough to understand the operations and the factors that would affect the consensus-implementation relationship. Therefore the information provided was highly reliable.

4.3. Consensus Building at Habib Bank Ag Zurich

This section presents analysis and findings on how consensus on strategic priorities is built in regards to strategy implementation at Habib Bank Ag Zurich. According to the respondents interviewed involvement in strategy development, alignment of departmental goals to the organization goals, interactions of all management levels and agreeing on strategic priorities have a great impact in building consensus. These factors were common among all respondents.

4.3.1 Involvement in Strategy development

The interviewees were asked to indicate whether they were involved in strategy development; there was an overwhelming agreement among the interviewees that involving all employees in strategy development has a strong influence on building strategic consensus and hence leading to a successful strategy implementation. The study revealed that there had been fairly adequate involvement in the strategy development which informs the management levels of what is required of them.

In addition, they stated that participation and involvement of all levels of management helped them acquire an understanding of the strategy leading to staff commitment. The respondents were however of the opinion that engaging non-supervisory employees in strategy development is also important and it guides them towards owning the strategy which makes it easier to establish shared understanding towards the strategic priorities. Excluding the lower level employees from the process slows down the strategy implementation process as it becomes tedious since they will not take initiative towards a strategy being forced on them.

Strategy implementation is an all-inclusive process that if one team is left out, the whole process is crippled. The interviewees sighted that involving everyone in the organization makes the restructuring and the realignment of the organization towards the new strategy more easy and adoptable hence leading to a successful implementation. This is because it helps the employees acquire both technical and interpersonal skills required to implement the strategy.

4.3.2 Alignment of departmental goals with organization goals.

The interviewees were asked to indicate whether their department goals were in line with bank's goals. There was high level of agreement that departmental goals were in line with organizational goals. The respondents indicated that the organizational goals were cascaded down to individual employees and cumulatively they align the department goals to the organizations goals.

According to the respondents the alignment of the department goals to the Banks's overall goals helped mitigate unnecessary risks that would have occurred if each department was operating far from the organizational goals. Re-organization of departments and cascading the overall organization goals to individual employees helped put them in line for the adaptation of the new changes.

The respondents further indicated that achieving a proper alignment was up to the departmental heads and so far the departments had no frictions terms of operations. There has been a sense of personal power, good personality, trust and openness in the departments towards reaching the overall organizational goals. Aligning goals and objectives helped the departmental heads manage the performance.

4.3.3 Management interactions

Strategic consensus involves establishing a common understanding of the strategic priorities among all management levels. Once there is a common understanding among the different levels then communicating to the lower level employees becomes easier and swift. This would require all managers to interact regularly and constantly as a way of monitoring the progress of each process.

The interviewees indicated that there was barely meaningful interaction among the different levels. Besides quarterly head of department meetings, memos and other communication channels, information was being shared only on need to know basis. This has brought about a missing link in the implementation process as the strategy and implementation process is discussed at the top level management.

This brought about friction among the different levels as the strategic priorities become unclear with inadequate interaction. The study further shows that due to inadequate interaction between the management levels, there have been cases where there have been difficulties in agreeing upon strategic issues. This has slowed down the implementation process as it is hasn't been clear on what is to be done.

4.4 Factors affecting the Consensus-Implementation relationship

It is clear that when there is consensus the implementation process becomes successful hence leading to better performance of an organization. However there are various factors that would affect the relationship either in a positive or a negative way, the interviewees were asked various questions relating to the factors that affected the outcome of the consensus-implementation relationship. The findings of the study are as shown in the subsequent sections.

4.4.1 Influence of organization structure on consensus-implementation

The interviewees were asked to indicate how the organization structure influenced the outcome of the relationship between consensus and the implementation of the strategy.

The responses revealed that organization structures play a major role in the implementation process regardless of the level of understanding of the strategic priorities.

The respondents were of the view that strategy follows structure and so it was important for the organization to restructure in line with the new strategy and processes.

The responses further revealed that an inappropriate structure slows down the implementation process as the communication channels are not well established. The respondents were of the view that the structure should be perfect for the organization as too many layers in the structure bring about conflicts whereas a very narrow structure hinders the strategy execution since the decisions are not properly decentralized.

