ORGANISATIONAL FACTORS AND IMPLEMENTATION OF DIVERSIFICATION STRATEGIES BY TIER ONE COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

I declare that this is my original work and has not been previously presented for the award of any degree in any other university.

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APPROVAL

This study has been submitted with my approval as a university supervisor.

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Firstly, I acknowledge God's favor and Grace in my life and more so for the peace of mind while carrying out this study.

Secondly, I salute my Supervisor, Prof. Awino for his advises during the writing of this study.

DEDICATION

I dedicate this study to my family for the insistent assistance, understanding and inspiration throughout the period of study.

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ABBREVIATIONS AND ACRONYMS

CBK   Central Bank of Kenya

KCB   Kenya Commercial Bank

DTB   Diamond Trust Bank

CBA   Commercial Bank of Africa

RBV   Resource Based View

ABSTRACT

Diversification seeks to ensure that the revenue streams are increased. The process of implementation of diversification strategies is a risk and calls for robust planning because good strategies can fail even after being formulated smartly. Diversification strategies aims at increasing the number of revenue streams for entities in order to enhance the overall profitability of firms. Diversification can be done within the same market or outside the current market that firm serve. In particular, commercial banks practice diversification strategies majorly through harnessing the capacity of the Information and Communication Strategies. Commercial banks in Kenya engage in a wide variety of diversification strategies which include: mobile banking, electronic funds transfer, bancassurance, internet banking, agency banking and use of app banking. Further commercial banks practice geographical diversification strategies through opening up of new branches in other neighboring countries. This process is not an easy one. The study purposed to assess the organizational factors that influenced implementation of diversification strategies, by Tier one commercial banks in Kenya. The Resource Based View, Mckinsey Strategy Implementation Model and Porter's Strategy Implementation typology formed the theoretical underpinning for this study. All these theories are pertinent to this study since they enhance understanding of the process of strategy implementation. The study sought to fill the gap that other studies had left since most did not specifically consider diversification strategies and also the few done are done out of Africa. The study collected primary data through interviewing senior staff of the selected commercial banks. Data was analysed through content analysis technique. The study found that organizational factors influence implementation of diversification strategies among the tier one banks in Kenya. Specifically, the study found out that organizational structure was not favourable towards implementation of diversification strategies as the planning procedures were not considerate of all involved parties and equally rewards systems were not commensurate with responsibilities of the staff during diversification strategy implementation. The study found out that lack of internal resources such as finances and skills also hampered the implementation of diversification strategies. Equally, noted that the institutions were not ready for change and also the top management was not supportive in implementation of diversification strategies. The study recommends that top management should offer guidance and involve staff during implementation of diversification strategies, the implementing team need to be allocated adequate resources and appropriate reward systems should be set up in order to enhance implementation of diversification strategies.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Diversification forms the generic strategies that firms adopt in order to achieve competitive advantage. According to Pulaj, Kume and Cipi (2015) diversification is a means of product and market development that improves organizational performance. Therefore diversification entails increasing the number of revenue streams in order to experience superior performance than competitors. Organizational factors are those factors that are specific to an organization. In this respect, organizational factors include organizational resources (both human and financial), technology, management style and organizational structure (O'Sullivan and McCallig, 2012). Implementation of diversification is the process of operationalising the strategies that have been formulated in order to achieve superior performance. Strategy implementation is a critical phase since its collapse may be catastrophic (Thobani, 2011).

This study was be based on three theories: Resource Based View theory, Mckinsey Strategy implementation model and Porter's Strategy typology. These theories contributed greatly towards understanding of what leads to successful strategy implementation. Resource based view theory was initiated by Barney (1991) in order to explain what leads to successful implementation of strategies with respect to internal resources ownership. RBV indicates that resources are important towards sustaining superior performance. The Mckinsey Strategy implementation model entails an analysis of factors that lead to successful strategy implementation. These are structure, system, staff, strategy, skills, style and shared value.

The Porter's Strategy theory was developed by Porter (1980). The theory indicates that performance of firms depends on three generic strategies: focus, cost leadership and differentiation. In addition, this theory provides vital guidelines of successfully implementing strategies. These three theories identifies the challenges that face organizations in strategy implementations. By identifying these strategies and addressing them in a proactive manner the success of diversification strategies is imminent.

The motivation of the study was envisaged by the need to fully understand the subtle factors that affect diversification strategies among commercial banks. In addition the study will provide valuable information on diversification strategy by tier 1 commercial banks, their experience in the implementation process and how they acted in order to achieve the strategy goals. Commercial banks in Kenya are involved in formulation and implementation of diversification in order to achieve their vision and live to their mission. In this respect, understanding of diversification strategies and the organizational factors that affect its implementation is therefore imperative.

This study focused on organizational factors that affect implementation of diversification strategies among tier 1 commercial banks in Kenya. Due to the state of competitiveness in the banking industry, changing regulations and availability of substitutes the need to formulation and implementation of strategies has become a necessity. As a result, banks need to create a robust diversification strategy. In Kenya, commercial banks have been involved in diversification strategies with the aim of enhancing performance.

Banks have engaged in product and market diversification strategies with the intention of enhancing performance. Adoption of internet banking, mobile loans, insurance agency, Online App banking, paperless banking, introduction of VISA cards are some of the diversifications that banks have adopted.

1.1.1 Diversification Strategies

There is a need for firms to align their operations, products and service in a way that they obtain a favourable position in the market. This can be done through diversification. Diversification is a process that ensures a firm has a variety of products and can access to larger markets. Diversification if successful is crucial since it aims at ensuring that organisational performance is enhanced and sustained at all time relative to that of competitors (Pamulu, 2010).

According to Thompson and Strickland (1993) diversification strategies involves a wide range of activities such as development of products, new markets, formation of alliances, acquisition of newer version of technologies, acquisitions, distribution of products produced by foreign manufactures, issuance of licences of new technological tools and introduction of new service lines. According to Machel (1997) there are three types of diversification strategies. These are Concentric, Horizontal and Conglomerate.

Concentric diversification strategies are those strategies that seeks to develop new products or services in order to widen the market through attracting new customers. The products are related to the current products and therefore it involves formation of newer versions through synergies enabled technologically or commercially.

On the other hand, horizontal diversification infers to the introduction of new products and services that are not related to the current activities of the organisation but the products or services are offered to the current customers. Conglomerate diversification is a mixture of both concentric and horizontal in that new products and services do not refer to current undertakings of the business (Ticha and Hron 2007). Diversification seeks to commence new lines trade that can supplement the existing ones. In this respect, diversification is a process that seeks to utilize the internal capacities of the firms.

This means that diversification seeks to ensure that there are different lines of businesses which ensure that risks are diversified which enhances the performance of businesses. Gunasekaran, Rai and Griffin (2011) views that the business environment is diverse and presented opportunities and challenges that can be exploited in order to provide new business streams. Diversification seeks to provide new revenue streams that are selected after a careful analysis of the environment. New lines of business are decided based on the present activities of an organisations and whether such activities are sufficient in bringing the organisation adequate returns.

In the event that there are avenues for more income sources, the firm pursues these objectives which ensures that risks are diversified (Hitt, Hoskisson and Kim, 2013). This denotes that there are various means of diversification which are dependent on the management decisions. For instance, geographical diversification seeks to ensure that the products are spread into more markets which ensures that the organisation commands a wider market share. For the case of commercial banks, geographical diversification can be done through opening new branches which expand the customer base.

Geographical diversification is common to most organisations though product diversification is getting management attention too. This means that most entities tend to open new branches, new subsidiaries outside the parent company home and also franchising. For this reason, geographical diversification can be regional or international. However, there are factors that need to be considered in making such decisions. For instance, the societal culture and norms in the new market need to be considered. Similarly, the new target market need to make aware of the new products to be launched. Therefore, it is vital that customers are taught on how the new products operate in order to enhance their acceptance in the new market (Thompson and Strickland, 2005).

Diversification entails the development of new products and new markets in order to enhance profitability of firms. It is true to suffice that successful diversification strategies tend to ensure that the value of the firm in the market is enhanced since it can reach more customers due to geographical coverage. As a result, due to introduction of new lines of business, firms can increase their chances of making profits. Diversification creates new customers and this improves the positon of the firm in the market.

Largely, diversification seeks to increase products or market presence. This means that diversification focuses on the introduction of new products in the already existing portfolio or entirely creating new markets. Internal diversification concentrates on the existing products and creating more products in the existing line. On the other hand, external diversification seeks to produce new products in order to enhance profitability the firm. This discussion indicates that diversification has one major goal: to mitigate against internal and external risks through creation of new products and services or venturing into new markets.