The responses further revealed that lack of convergence of ideas across departments affects the whole strategy. Feedback from lower level employees enables them to own the strategy; a structure that encourages not only horizontal communication but also vertical communication encourages the employees to fully participate in the process putting into practice what has been decided upon by the management.

4.4.2 Influence of Leadership on consensus - implementation

The interviewees were asked to indicate how leadership influenced the outcome of the relationship between consensus and strategy implementation. They indicated that leadership was an essential element for an organization trying to implement a strategy successfully. Leadership affects the interaction of all employees in the organization and if not carried out well it affects smooth and timely implementation of the strategy.

The respondents indicated that there was no proper reinforcement of the strategy, the respondents felt like the leadership did not support the new changes although it was fully involve in the strategy development. This affected the uptake of the change by the lower level employees hence also affecting the strategic relevance of the bank's performance.

The respondents further revealed that the kind of leadership that centers all its decision making at the top level has tight control over departments which trickles down to power, procedure position and culture hence not providing a streamlined relationship for strategy implementation. Good leadership encourages good communication which is very important in strategy implementation as there is swift decision making regarding the specific operational processes.

4.4.3 Influence of Human Capital on consensus-implementation

The interviewees were asked to indicate how the human capital affected the outcome of the relationship between consensus and strategy implementation. They indicated that it was human nature for people to reject change if they felt left out. Not involving the lower level employees in the whole process due to inadequate communication lead to some form of resistance as the strategy is not well understood and none is willing to own the strategy which slows down the implementation process further. Human related factors are much more important than the organization and system related factors.

The respondents also indicated that the human capital was not well placed in terms of matching competencies and the tasks, no proper description of the tasks with also the inadequate communication brought about resistance. The human capital was not well placed in terms of matching competencies and the tasks, no proper description of the tasks with also the inadequate communication brought about resistance.

They further indicated that, experience, knowledge, skills and abilities of the workers was crucial in implementing the strategy. Inadequate human resource led to delays in implementation due to lack of teamwork, team spirit geared towards the implementation. This demotivates the workers and the level of commitment that is required to efficiently and effectively implement the strategy is tempered with.

4.5 Discussion of the findings

In the present day business environment, almost all companies face some level of competition and indeed the competition has become so stiff. The survival of these companies is dependent on how well they respond to the environmental changes. Throughout the study it is evident that strategic consensus is very important when implementing differentiation strategy as it would require the efforts of different sections of the organization. It is also very clear that the identified factors have slowed down the implementation process. Decision making takes long which affects the operationalization of the strategic priorities.

The findings are in support of the theories used in the study which were; the dynamic capability theory, the knowledge based theory and the stakeholders theory. The dynamic capability theory is coming out clearly in the findings; the theory by Teece et al (1994) argues that there must be co-ordination in the organization for it to take advantage of the various competencies it has to respond appropriately to the dynamic environment. It is clear through the findings that lack of coordination in the Bank which is brought about by regular interaction of the different management levels has clearly brought about disputes towards strategic issues which has slowed down the implementation process affecting the response rate to the changing environment.

The KBV is also coming out very clearly, from the findings a significant number of the management staff are pursuing the educational careers which is evident from the level of education the management staff have attained. Aligning academic and logical knowledge to the appropriate tasks in order to come up with new products is seen as a very crucial element in incorporating the human capital to the implementation process.

The stakeholders' theory is coming out clearly as the importance of communication and interaction across the whole organization is emphasized in the findings, involvement of employees and interactions among all levels is identified to be the most important in the implementation process. Harrison, Bosse and Phillips (2010) argue that it is more useful for organizations to create a cordial relationship among stakeholders in the process of creating value.

The study found that involving all levels of management in developing the strategy leads to better understanding of the strategy and staff commitment hence increasing the chances implementing the strategy successfully. This is supported by Ali (2017) who is in the view that involving employees in the development of strategies has a positive impact on how strategies are implemented. Periodic discussion and revision on the progress of the implementation increases the chances for a successful implementation.

An organization is a sum of its entire people and this is why strategy implementation is not a standalone activity. Involving employees encourages the right culture, helps build capabilities which are very important in differentiation strategy, and creates high performance work systems while maintaining proper communication channels (Eyceoz, 2009).

The study also revealed that aligning the departmental goals to the organizational goals helped mitigate risks and leads to a sense of ownership during the implementation. Misalignment of the goals often leads to resistance to the new change. This is supported by Tarakci, Ates, Porck, Van Knippenberg, Groenen and De Haas (2014) that challenges may come up in reaching an understanding towards strategic priorities as an organizational network that has interdependent groups that have their own strategic sub goals which are no in line with the organizations overall strategic goals. Listening to the views of each member can uncover common agreements or potential areas of alignment.

One of the most challenging tasks of a leader is ensuring that everyone in the organization is motivated towards the goals and objectives of the organization, (Gittens, 2012). Aligning the departmental goals to the organization goals is considered to be a very crucial task; this is because the departments are made up of individuals who have their own goals which are also supposed to be met.

The study further revealed that management interaction is a crucial element in establishing strategic consensus; it is through the interaction that strategic issues are communicated hence better understanding. It was also revealed that the interaction between corporate level managers and other management levels is very important. This is supported by Buijs & Languth, (2017) who argue that interactions enable further development of strategic consensus which in turn eliminates any dispute regarding strategic priorities.

Through the study it was revealed that a coherent and unified leadership provide direction, inclusivity and transparency. Top leadership that owns the strategy that is being implemented and through decentralizing the decision making process enhances interaction which boosts the consensus hence improving chances of better implementation. Buijs and Langguth (2017) are in support of this as they are in the view that, centralized leadership brings about a sense of isolation in the organization bringing about flaws in the decision making process as the decision keep piling up. Participative leadership behavior triggers motivation of managers.

The study further revealed that organizational structures determine how long the implementation process may take place. When there is tight control over the departments, it does not streamline the relationship for strategy implementation. Convergence of ideas across departments brings about successful implementation. Structures that support frequent vertical interaction are beneficial for strategic consensus as they support enthusiasm toward information sharing among the different departments in the organization leading to the desired performance (George & Desmidt, 2016). Organization structure defines how people work within an organization. It defines reporting lines, encourages formal communication and explains how individual actions are linked together. In order to properly implement strategies, organizations are required to restructure their processes to fit the strategy (Chandler, 1962)

Through the study, it was revealed that the human resources are the actual implementers of strategies, and any misalignment of the workforce to the different roles and tasks affect the flow of the implementation process. This is supported by Rodomska (2014) who is in the view that strategic awareness that manifests itself by the assignment of tasks and decision making power are more important than their knowledge and skills. Communication leads to better understanding of the set out ends which motivates them to take initiative and fully own the implementation process.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the key findings, conclusion, recommendations, limitation of the study, and suggestions for further research. The research objective was to find out the internal factors that affect the relationship between strategic consensus and implementation of differentiation strategy.

A summary of the findings in support of thoughts used in the study, and for the specific objectives will be looked at. A discussion of the implication of the findings and recommendations will be provided based on the findings of the study as would have been discussed in 5.2 and 5.3.

The chapter will also look at the weaknesses or the factors that the researcher would have faced throughout the study that could have one way or another affected the outcome. The chapter would finally look at the gaps that still exist that could form the basis of further researcher.

5.2 Summary of findings

In summary, out of the nine management staff interviewed, a third of them were female. This balance shows that the bank considers the efforts of every gender. The findings also show that a significant number of the management staff was pursuing their educational careers adopting the learning culture both within and outside the bank. It is also clear that to attain any managerial or supervisory functions one must have an average of 5 years of working experience in the bank.

The study supports the dynamic capability theory as it argues that there must be coordination for an organization to take advantage of its competencies and from the findings it's clear that lack of coordination has brought disputes towards strategic issues. The study however supports the knowledge based theory and the stakeholder's theory.

Aligning the workforce with the skills, experience and the tasks bring about the aspect of KBV, since each department that is involved in the coming up with the unique products/services need to have a certain level of understanding of the goals in order for them to give their all. The importance of the interactions as pointed out in the study support the stakeholders' theory which is in the view that all stakeholders have to be involved in the development of the operations; this brings about understanding and ownership of the process.