The banking sector is highly regulated and therefore introduction of new lines of business and new markets need be allowed by the regulator. This reveals that it is prudent for the commercial banks to plan and execute diversification strategies critically and within the regulations governing their operations. Successful implementation of diversification strategies is important as it enhances the customer base and spread of the banks' products. For this reason therefore, diversification among commercial banks is crucial since it enhances performance of the financial institutions.

According to Amit and Livnat (2008) diversification is one of the best strategies to enhance the sales volumes of entities. Perhaps, this is because it aims at creating a wide market which promotes an organisational performance. It is crucial to note that product diversifications among banks may encompasses new products or new channels of offering banking services. For this reason, different banks adopt different diversification strategies. Geographical diversification is improves the risk mitigation of business since it is a way of diversifying risks. Most scholars have noted that diversification tends to decreases the risks.

1.1.2   Organisational Factors

Organisational factors are traits which are specific and unique to a certain entity. This means that they change from one organisation to another. For instance, resource ownership is different from one bank to another. According to O'Sullivan and McCallig (2012) organisational factors are those resources that make a firm perform better than another firm in the same industry. In this respect, it means that there are resources that may result into better or poor performance among firms.

More importantly, ownership of such factors that cannot be copied by others gives firms competitive advantage in the market. Theoretically, a firm with a favourable internal environment is expected to have a better performance. There are factors whose contribution to performance is critical and these are known as key success factors. In relation to commercial banks, these would be such factor that lead to superior service delivery and ultimately enhance performance of banks. For instance, the existence of an excellent research and development department may be important in enhancing performance through introduction of innovative financial services.

It can therefore be noted that organisational factors play an important role in establishing competitive strategies. According to Huang (2014) in order to realise the generic competitive advantage strategies of cost leadership, market leadership and product differentiation it is important for firms to improve resources planning. The author noted that due to lack of support from management and inappropriate communication systems, competitive strategies fail to achieve the desired results.

1.1.3 Organizational Factors and Implementation of Diversification Strategies

Organizational factors affects a wide range of a firm's aspect including performance, competitiveness and strategy formulation and implementation. According to Thobani (2011) internal resources influences strategy formulation. This is because, in order to successfully implement competitive strategies resources must be adequate, expertise must be available and information should be disseminated in a timely fashion.

Other internal factors that may lead to failure of implementation of competitive advantage strategy include existence of low managerial support, poor understanding of the strategies, allocation of less resources, lack of a direction and mismatch of resources and strategies (Arthur, Thompson, Strickland and Gamble 2005). According to Pearce and Robinson (2007) limited skills affect the success of strategies. This is because formulation and implementation of strategies is a huge responsibility that can be only be made effective by a strong management. This is because strategies calls for interdepartmental cooperation and thus there need for the management to motivate the staff in the process of adopting strategies.

Thus, the organisational structure should be flexible in that the management and staff should have shared goals and objectives in order to increase the chance of realising the goals of competitive advantage strategies. Musawa and Wahab (2012) views that the internal environment has a huge effect on how organizations are able to channel their resource for implementation of strategies that enhance performance. It is important to note that the management of firms plays an integral role in planning and organizing all the other factors of production in a way that they can generate value to the shareholders.

Management need to be prudent in setting strategies in that realistic goals should be set with respect to organizational resources. Strategy implementation is process that requires the management to critically plan and execute the process. In this regard, managerial competence is an important in that it is the management who organizes all the other factors into a coherent way. According to Hrebiniak (2006) management competence ensures that the entity is ready for the change that may be occasioned by diversification.

In addition, resources should be mobilized in order to foster the proposed diversification strategy. It is important to note that diversification is a strategy that seeks to introduce new products or new market frontiers and thus it is important that the necessary resources are mobilized (Mankins and Steele 2005). Diversification is a strategy that requires a wide range of resources including time, money and appropriate technology. It is for this reason that Doving and Gooderham (2008) idealises that organisational capacity to handle such strategies is an important factors to consider in implementation of diversification strategies. This means that firms should seek and possess core skills in order to ensure that diversification strategies succeed.

1.1.4 Tier One Commercial Banks in Kenya

As of December 2017, the number of commercial banks in Kenya was 39, with Imperial Bank and Chase Bank under receivership (Cytton, 2017). The Central Bank of Kenya regulates commercial banks. The Kenyan banking sector is competitive in nature. According to Cytton (2016), there is a general perception that Kenya is overbanked. The ratio of population to banks is high, with the population estimated to be 44 million. Comparatively, the same report indicates that the number of commercial banks in Nigeria is 22, with the population estimated to be 180 million people. Similarly, the South African population is about 55 million and the registered commercial banks are 19. Considering the fact that the Kenyan economy is relatively smaller than the Nigerian and South African economies, it can be inferred that the banking industry is competitive.

The Kenyan financial sector in general has witnessed slow growth rate recently. This has been attributed to the interest rate capping law. The financial sector growth declined significantly to 3.1 percent in 2017 from 6.7 percent in 2016 (Kenya National Bureau of Statistics, 2018). The banks have cut the lending to key sectors of the economy owing to the interest rate caps. In light of this, it is important to assess the process of implementation of diversification strategies are adopted by banks in order to boost performance in this environment. According to the Central Bank of Kenya (CBK, 2017), the sector has flourished in terms of deposits and income which was attributed to an increase in access to banking services since the inception of such innovation as mobile banking and agency banking. Commercial banks in Kenya are in deposit taking, money transfer services, cheque clearing and offer credit facilities among other financial services.

Commercial banks in Kenya are regulated by the Central Bank of Kenya under the Banking Act cap. 488 of the laws of Kenya. The CBK licenses, regulates and controls activities of banks in order to ensure that interests of all stakeholders are protected. In discharging its mandate, the CBK issues prudential guidelines that seeks to provide a stable sector (CBK, 2012). It is important to note that commercial banks operate under a business environment that is competitive and highly regulated. Thus, without adoption of appropriate diversification strategies, the success and enhance profitability of the banks could be compromised.

The Central Bank of Kenya categorises commercial banks with respect to net assets ownership, capital and reserves, number of deposit and loan accounts. There are three tiers, tier 1, tier 2 and tier 3 commercial banks. This study will study tier 1 banks. In Kenya there are eight tier one banks which are categorised as such due to their asset ownership and number of depositors (CBK, 2018).

The tier one banks in Kenya are Equity Bank, Kenya Commercial Bank, Barclays Bank, Cooperative Bank, Standard Chartered Bank, Commercial Bank Of Africa, DTB Bank and Stanbic Bank (CBK, 2018). The CBK (2018) notes that all these banks have weighted index of above 5 %. Tier 2 have an index of less than 5 but more than 1 while Tier 3 banks have a weighted index of less than 0.

1.2   Research Problem

Organizational factors are those firm specific characteristics meaning that they are different from one entity to another and they can potentially hamper or enhance implementation of diversification strategies. Diversification in respect to operation of commercial banks aims at increasing the product lines of a bank hence increasing the market served. The banking sector is highly competitive because financial institutions offer similar products which implies that competitive advantage is only achievable mainly through diversification, focus and cost leadership. It is for this reason that commercial banks are involved in formulation of diversification strategies with the aim of sustaining performance. As such, it is critical for banks to assess their internal and external business environment in order to make those diversification strategies that are pertinent and have capacity of enhancing performance (Mecagni, 2012).

Ebimobowei (2012) indicates that strategy implementation among banks is hampered by the lack of enough internal resources. In addition the author noted that financial resources are a great shortcoming towards successfully implementation of strategies. The Kenyan banking sector is volatile due to changing regulatory framework and stiff competition. Chase Bank Kenya Limited, Dubai Bank, Charterhouse Bank Limited and Imperial Bank Limited were put under statutory management (Central Bank of Kenya, 2018). This is an indication that performance of banks is not guaranteed even when there are few players in the industry. According to the Central Bank of Kenya (2016) banks failure is caused by inability of commercial banks to adopt strategies that ensures all risks are mitigated, banks fail to expand their markets and product base and that the innovativeness of the banks is below par.

Globally, a number of studies have been undertaken on strategy implementation. In Oman, Rajasekar (2014) undertook to study evaluate factors that influenced strategy implementation among service firms. The researcher interviewed respondents from Electricity companies in the country. The study revealed that leadership, information and financial resources influenced strategy implementation. Edirisuya, Gunasekarange and Dempsey (2015) assessed bank diversification strategies in India, Pakistan, Sri Lanka and Bangladesh.

Their study used secondary data and adopted a panel data analysis. The study revealed that diversification does not necessary improve performance of banks. In Malaysia, Isa, Saman and Preece (2015) investigated the factors that influenced market diversification among Malaysian firms.

Their study adopted an exploratory research design and collected data from construction firms. The study revealed that human skills and financial resources affected successful implementation of strategies. In Slovenia, Cater and Pucko (2010) assessed the factors that affected strategy implementation. Their study was an empirical review of businesses in the country. The study revealed that skills and expertise and resource were core factors that influenced the success of strategies among the sampled business.

Moronge and Muchemi (2017) undertook to study the effect of strategic innovation on performance of Equtiy Bank. The study collected primary data through issuance of questionnaires from a sample of 160 respondents. The study analysed data using descriptive and inferential statistics. In particular, the study assessed market innovation and strategic innovation strategies. Their study revealed that market innovations and product innovations are strategic tools for enhancing performance of banks.

Ndede (2012) assessed the challenges that faced Barclays Bank of Kenya in implementation of strategies. The study adopted a descriptive research design where primary data was collected through interview and administration of questionnaires. The study concentrated on the challenges that faced the bank's product and service diversification. The study revealed that high cost of implementation compromised on achievement of differention strategy. Kombo and Njagi (2014) did a study on effect of strategy implementation on performance of commercial banks in Kenya. In order to establish the effect of strategy operationalisation, the study used correlational research design. The study was a census of all commercial banks in Kenya. The study revealed that strategy implementation had moderate effect on bank's performance.

Kibicho (2015), assessed the determinants of strategy implementation success among insurance companies in Kenya. The study sought to assess the effect of managerial competence, resource ownership, organisational culture and innovativeness of the firms. The study used a descriptive research design where data was analysed using a multiple regression model. The study revealed that the expertise and competences of management was a great factor in successful strategy implementation.

It is therefore evident that none of the studies considered a survey of Tier 1 commercial banks. Equally, the studies did not consider a perfect combination of the variables that this study seeks to assess. More so, there are studies are not conclusive, in that they do not exhaustively assess specifically diversification strategy but looked into strategy in general. In this respect, there is a need to undertake a study with specific consideration of diversification strategy among Tier 1 commercial banks in Kenya. Thus, this study was to answer question, what are the organisational factors that affect diversification strategy among Tier 1 commercial banks in Kenya?

1.3   Research Objective

The objective of this study was to determine organisational factors influencing implementation of diversification strategies, by Tier one commercial banks in Kenya.

1.4   Value of the Study

This study is significant in a number of ways. To begin with, the study is important to the managers in the banking sector. This is because the study informs on the various factors that influence implementation of diversification strategies and hence managers can use the study's findings in making strategy implementation decisions.

For this reason, the study is of value to management practice not only among commercial banks but also can be applied in other industries. Diversification strategy aims at enhancing the profitability of firms but requires careful implementation in order to achieve the benefits.   Therefore, an understanding of factors that influence diversification strategies can help in ensuring that such challenges are proactively dealt with.

Secondly, the study has a theoretical value in that it adds to the existing body of knowledge on strategic management. In this respect, the study enhances what is already is known about organisational factors influencing implementation of diversification strategies among commercial banks in Kenya. In addition, the study is vital because it can be used a basis of conducting more research on diversification strategies not only in Kenya but also in other countries.

Thirdly, the study is important to policy makers on strategic management because it discusses and aims at assessing the organisational factors that affect diversification strategies among commercial banks in Kenya. In this respect, the findings of this study are of value to the Central Bank of Kenya which is the regulator of commercial banks in Kenya. In addition, the study is of use to policy makers in the banking industry such as Kenya Bankers Association. This is because, it assessed and make policy recommendations on how to improve the organisational factors to ensure that diversification strategies are successfully implemented by the member banks.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter two entails the literature review that involves the theoretical review and empirical review. The theoretical review is a discussion of the relevant theories that explains the study variables. A good research should have a theoretical underpinning.

On the other hand, an empirical review entails a critical examination of other studies previously done with regard to the variables of the current study thereby facilitating the conceptualisation of research gaps that need to be filled.

Also, the chapter contains the conceptual framework which is a diagrammatic presentation that shows the interrelationship among the variables. At the end, a summary of literature and research gap is also presented. The research gap is crucial since it provides a justification for undertaking a research.

2.2 Theoretical Foundation

Theoretical foundation entails the identification of concepts that are pertinent to a given study in order to provide a basis of a study. Thus, it involves selection of theories that are related to the concepts of the current study.

A theoretical review involves a discussion of theories that are pertinent to the variables of the study. This means that a good choice of theories need to be made in order to provide a deep understanding of the variables of a given study and how they interrelate with each other.

This study had three theories which are: Resource Based View (RBV) theory, McKinsey Strategy Implementation Model and the Porter's Strategy Theory. These theories are crucial since they provide subtle information on implementation of diversification strategy.

2.2.1 Resource Based View

This theory explains performance of firms in terms of resource ownership. The Resource Based View (RBV) theory posits that organisations that have superior performance are those that strategic resources. Strategic resources are resources that have the capability of providing competitive advantage to organisations.

In this respect, this theory views that high performance can be achieved through competitive advantage. It is for this reason that the theory advocates that in order to foster high performance, organisations must identify their capabilities and competencies and exploit them to gain a competitive edge over the competitors. Barney (1991) notes that resources that are scarce and hard to copy usually lead to high performance. Therefore, firms need to possess internal resources that can be utilised in ensuring that the performance is improved.

According to Chatterjee and Wernerfelt (2001) the theory provides a suitable rationale of diversification for organisations. In the event that an organisation has scarce resource which cannot be used in a variety of production means, then that specific resources limits diversifications. RBV identifies that resources are things that can be utilised to create economic value. Where a resource such as human skills, technological tools and managerial leadership can be used for a variety of purposes, the organisations stands to gain in terms of competitiveness in the industry.

This theory is pertinent to this study. Diversification entails a critical analysis of the internal and external business environment and designing products, processes and systems in a way that performance is improved. To this end, internal resources are an important component of successful implementation of diversification strategies. For instance market diversification needs new bank branches to open and this needs resources. If resources are available, the probability of success of diversification strategy is high. In the light of this information, this theory related to the objective that seeks to determine the effect of internal resources on implementation of diversification strategies among commercial banks in Kenya.

2.2.2 McKinsey Strategy Implementation Model

McKinsey and Company is a world renowned consulting firm. The company developed the Seven S model which can be implemented in order to realise successful strategy implementation. The firm indicated that the factors to consider in strategy implementation were structure, strategy, system, style, staff, skills and shared vision According to Stoner (2003) the model provides a good understanding of strategy implementation.

The first S denotes Structure. Structure advocates that it is important for firms to have flexible structures owing to the volatile business environment. In this respect, firm should be willing to make structural changes in order to ensure that strategies are successful. The second S denotes Strategy. The model indicates that strategy implementation should be carefully planned and executed. The third S is for System and indicates that for successful strategy implementation, procedures need to be put in place in order ensure success of strategies. The four S is for Style which indicates the willingness of the top management to support strategies.

The fifth S is for Staff and indicates that strategy implementation requires human resources who should be involved in planning and implementation of strategies. The sixth S is for Skills which denotes that organisations should undertake those activities that they are best suited for with respect to skills availability.

The seventh S is for Shared vision and implies that all parties should be involved in strategy implementation. In this respect, the values need to be communicated well in the organisational culture and ethical standings. Perhaps, this is because the model takes into consideration the internal environment of the organisation and proposes on how to react to proposed changes as a result of strategy formulation and implementation. The model provides a holistic approach to strategy implementation. According to Higgins (2005) strategy implementation also requires resources in order to ensure that the process is successful. This is because in order to formulate and implement strategies, time, financial resources and expertise is required.

Strategy implementation is critical since its failure could result into massive losses. The model views that the entity should communicate its shared vision about specific strategies. Through this, all players in the process will feel appreciated and the chance of successful implementation without staff resistance is high. According to Olson, Slater and Hult (2005) it is important that diversification strategy are linked to the organisations system and the management should offer support to those staff involved in strategy implementation.

This is one of the recommendation of the Mckinsey model in that it advocates for supportive leadership style and structure to ensure that strategies succeed. This theory is pertinent to this study because it guides on ways that can lead to successful strategy implementation. The model takes a holistic approach towards organisational performance and strategy implementation. The model is important because it in particular advocates for an inclusive management style in order to enhance strategy implementations. The model equally reveals that skills are important in strategy implementation. For this reason, the theory is related to all the independent variables of the study.

2.2.3 Porter's Strategy Typology

This typology was developed by Michael Porter in 1980s and sought to describe how firms should enhance performance through strategy formulations. The model indicates that firms' resources are scarce and therefore a judicial plan should be set up in order to decide whether to follow cost leadership, differentiation or focus strategy. More subtle, the model indicates that a firm should follow one strategy only in order to safe its resources. Porter (1980) idealises that the success of the firm depends on how well it can pursue one of the generic competitive advantages and not a combination of all.

This indicates that a firm need to undertake a critical analysis of the internal and external business environment and identify strengths and weakness in order to formulate strategies that can enhance performance through competitive advantage. The Porter's theory enhances the appreciation of the business environment impact in business strategy formulation (Han, Kim, Jan and Choi, 2010). Porter (1981) notes that firms need to curtail their operations in a way that they incur the lowest costs in the market and this will provide a competitive edge in the market.

Cost leadership is a strategy that aims at achieving the lowest costs below the averages in a given market segment. When a firm achieves cost leadership, it can fairly price its products and this will attract more customers. Porter (1985) further noted that low cost enhances profitability of firms. There are various strategies that a firm can adopt to achieve cost leadership which may include ensuring that they have sole access to proprietary inputs such as technology and basic raw materials.

Hutzschenreuter and Horstkotte (2013) agrees with the Porter's theory on strategy development and their impact on firm's performance. Porter (1985) indicates that focus strategy entails the identification of a market segment and providing the best goods and or services for that niche than another competitor would do. In doing this, the firm attains preference in the market and this can lead to market leadership whose ultimate outcome is sustained profitability. Porter (1985) views that focus and differentiation are intertwined because through focusing on a market segment the firm must offer differentiated products and services in order to enhance performance. Thus, in differentiation, the firm seeks to be different in a positive way in the market.

Porter's theory is relevant to this study since it postulates on strategy formulation and goes further in identification of the generic strategies that can be adopted. The theory advocates for three generic strategies that can be adopted in order to enhance performance. The theory reveals that there are three means of enhancing and establishing high and sustained performance. These strategies are: focus, differentiation and cost leadership.

Through differentiation firms must diversify into other market and provide products and services more effectively in efficient processes in order to enhance performance. This study seeks to assess investigate the organisational factors that influence successful implementation of diversification strategy among Tier 1 commercial banks in Kenya. To this end, the theory of Porter provides a good background towards an understanding of the concept of diversification strategy.

2.3 Firm Level Factors Influencing Implementation of Diversification Strategy

Uchegbulam, Akinyele and lbidunni (2015) noted that failure by the top management to support strategies implementation may lead to their failure. This is because, strategy formulation and implementation is a holistic process that should involve all parties in the organisation. In Indonesia, Pamulu (2010) noted that resource ownership was a key ingredient to successful implementation of competitive strategies among construction firms in the country. This means that resources are crucial towards formulation and implementation of strategies. It is important for organisations to acquire sufficient human and other physical resources (Blahová and Knápková, 2010).

Hua (2011) indicates that strategy formulation is not an easy process due to the precision and correctness of input information that is a prerequisite of success of competitive strategies. This therefore means that the top management should disseminate the correct information to all departments in a timely fashion while offering the necessary support through adequate rewards system (Fathali, 2016).

Strategy implementation is complex because it follows a team approach. Thus bringing people together in order to pursue a common is not an easy task. According to Thompson, Strickland and Gamble (2005) implementation of strategy is critical because it follows the steps that have already been set at strategy formulation stage. This means that the management and the team that is charged with the responsibility of ensuring a smooth implementation process need to be extra keen in order to identify deviations and take corrective action before the process fails. In this respect, expertise in strategy formulation and implementation are critical in attaining the objectives of the strategy. Further, the entire organisation ought to be ready for and reward the implementers accordingly.

Diversification strategy seeks to provide product extension in an already existing market or to a new market. For this reason, the firm need to properly understand the business environment that is operates in before launching such new products. Therefore, in order to ensure that strategy are operationalised correctly the management need to establish a proper formulation mechanisms, a change conscious internal environment and an internal structure that is characterised by need for team spirit. Clayton (2014), views that both internal factors and external factors plays an important role in strategy implementation. The author argues that the resources for implementing strategies need to be adequate and available as and when needed, people should be trained on how to perform their allocated tasks, reward systems need to be set up in order to ensure that the staff are motivated. In so doing strategy implementation becomes smooth processes characterised by a high chance of success.

The organisational structure is the way activities are done in a certain organisation. This denotes how staff relates with each other and with their superiors. For this reason that organisation needs to plan both human and non-human resources accordingly in order to ensure that strategy implementation is not costly and that all there is a strategic direction in the entire organisations. For this reason, top management need to ensure that reward systems are set in order to enhance the process of diversification strategy implementation. It has been noted that strategy implementation is the most important phase of strategic process since even meticulous planned strategies may fail at implementation phase. Diversification strategies is bound to bring about changes in the organisations. For this reason, all staff that are likely to affected by such changes need to be made aware in advance. This means that timely dissemination of information is critical in that it ensures that staff resistance is mitigated.

The management of commercial banks need to provide information to staff who may be rendered redundant to introduction of diversification strategies such as agency banking, internet banking and mobile banking. This is because diversification strategies among commercial banks are pegged with technology capacities. Therefore, and due to the power of the ICT in making process lean, some positions in the banks may be redundant and this may lead to retrenchment due to cutting down costs desires.

According to Hua (2011) among the major factors that influence strategy implementation is lack of a clear goal in strategy formulation and implementation. The author notes that some entities plan to implement new products or processes in undertaking their operations without a clear cut goal. This is because deciding on new products may be easy but the how to do it part can be a huge nightmare.

Thus, in order to enhance the success of strategies, there is a need to align the available resources with the strategy and ensure the plans set in place are followed in the entire process. This tends to posit that strategic communication is indispensable in strategy formulation and implementation. The top management need to have appropriate leadership traits in order to ensure that strategies are put in place, implemented in accordance to plans and that reward systems are set in place too. The top management of organisations need to ensure that all stakeholders are communicated to in respect to strategy implementation. For this reason, strategy implementation must be characterised by timely dissemination of information on the proposed strategies. The staff need to be aware of the objectives of the diversification strategies in order to know if they are achieving them or not.

The importance of staff's understanding the objectives of strategies is to ensure that they can monitor the process be able to make proactive decisions with regard to the entire process. For this reason, top management ought to clearly articulate what is to be done and communicate the same on good time. The entire system need to be flexible in order to accommodate changes that can be occasioned by implementation of diversification strategies. The organization should create synergies through ensuring that all parties that are involved in the process are motivated and involved during planning and implementation stages.

According to Edinger (2012) implementation of strategies should be characterised by an environment that is mutual towards change adopted. In this respect, systems need to be set in a way that there is mutual responsibility among the various players in the process. Jobs should be allocated and rights be allowed to the staff charged in regard to their roles in the process of implementation of diversification strategies.

Johnson and Scholes (2003) views that the internal environment need to be considered in strategy implementation. This means that the entity need to alight the internal processes and structures in a way that they will enhance the process of implementation. Diversification strategy entails the coming up of new products to serve and existing market, new products to new markets of advancing new products.

2.4 Determinants of Implementation of Diversification Strategy

Strategy implementation is a critical phase of strategy development. According to Thomson and Strickland (2010) notes without appropriate guidelines of processes, procedures and mechanisms, organisations may find it hard to achieve diversification strategies. It is important to allocate adequate resources in order to ensure that strategies are developed and implemented by those charged with governance.

According to Akingbade (2014) it is due to the stiff competition that exists in an industry that makes adoption of competitive strategies an inevitable responsibility of the firms' management. It is important to note that competition is rampant in modern day business because of availability of substitutes, rivalry among existing firms and shrinking resources of productions. The authors notes that ensuring that adequate resources are allocated to all phases of the strategy formulation increases the chance of strategy success.

According to Abu-Bakar, Tufail, Yusof, and Virgiyanti (2011) notes that failure to communicate strategies effectively within the organisation is detrimental to strategy implementation. Therefore, it is important for organisations to ensure that strategies are communicated to all. Employee involvement will led to less resistance should there be structural changes due to strategy implementation.

Dauda, Akingbade, and Akinlabi (2010) views that failure to allocate enough resources and rely correct information reduces the chance of success of strategies that can led to competitiveness. According to Ortega (2010) in the circumstance that the organisation does not have adequate resources, the process of strategy implementation is limited. It therefore means that strategy implementation requires resources for it to succeed. This is because the process is a resource-consuming process where both human and other resources must be present and inadequate measures. For instance, it is important that a combination of resources is made available to the implementers in order to ensure that hitches are not experienced in the process.

Thompson and Strickland (2002) views that matching between strategies and firms capacities is a great challenge for most firms. This implies that it is important for firms to plan their activities with respect to planned diversification strategies in accordance to their production capacities. For instance, it is prudent for firms to consider their capacities in order to not strain the available resources. This is important because if the organisational resources are strained in the process of strategy implementation, failure is highly imminent.

Organisational structure and culture plays an important role in strategy implementation (Nyambane, 2012). This is because an organisational culture that encompasses good leadership and responsibilities allocation are streamlined. Therefore the organisation need to cultivate a culture of capacity building in order promote implementation. More importantly, the entire systems should promote cohesiveness in order to ensure that relevant skills are imparted to all participants in the implementation of strategies.

It has been noted that both industry and firm-level factors affects implementation of strategies among entities (Mbogoh, 2014). For this reason firms that are planning or in the process of implementation of diversification strategies. In particular, financial resources are crucial since they ensure that all needed tools are purchased in good quantities and qualities. In the case of commercial banks, diversification strategies calls for acquisition of new IT platforms in order offer new products. Thus, the right items should be purchased such that the process is swift and completed within the given timelines.

According to Rumelt (2001) staff motivation is a major determinant of strategy implementation. It should be noted that motivated staff have the tendency of giving their best when they feel that the organisation values them. The culture of team spirit need to be adopted in implementing strategies. It is for this reason that strategy formulation and implementation calls for careful team selection with respect to roles and responsibilities in implementation of diversification strategies.

Diversification strategies once formulated must be implemented by an able team in order to ensure that their objectives are achieved. It is important to note that strategies are not meaningful unless they are implemented. The organisational structure is not solely responsible for implementing strategies since it is important that necessary technologies, skills and sufficient resources are acquired by the implementing organisations. It is therefore, important that organisational structure be set in a way that efficiency is maximized and that the process of strategy implementation is fostered.

Implementation of diversification strategy is majorly dependent on the internal capabilities of the organisations. This entails the process of organizing, motivating team members, creating enabling environment and should provide a link between strategies and internal activities. The process of strategy implementation is a delicate balance between available processes and the strategies. Therefore, there is a need for resources to be mobilized and leadership should foster cooperation among the players. It is important to note that diversification strategies are critical since they adoption can be impactful towards the success of organizations. However, their failure can be catastrophic especially where a great deal of resources have been channeled towards such courses. Strategy implementation should be viewed from all points, that is, from the perspective of stakeholders such employees, customers and government regulations.

It is equally important to note that strategy implementation in an organization tends to result to organizational change. For this reason, it is important that the people are considered and that the organizational culture and structure is set in a way that new strategic-induced processes are compatible with existing systems. The lack of synergy can be a challenge towards the success of strategy implementation. This is because without the diversification strategies being aligned with the organization culture. The culture in an organization influences the way staff perform their activities with respect strategies. For this synergy between culture and organization structure should be maximized in order to ensure the process of implementation of diversification strategy is cost-effective and achieves the expected results.

2.5 Empirical Studies and Knowledge Gaps

Isa, Saman and Preece (2015) investigated the factors that influenced market diversification among Malaysian firms. The study adopted an exploratory research design. The study had a target population of 111 construction companies in Malaysia. The study found out that financial availability, human resource, entrepreneurial opportunities, supportive top management from home country affected the implementation of market diversification in the international markets.

In another study, Mario (2014) investigated the factors that are considered in adopting diversification strategies by Safaricom Limited. The study collected both primary and secondary data. The study used content analysis in data analysis since primary data was collected through conducting of interviews. The challenges that were identified were cost of some strategies were too high and that implementing them was not a mean fete. Equally, the study revealed that regulations by government, workforce availability, financial capabilities, market perception and resource availability were key consideration in implementing strategies by the company. However, the study was a case of one company in telecommunication industry.

Kivungi (2013) undertook a study with the aim of assessing the factors that influenced choice of unrelated diversification strategies in the Kenyan insurance industry. The study adopted a descriptive research design where primary data was collected through issuance of questionnaires. The study had a target of all 44 insurance firms in Kenya. The study revealed that resource ownership, need to enhance profitability, willingness of top management, need to manage risks and firm resilience in managing environmental risk led to insurance firms adopting unrelated diversification strategies.

This study provides information on what factors leads to diversification. However, the study did not investigate on what leads to success of strategy implementation. Njagi and Kombo (2014) undertook to study to assess the effect of strategy implementation on performance of commercial banks in Kenya. The study adopted a correlational research design. The study had a target population of all commercial banks in Kenya. The study adopted a census. Primary data was collected through issuance of questionnaires. Data was analysed using descriptive statistics. It was revealed that strategy moderately affected performance of commercial banks in Kenya. The study recommended that there was a need to effectively implement strategies in order to achieve full benefits of strategies. The study is important since it investigate the effect of strategy implementation and also provided a basis of strategy operationalisation. However, the study did not assess the factors influencing strategy implementation among the commercial banks. This is the gap this study seeks to fill since it will seek to assess the effect of organisational factors on implementation of diversification among commercial banks in Kenya.

In another study Githira (2008) did a study to investigate the factors that influence diversification strategies among insurance companies in Kenya. The study adopted a cross sectional survey. All insurance companies were considered. The study utilised primary data that was collected through issuance of questionnaires that were semi structured. The study found that among the factors that affected strategy implementation were: resources availability, knowledge and skills of all those planning and implementing strategies, workforce resource availability, human resources inadequacy, business risks and difficulty in assessing the value of diversification strategies. The study did not consider top management support. Besides, the study was carried out in the insurance industry. Therefore a comparative study need to be undertaken in the banking industry.

Gitau (2014) did a study that had the overall objective of assessing strategy implementation in Kenya. His study was a case study of Kenyan commercial banks. The study adopted a descriptive research design. The study had a target population of all the forty three commercial banks that were licensed in Kenya. The study collected primary data using questionnaires that were sent on emails and others personally delivered by the researchers. The study analysed data using descriptive statistics, that is, computation of means and standard deviations. The study found out that implementation of strategies among banks were important as it ensured that the institutions could improve their performance.

More so, the study revealed that strategy implementation was influenced by availability of skills and resources. This means that successful implementation of strategies calls for adequate resources allocations. Further, the study revealed that both internal and external environments affected strategy implementation. This is because strategy implementation was viewed as process that needed the entities to plan for both environment in order to ensure success. In as much as this study assessed strategy implementation among banks and established the factors that influences such, the study was not specific to diversification strategies. It is for this reason that this study was undertaken with the aim of assessing the effect of organisational factors on implementation of diversification strategies among tier one commercial banks in Kenya.

Kibicho (2015) assessed the determinants of strategy implementation success among insurance companies in Kenya. The study used primary data in collection of data from a sample of fifty one respondent's insurance companies. The study used a descriptive research design where a regression model was used in order to determine the extent of influence of the selected factors on strategy implementation. The study revealed that the expertise and competences of management was a great factor in successful strategy implementation. This means that skills are vital in successful implementation of strategies among firms. It is important to note that skills in strategy implementation are not universal from one industry to another. For this reason, there is a need for management to seek to acquire specific skills in their area of work in order to ensure that strategies are successful.

Chege (2012) undertook a study with the aim of establishing the challenges that affected strategy implementation among oil and petroleum marketing firms in Kenya. The study had a target population of thirty six firms that were registered to undertake such business in Kenya. The study selected respondents from top managers of the firms. Primary data was collected through administration of questionnaires. The study used a descriptive research design in order to ascertain. The study established that there were several internal and external factors that affected strategy implementation among the firms in Kenya. In particular, it was noted that lack of appropriate technology affected strategy implementation. Equally, it was established that inadequate resources allocations in regard to the entire process of strategy implementation negatively affected its chance of success.

Further, it was noted that there was no appropriate reward systems and this hampered the moral of the implementers in the process. Failure to involve all parties including outside stakeholders was also cited as major cause of strategy failures. This study is important as it provides information on the challenges that faces adoption of strategies. However, the study was undertaken in a different industry. Therefore, it was important for another study to be undertaken with respect to the banking sector.

Edirisuya, Gunasekarange and Dempsey (2015), undertook to investigate bank diversification, performance and stock reasons and associated risks among commercial banks in India, Pakistan, Sri Lanka and Bangladesh. The study collected secondary data for a period of fourteen years from 1999 to 2012. The study was a panel data analysis. The study revealed that over diversification of assets leads to a corrosion effect on the banks traditional means of income generation. In particular, it realised that over diversification does not improve performance of commercial banks. The study did not consider the challenges that may face the implementation of diversification strategy.

The chapter has discussed the theoretical underpinning of the study. In addition, an empirical review has been provided in order to lead to the conceptualisation of the research gap. The study identified three theories that relate well with the study. These theories are: Resource Based View theory, Mckinsey Strategy implementation strategy and Porter's Strategy typology. An empirical review was also done from both global and local studies. The existing literature has not shown studies done with emphasis on diversification strategy but most studies considered strategies in general. In addition, it appears that none of the studies considered commercial banks in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1   Introduction

Chapter three contains the research methodology. Research methodology is influenced by the type of data that a particular study seeks to utilise and the type of analysis. In other words, research methodology seeks to answer the question: how data collection and data analysis was done.

Research methodology is critical because it entails the assessment of the variables and how they can be operationalised. Equally, the research methodology ensures that variables are defined and measurement scale identified. It also ensures that data collection is in connection with the aim of the study.

Primary data was collected from tier 1 commercial banks in Kenya. This chapter contains the research design, target population, sample size and sampling procedure, data collection procedure, instrumentation and data analysis techniques.

3.2   Research Design

A research design infers a carefully set frame of actions that enable collection and analysis of data in order to provide inferences and provide a generalized finding on the research problem (Kothari, 2004). In other words, it is an arrangement of requirements which facilitate data collection, identification of units of analysis with the aim of meeting the research objectives.

Mugenda and Mugenda (2003), views a research design as the overall frame of conditions, plan and arrangements that helps in answering the queries of a given study. The study adopted a descriptive research design. Sekeran (2011) notes that a descriptive research design provides an appropriate way through which a general pattern about a phenomenon can be identified. Kothari (2004) also notes that a descriptive research design provides a precise investigation of the research problem. Further, the study sought to identify how the organisational factors plays a role in implementation of diversification strategies among tier 1 commercial banks in Kenya. This therefore means that the study "described" the relationship between the factors and successful implementation of diversification of strategies.

3.3   Population of the Study

According to Krishnaswami and Satyaprasad (2010), target population refers to all elements of that a specific research is based on. This implies that a target population must have certain unique observable features that are only specific to the group that is being assessed. The target population of this study were all the 8 Tier 1 banks in Kenya which are categorised as such by the Central Bank of Kenya (2018).

Tier 1 banks are highly ranked by the Central Bank of Kenya and they are regarded as safe bank and they are ranked with regard to capital and reserves, amount of deposits, net assets, loans and deposits.

The Tier 1 banks in Kenya are Equity Bank, Kenya Commercial Bank, Barclays Bank, Cooperative Bank, Standard Chartered Bank, Commercial Bank of Africa, DTB Bank and Stanbic Bank (CBK, 2018).

3.4   Sample Frame

A sampling frame refers to the list of items that a sample is selected from. Saunder, Lewis and Thornhill (2003) notes that a sample frame must be connected to the population. Thus, the sampling frame of this study was composed of all the senior staff in the Tier 1 banks in Kenya.

This is a suitable sampling frame that permitted generalisation of findings. The choice of the senior manager is best because they have experience in their respective fields. This means that they responded to the questions appropriately thus fostering generalisation of findings.

This study collected primary data from the senior staff in the banks. Thus, an interview guide was prepared in order to facilitate collection of data from the respondents. The reason for considering the senior staff is because they are aware of the diversification strategies adopted by the banks are involved in their implementation thus aware of the factors influencing diversification strategies.

3.5   Data Collection

Data collection may be defined as the process of obtaining information from the units of analysis in order to achieve the objectives of a particular study. According to Cooper and Schindler (2014) data analysis is collating information about the research variables.

In this respect, data collection should follow a permissible structure in a way that the research questions are answered. The questions in the interview guide were open ended and this helps in capturing information that may be missed out in the event that closed ended questions are used.

An in-depth interviews were undertaken in order to provide qualitative information about the organisational factors influencing implementation of diversification strategies among the Tier 1 banks in Kenya. Where possible, the interview were conducted face-to face but if the respondents were not available phone interview were conducted.

The interview guide was structured in a way that the Section A collected personal information about the interviewees such as: age, gender, education level and working experience. The Section B collected information on diversification strategies adopted by the respondent bank, section C to section F collected data with respect to the research objectives. An interview guide is preferred because it collects more information than a structured questionnaire. Thus an interview guide may capture information that the researcher may not have anticipated.

3.6   Data Analysis

Data analysis is a process of obtaining inferences from raw data in order to facilitate decision making. In this respect, data analysis is the cleaning and transforming data into comprehensive form and in usable states. Data analysis is influenced by the type of data collected. Since this study used qualitative data that was collected through interview guides, qualitative content analysis is the preferred method.

According to Taylor and Gibbs (2010) data analysis in qualitative means is the process that transforms data into understandable forms. The responses were categorised with respect to the objectives of the study and were interpreted in order to obtain inferences.

According to Kothari (2004) data analysis should be methodical, systematic and justifiable in order to facilitate the achievement of the research objectives. For this reason, the interview guide were checked for completeness and consistency before data analysis such that generalisation of findings can be valid.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1   Introduction

This chapter entails the analysis of data and interpretation of the presentation of findings with regard to the research aim. The study aimed to determine organizational factors influencing implementation of diversification strategies by Tier one commercial banks in Kenya. The study collected primary data by conducting interviews among the staff of the selected commercial banks in Kenya.

The study obtained information through interviewing senior staff of the banks. For every bank one senior staff was interviewed either through one on one interview or through phone interviewing. Foremost, the study needed to establish the diversification strategies that were adopted by tier one financial institutions in Kenya. Secondly, data on effect of organizational structure, internal resource, top management and openness to change were collected.

The results on basic information of the interviewees indicated that most of them were senior managers in the banks. Most of respondents were more forty years old. Male respondents were more than the female respondent. Equally, it was noted that a majority of the respondents had a postgraduate qualification and had worked for the bank for more than ten years. These results indicates that the sampling frame was suitable in collection of data with respect to research objective.

4.2   Diversification Strategies Adopted by Tier 1 Commercial Banks in Kenya

The interviews revealed that there were several diversification strategies that were adopted by tier one commercial banks in Kenya. Most of the banks had resorted to harnessing the capabilities of Information and Technology in order to diversify.

The study found out that diversification was done in two folds: to get new customers and to provide new products to current customers. Most of the tier one banks had adopted internet banking, app banking and mobile banking as diversification tools. Adoption of such tools aims provides financial services to existing bank's customers.

Information collected revealed that tier one banks were also involved in provision of financial services to new market frontiers. For instance, all the banks in the population were found to have bancassurance departments and money market fund management services. In addition, tier one banks engaged on geographical expansion through setting up of new bank branches within the Kenyan boundaries and also in East African countries. One of the interviews responded that geographical expansion was crucial to the bank since it ensured that they could explore new untapped markets.

From the researchers and theoretical perspective diversification can be done in three ways: Concentric diversification aims at provision of new services and products to new customers, horizontal diversification seeks to provide new products and services which are not related to existing activities but offered to current customers and conglomerate diversification is a combination of both. Therefore, the tier banks adopted conglomerate diversification strategies.

4.3   Organizational Structure and Implementation of Diversification Strategies among Tier 1 Commercial Banks in Kenya

The lack of adequate planning procedure was cited as the most dominant aspect of organizational structure that influenced implementation of diversification strategies among tier 1 commercial banks in Kenya.

A majority of the respondents indicated that without appropriate planning and communication framework successful implementation if diversification strategies was at stake. This is because, planning ensures that both human and other resources are put into places in order to ensure a smooth implementation of the diversification strategies. The interviewees indicated that the organizational structure should be set in a way that it promotes collaboration during planning and implementation of diversification strategies.

The lack of adequate reward system was cited as a big impediment towards successfully implementation of diversification strategies. The interviewees indicated that rewards on successful implementation of strategies were not commensurate with the responsibilities. Most indicated that those who received rewards were not the ones who deserved to be rewarded and this affected the morale and motivation of the staff in future strategies rollouts.

Openness to change was also cited as challenge since most staff were not ready for job rotations that were occasioned by new products and services. For instance , it was not noted that bancassurance faced challenges since most bank staff were not akin to insurance practice.in this regard, banks had to hire from outside in order to enhance the effectiveness of the bancassurance department. It was also established that the lack of appropriate coordination in implementation of diversification affected their successful implementation. For instance, when in launching new products, the respondents indicated that it was important for staff to be trained on their functionality in order to ensure their successful reception at the market.

4.4 Internal Resources Endowment on Implementation of Diversification Strategies among Tier 1 Commercial Banks In Kenya

The lack of adequate financial resources allocation was regarded as the most influencing factor in respect of resources ownership. The interviews indicated that without sufficient finances to launch the new products, implementation of the diversification strategies was bound to occur. For this reason, financial resources play an important role in ensuring that strategies are fully implemented in line the laid out plans.

Equally, the respondents viewed that the banks faced problems in acquisition of some of the ICT tools that are necessary for implementation some of the diversification strategies. For instance, a number of respondents indicated that online banking was compromised by increasing cases of cyber-attacks and they had to acquire special tools to prevent hacking of customers' accounts. This called for extra cash budgets which were not previously planned for.

The respondents indicated that lack of necessary skills to implement some of the diversification strategies compromised the successful implementation of strategies. New products launch call for expertise in design and operationalize the products. For this reason, the human resources that are charged with planning and ensuring success implementation of diversification strategies should be equipped with necessary skills. The interviews revealed that skilled personnel in line of banking innovations were rare. It is for this reason that the bank faced challenges in implementing new diversification strategies from time to time.

Ownership of technological tools was equally cited as big challenge in as far as implementation of diversification strategies were concerned. The respondents indicated that bank diversification strategies revolve around technological innovations whose hardware and software were expensive. One respondent actually indicated that use purchase and maintenance of ICT tools was a major cost center for tier commercial banks in Kenya. This indicates that ICT plays an important role in diversification strategies of tier one commercial banks in Kenya.

4.5 Top Management Support on Implementation of Diversification Strategies Among Tier 1 Commercial Banks In Kenya

A majority of the respondents indicated that top management support was a major factor towards successful implementation of diversification strategies. It was noted that the top management was not fully supportive in terms of setting up responsibilities and reward systems with respect to strategy implementation. To this end, the interviewees indicated that the management style for the top managers was autocratic and was not collaborative thus compromising on strategy implementation. From the researcher's perspective it was expected that where the top management was supportive, the chance of successful implementation of strategy was to be high.

The lack of motivation to staff in implementation of diversification strategies was indicated as an impediment. This is because the respondents indicated that motivation was not similar in all departments as in some departments, staff were very motivated and this improve their efficiency in discharging their tasks in the process of implementation of diversification strategies.

Motivation seeks to provide staff with incentives to fulfil their tasks exemplary during implementation of strategies. For instance, some interviewees responded that recognition after performing well was a good gesture from the top management of the banks. The lack of adequate employee involvement is setting frameworks for execution of diversification strategies was indicated as a huge impediment towards successful implementation of diversification strategies. The senior staff who were the respondents in this study revealed that they were not often consulted on upcoming product launches and this compromised on their successful implementation.

Equally, the respondents indicated that employees felt that they were sidelined in planning of diversification strategies yet they were required to implement them. In this respect, the employees viewed that for diversification strategies to succeed it was important that they be involved both at planning and implementation phases.

4.6 Openness to Change On Implementation Of Diversification Strategies Among Tier 1 Commercial Banks In Kenya

The flexibility of the banking institutions in response to diversification strategies was reported to affect whether strategies succeeded or not. The lack of flexibility towards change was noted to have negative effect on successful implementation of diversification strategies among the tier 1 commercial banks in Kenya. The interviewees reported that in the event that the organizations were change conscious and that all staff were adequately made aware of the proposed changes due to strategy implementation, new products and markets were launched successful.

However, a number of senior staff noted that geographical diversification led to transfers which were not planned for. In this regard, some staff could even quit their job instead of relocation to other areas, particularly outside the country. Preparedness to change was cited as a factor that potentially influenced successful implementation of diversification strategies. The respondents indicated that the financial institutions were not prepared for some of the changes that were occasioned by implementation of diversification strategies. For instance, adoption of mobile banking led to an increase in cases of obtaining money through false pretense. In this case, the respondents indicated that it was difficult to deal with the issues are they arose since they had not been dealt with proactively. On the same note, the respondents indicated that in as much as diversification was meant to benefit the entity, at times such strategies were not welcome by staff.

It was found out that the financial institutions did not take a holistic approach towards implementation of diversification strategies. The respondents viewed that the top management, at times, forced down strategies that were difficult to implement. In this respect, the lack of skills in executing diversification strategies came up. The staff did not regard all strategies as beneficial in their own perspectives. Majorly this was because some diversification strategies were a threat to their continued employment in the commercial banks. Among the reasons cited for subjective view of diversification strategies were because: diversification could potentially led to them being retrenched. Notably, diversification among commercial banks revolve around use of ICT and thus may reduce the need to have more staff. As an example, successful implementation of online banking, agency banking and mobile banking led to cut down of number of tellers in the banking halls.

4.7 Discussion

This study sought to determine the organizational factors influencing implementation of diversification strategies, by Tier one commercial banks in Kenya. The study found out that there is a link between organizational factors and successful implementation of diversification strategies among the tier one commercial banks in Kenya. Further, the study found that the connection was either positive where the factors were favourable or negative in the case of unfavorable organizational factors.

Several studies have been on strategy implementation in various industries and this study supports their findings in many ways. Isa *et al.* (2015) investigated the factors that influenced market diversification among Malaysian firms. The study found out that among the organizational factors that affected the success of diversification were financial availability, human resource, entrepreneurial opportunities and supportive top management.

This study agrees with this finding that resource endowment and top management support plays a significant role in implementation of diversification strategies. Mario (2014) investigated the factors that are considered in adopting diversification strategies by Safaricom Limited. His study revealed that regulations by government, workforce availability, financial capabilities, market perception and resource availability were key consideration in implementing strategies by the company.

This study has found out that top management support and resources availability are important organizational factor with respect to successful implementation of diversification strategies. This is because, the top management is responsible for offering the strategic direction of the organization to the staff. This finding agrees with those of Kivungi (2013) who undertook a study with the aim of assessing the factors that influenced choice of unrelated diversification strategies in the Kenyan insurance industry and revealed that resource ownership, need to enhance profitability, willingness of top management, need to manage risks and firm resilience in managing environmental risk led to insurance firms adopting unrelated diversification strategies.

In regard to the underpinning theories, this study's findings validated the propositions put across by Resource Based View theory, Mckinsey Strategy implementation model and Porter's Strategy typology. RBV was coined by Barney (1991) with the aim of providing information leads to successful implementation of strategies with respect to internal resources ownership. RBV indicates that resources are important towards successful implementation of strategies. The Mckinsey Strategy implementation model entails an analysis of factors that lead to successful strategy implementation. These are structure, system, staff, strategy, skills, style and shared value.

Therefore, the model is validated by this study because the study has found out that organizational structure, resources, top management support affects success of implementation of diversification strategies. Equally, the proposition by Porter (1980) in the Porter Strategy typology that critical analysis of the internal and external business environment and identify strengths and weakness in order to formulate strategies has been validated by the study.

In conclusion, implementation of diversification strategies entails a wide scope of activities which are influenced by organizational factors. Ansoff (1990) indicates that in order to successful implement strategies, resources should be allocated adequately and the leadership should be visionary. In this respect, the strategies can be implemented and monitoring can be done regularly thus enhancing the objective of the objectives. For this reason, commercial banks in Kenya need to allocate sufficient resources in order to experience successful strategy implementation. Equally, the organization and staff need be flexible with regard to diversification-occasioned changes.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the findings of the study. The conclusion on the organisational factors' influence on diversification strategy is also made. Also, the chapter has recommendations which are made in line with the findings.

This chapter also contains a discussion of the limitations of the study. The limitations are based on the challenges that were encountered in undertaking the study. Lastly, the chapter provide suggestions for further research in the area of diversification strategies.

The main goal of the study was to evaluate the organizational factors influencing implementation of diversification strategies, the case of tier one commercial banks in Kenya. Primary data was collected by interviewing respondents whose sample frame were the senior staff of the tier 1 commercial banks. Data was analysed through content analysis.

5.2 Summary of Findings

Diversification strategies are influenced by both financial and non-financial resources. This findings is based on the results that were obtained upon content analysis. All the assessed organizational factors were found to influence the implementation of diversification strategies are organizational structure, internal resources ownership, top management and openness to change. The study reveals that the organizational flexibility in terms of procedure does affect implementation of diversification strategies. Other factors that relate to organizational structure that were found to have an impact on strategy implementation are reward systems and planning procedures.

In particular the reward system among the tier one commercial banks were found to be a huge impediment towards implementation of diversification strategies. Inadequate internal resources is another challenge that threatened the successful implementation of diversification strategies among tier one commercial banks in Kenya. This is because without enough financial resources, relevant skills and expertise implementing diversification strategies was difficult. Thus, resources allocation is an important ingredient towards the successful implementation of diversification strategies among tier 1 commercial banks. It important to note that any process requires resources in order to be successfully implemented.

The study shows that there was lack of top management support in implementing diversification strategies among tier1 commercial banks in Kenya. Notably, the top management has a crucial contribution in establishing a strategic focus and direction. However, the study revealed that the top management were not supportive, did not provide information on a timely fashion thus being an impediment towards the successful implementation of diversification strategies. Respondents showed that the top management did not communicate effectively and thus project monitoring and evaluation were difficult tasks.

The study also indicates that openness to change was a major challenge towards successful implementation of diversification strategies. This is because the staff viewed that the diversification strategies led to job rotations which they were not prepared for. Further, the study shows that some of the diversification strategies led to loss of jobs and thus were not welcome by the staff. In this regard, lack of change adaptability and inadequate system flexibility negatively affected the successful implementation of diversification strategy.

5.3   Conclusion

The results of the study points towards the following conclusions: To begin with, the study concludes that organizational structure affects implementation of diversification strategies among tier one commercial banks in Kenya. This is because the study found out that lack of effective reward systems, inappropriate planning procedures and information and budgetary practices were challenges towards successful implementation of diversification strategies.

The study also concludes that resource ownership was viewed as a major impediment towards successful implementation of diversification strategies among tier 1 commercial banks in Kenya. Resources range from human to ICT capacities and therefore lack of which negatively affects implementation of diversification strategies. Notably, resources ensure that new product and services can be launched successfully. In this respect, banks with adequate financial resources and human skills are capable of implementing diversification strategies more effectively.

Top management support affects implementation of diversification strategies because the top management was noted to be responsible on offering strategic focus and direction, communicate strategies effectively and enhance monitoring and evaluation of diversification strategies. In the circumstance that the top management was supportive, motivational and involved the employee in planning and implementing diversification strategies. Notably, employee involvement has received a lot of acclaim on its benefits in strategy planning and implementation.

Lastly, this study concludes that openness to change has impact on the complete diversification strategies implementation. This is due to results indicated that in the event that the staff were adequately made aware of the proposed changes as a result of diversification strategies, implementation of such strategies was succeed. Conversely, without appropriate communication and team approach strategy implementations was bound to be a difficult process.

5.4 Recommendations and Implications to Policy, Practice and Theory

Based on the results the study makes the following recommendations. Foremost the study recommends that top management should be supportive in the process of implementation of diversification strategies. In so doing, implementation of diversification strategies will be smooth and successful. The top management of commercial banks ought to involve the staff in development of diversification strategies. Employee involvement in strategy formulation and implementation improves the likelihood of successful implementations. The study also recommends that the top management need to communicate effectively in a way that strategies are clear and processes that are involved are well formulated at all involved departments.

Commercial banks need to allocate adequate resources on diversification strategy implementation in order to ensure successful implementation of strategies. Banks should hire skilled personnel in implementing diversification strategies. It is also recommended that banks need to acquire the necessary tools for implementing strategies. On openness to change, the organizations need to establish appropriate reward systems in order to ensure that those charged with responsibility of implementing strategies are adequately motivated and rewarded.

This study is of value to the management of tier 1 commercial banks. This is because, they can obtain information on the organizational factors that influence implementation of diversification strategies. In this respect, the study is useful in that it provides information on challenges that face diversification strategies.

Thus the study should be helpful in assisting the top management of banks in dealing with organizational factors affecting implementation of diversification strategies proactively. Additionally, the findings of this study can be utilized by other organizations outside the banking industry with respect to implementation of diversification strategies. For this reason, the study can be used a good basis for policy formulation. In this respect, the findings of this study are of value to the Central Bank of Kenya which is the regulator of commercial banks in Kenya and the Kenya Bankers Association for it can be used in formulation of banking policies with the aim of streamlining the process of implementation of diversification strategies.

Lastly, the study has a theoretical value as it adds to the knowledge and literature that has been documented on organizational factor and implementation of diversification strategies. This study therefore, provides a good basis of further research on strategy implementation because scholars can use it to identify gaps that have not been filled by this study. Thus, this study paves way for more studies on diversification strategies and factors that influence this kind of strategies in a wider scope. In other words, the study contributes to the exiting body of knowledge immensely.

5.5   Limitations of the Study

This study has a few limitations. Foremost, the study considered implementation of diversification strategy without consideration of strategy formulation, control and monitoring which forms the larger process of strategic management. These other aspects of the process are equally crucial and thus should not be overlooked.

Further, the study was limited by time and financial resources. The period of the study was short. Essentially, this limited the undertaking of more comprehensive interviews among tier 1 commercial banks in Kenya. However, the number of interviews that were conducted were adequate to perform data analysis, make inferences and make valid conclusions about the organisational factors affecting implementation of diversification strategies.

Another challenge that was faced by the researcher is that some of the identified interviewees could not be reached at the last minute. The researcher had to reschedule the interviews in order to ensure that adequate data was gathered for processing. More so, some interviewees were reluctant to answer some questions as they viewed them as sensitive. Lastly, the application of the study is limited to the tier 1 commercials bank in Kenya. This is because, the category may not be a perfect representative sample of all commercial banks in Kenya. Therefore, the application of the findings should be done with discretion.

5.6   Suggestions For Further Research

This project has not been exhaustive in matters concerning organizational factors and diversification strategies. Therefore more research should be undertaken with on other factors such as strategy formulation, control and monitoring. Equally, the more studies can be done in a different industry in order to provide information on how the same organizational factors would affect implementation of diversification in those other industries.

In future, a similar study ought to be undertaken in order to investigate whether the organizational factors will still be persistent in influencing implementation of diversification strategies in Kenya. Such a study is important because the business environment changes from time to time.

This study aimed at determining the organizational factors that affect implementation of diversification strategies among tier 1 commercial banks in Kenya. Therefore, another study should be undertaken in order to assess the responses to the challenges that are encountered in implementation of diversification strategies.

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APPENDICES

Appendix 1: Data Collection Authorization Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE..13|11|2018

TO WHOM IT MAY CONCERN

The bearer of this letter .....STANLEY MUSYOKA MULWA.........

Registration No...D61|84253|2015..........................

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

Source: University of Nairobi, School of Business (2018)

Appendix 2: Interview Guide

Section A: Background information on the Bank

Confidentiality Declaration: I wish to declare that the responses that will be obtained will be used for academic purpose only and not for any commercial use or otherwise. Equally, should there be personal information obtained in the process of conducting this interview, such information will be treated confidentially.

Section A: Background Information

1. Name of Bank……………………………………………………………..

2. Designation in the bank…………………………………………………

3. Working period of the respondents…………………………………..

4. Age of the respondent………………………………………………….

5. Education level………………………………………………………….

6. Gender………………………………………………………………….

Section B: Diversification Strategies adopted by Tier 1 Commercial Banks in Kenya

1. Does the banks strategize to increase more products in the same industry (internet banking loans, mobile banking loans, etc)

………………………………………………………………………………………………

……………………………………………………………………………...............

2. The bank seeks to provide financial services in new industries (Bancassurance, money market funds etc)

………………………………………………………………………………………………

……………………………………………………………………………...........

3. The bank seeks to offer services out of Kenya, (partnership with Western Union, geographical expansion etc)

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………………………………………………………………………………………..

Section C: To find out the effect of organizational structure on implementation of diversification strategies among tier 1 commercial banks in Kenya

1. How is the organisational system in terms of flexibility towards implementation of diversification strategies?

....

....

....

2. Does the top management maintain a proper reward systems particularly to reward those involved in product development?

....

....

....

3. Does your organisation plan diversification strategies adequately?

....

....

....

Section D: To determine the effect of internal resources endowment on implementation of diversification strategies among tier 1 commercial banks in Kenya.

1. Is there a budget allocation towards implementation of diversification strategies?

   …………………………………………………………………………………………

2. To what extent would you say human skills and expertise influence successful implementation of diversification strategies?

   ……………………………………………………………………………………………

   …………………………………………………………………………………………..

3. Is the state of technology hampering your strategies in respect of diversification (product and market)?

   ……………………………………………………………………………………………

   …………………………………………………………………………………………

Section E: To find out the effect of top management support on implementation of diversification strategies among tier 1 commercial banks in Kenya.

1. How is the management style in your organisation? Is it supportive in terms of diversification strategy implementation?

   ....

2. Are staff motivated enough to implement strategies?

   ....

   ....

3. Would you say that there is employee involvement at both stages, that is, during strategy formulation and implementation?

....

Section F: To establish the effect of openness to change on implementation of diversification strategies among tier 1commercial banks in Kenya

1. Please tell me about the organisational culture of the bank? Is it open to change and how are the procedures in particular when you are introducing new products or expanding the market?

………………………………………………………………………………………

………………………………………………………………….............................

2. Is the organization always prepared to change, especially those occasioned by diversification

strategies?..

....

3. Would you say that the organisation works as a holistic whole when diversification strategies are being implemented? Is there organisation synergy maximisation in the organisation?

....

....

Appendix 3: List of Tier 1 Banks in Kenya.

1.   Kenya Commercial Bank
2.   Equity bank
3.   Cooperative Bank
4.   Barclays Bank
5.   Commercial Bank of Africa (CBA)
6.   Standard Chartered Bank
7.   Stanbic Bank
8.   Diamond Trust bank (DTB)

Source: Central Bank of Kenya (2018)

Appendix 4: Plagiarism Report

ORGANISATIONAL FACTORS AND IMPLEMENTATION OF DIVERSIFICATION STRATEGIES BY TIER ONE COMMERCIAL BANKS IN KENYA

ORIGINALITY REPORT

5%	4%	0%	3%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	erepository.uonbi.ac.ke Internet Source	1%
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Source: University of Nairobi (2018)