The factors the study found to influence the consensus-implementation relationship in the bank included; leadership, organization structure and human capital. The findings show that the leadership in the bank is structured in a way that all decision making is centralized at the top. During strategy development all management levels were involved however at the implementation stage only the top management is making decisions

The study revealed various factors that hindered the implementation of differentiation strategy at Habib Bank Ag Zurich. These include organizational structure, leadership and human capital. These factors hinder the implementation of the strategy as they slow down the implementation process. As stated in the findings, centered organization structure concentrates decision making at the top level management which makes the decision making process slow which is very crucial for a differentiation strategy.

The findings also revealed that the organization structure is too narrow and there is no proper span of control. This affects the implementation as the flow of information is hindered, the communication only flows downward and there is no chance of lower level employees to give feedback on the strategic issues. The findings further revealed that the workers in the bank are not well placed in terms of matching their competencies and the tasks. Also with no appropriate communication, there was some form of resistance towards the changes being implemented.

5.3 Conclusion

Based on the research findings, the following conclusions are made regarding the study. There must be a fit between the strategy and the leadership, strategy and structure and strategy and employee involvement. The study confirms that there is direct relationship between the factors and the outcome of the relationship; it concludes that the identified factors have hindered the pace of which the strategy is being implemented. Poor leadership, lack of communication and employee involvement destroys the consensus earlier established for the purpose of implementing the study.

The bank should be alert to the fact that the banking sector is changing with stiff competition from commercial banks and there is no room for mistakes in implementing strategies. There is need for the bank to respond to the changing environment appropriately at a reasonable pace. In some cases centered decision making is considered to be a time saver but in the case of implementing differentiation strategy, participative and decentralized leadership will be beneficial in the implementation process. This will enable further development of strategic consensus and boost the implementation.

For the bank to successfully implement the new strategy, the factors identified in the study need to be checked as they affect the flow of the whole process. Strategy follows structure, leadership dictates the operationalization of the strategic priorities that have been agreed upon and the human resource who are the actual implementers need to be fully involved in the whole process. Convergence of ideas in all departmental levels is important as it improves understanding of the desired performance. Adequate leadership is required to develop strategic consensus, participative leadership encourages communication as feedback is given on the progress of the implementation process.

It is important for the bank to align its processes and activities towards the implementation. Realignment and restructuring is key, responding to the changes in the environment does not stop at strategy development and agreeing on the strategic priorities, it also involves fully taking part in operationalizing the strategic priorities.

Strategy implementation is an interactive process that is supposed to involve all the employees in the bank, frequent interactions, clear communication swift decision making and matching competencies to the tasks. Establishing a common level of understanding is important but it cannot lead to successful implementation if the internal systems have not been streamlined towards the established consensus. The bank should also note that its capacity to compete effectively in the markets will come out of its internal competencies.

The bank should ensure that there is adequate information exchange that would make communication more flexible to clearly convey information which would create a good atmosphere in the organization. The management should support the understanding and enthusiasm, incentives to employees to motivate them for the change and adopt the leadership that gives responsibility to raise commitment and identification. The relationship is all about inclusion of every party in the organization, and it should not stop at that. Every party is expected to fully participate in coming up with decisions that would satisfy everyone in the organization.

The study clearly reveals that it is important for the bank to keep an eye on all the factors that build consensus since the same factors are the ones that affect the outcome of the relationship between strategic consensus and the implementation of the strategy. Strategic consensus is hard to develop and once it has been destroyed it becomes difficult for an organization to implement a strategy. Through the study it is evident that the bank should always be keen in developing the consensus further.

5.5 Recommendations

From the findings of the study the following recommendations are made; there is need to involve all departments in decision making from the corporate to lower level. This will enable free sharing of ideas on how new products/services can be developed to enhance the quality of services being offered to clients. Regular meetings not only for the management staff but the whole organization need to be enhanced. It is through the meetings that the management will be able to track the progress of the implementation.

A learning organization supports innovation; more training should be done to boost the level of innovation in the bank. The bank should not only depend on the academic qualification of the workers but should also introduce in house training and the management should be open to new ideas. The top management should therefore support the implementation of these strategies by increasing the budget for employee training and development and internal resources such as innovation and improvement of the brand.

The study clearly reveals that it is important for the bank to keep an eye on all the factors that build consensus since the same factors are the ones that affect the outcome of the relationship between strategic consensus and the implementation of the strategy. Strategic consensus is hard to develop and once it has been destroyed it becomes difficult for an organization to implement a strategy

The frameworks of implementing the strategy should be clearly defined and communicated all the way so that everyone should have a sense of ownership, all stakeholders should be involved fully. The developed consensus will motivate the workers which will lead to a positive change of personal attitude towards change and there will be no room for change resistance.

5.6 Limitation of the study

The major weakness of this study was that it was limited in scope and cannot be overgeneralized. The study was taken based on a small Bank in a totally different context and therefore there is limited room for comparison of findings with other larger banks implementing different strategies and industries.

The research was a case study that involved an in-depth view courtesy of the analysis. The study was subjected to how the researcher understood the information given hence generalizing the findings may be unfavorable as no specific set out rules were followed in collecting and analyzing the collected data.

This study was also limited in terms of the responses; the respondents may have been biased in the answers they gave. The study only included nine interviews which makes the generalization of the findings difficult. Further research may include more intensive qualitative research and this may lead the researchers to finding out more internal factors that would affect the relationship. Involving more respondents would have been in order to spread the representation of the said respondents in the study. Despite the identified weaknesses, the findings of this study have an impact on organization policies.

5.7 Suggestions for further studies

The purpose of the study was to establish the factors affecting the relationship between strategic consensus and implementation of differentiation strategy at Habib Bank Ag Zurich (Kenya). This is one of the small banks which falls in tier three, further research should be undertaken within a different context using a different research design to get more insight on the extent of the situation in different industries.

Having a study whose respondents would include all staff levels would advance the insight since that are all involved in the implementation. The focus would also be on the lower level employees, their involvement and the actual performance. Their input in the success of the implementation is crucial hence it is important to have their view on the whole process.

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APPENDICES

Appendix 1: Interview Guide

INSTRUCTIONS:

The information given on this questionnaire will be held with strict confidence and will be used only for the purpose of the study.

TOPIC OF THE STUDY: STRATEGIC CONSENSUS AND IMPLEMENTATION OF DIFFERENTIATION STRATEGY BY HABIB BANK AG ZURICH (KENYA)

Section A: General Information

1. Gender

Male

Female

2. Level of education

College

University – Undergraduate

University – Post graduate and above

3. Position held in the bank

Manager Senior Manager Head of Department Officer

4. Work experience:

0 - 5 years

6 - 10 years

11 - 20 years

21 years or more

Section B: Strategic Consensus and Strategy Implementation

6 Were you involved in the development of the strategy for the bank?

7 Since when have been you involved in the process?

8 Do you have the feeling that the goals of your department are in line with the goals of the organization?

9 How does the corporate level management interact with the other management levels?

10 Can you think of situations where there have been difficulties in finding an agreement upon strategic issues? Explain.

11 How does the organizational structure help in the establishment of consensus on the implementation process?

12 How does leadership help you in the establishment of consensus on the implementation process?

13 How does Human Capital help in the establishment of consensus on the implementation process?

11 What would you say has an impact on how the strategy is implemented? Explain

14 Do you have any other suggestions to improve shared understanding of the strategy? If Yes, Explain.

Thank you for your willingness to participate.

Appendix 2: Data Collection Letter



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 15/11/2018

TO WHOM IT MAY CONCERN

The bearer of this letter Barda Maureen Ngaira

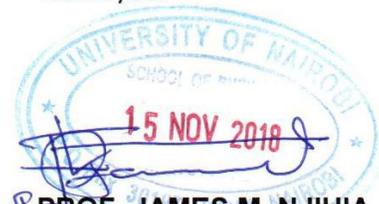
Registration No. D6/15042/2017

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

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

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

Thank you.



PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS