CHALLENGES IN THE IMPLEMENTATION OF BLUE OCEAN STRATEGIES IN LARGE INDIGENOUS BANKS IN KENYA

By

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A Research Project Submitted in Partial Fulfillment of the Award of
Degree of Master of Business Administration, School of Business,
University of Nairobi

November 2012

DECRALATION

I, Geoffrey Onsembe Nyambane declare that this research project is my original work and has not been submitted to any other university for the award of a degree.

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ACKNOWLEDGEMENTS

DEDICATION

This project paper is dedicated to my wonderful wife Ms. Caroline Shikuku and daughter Sarah Kemunto.

ABBREVIATIONS AND ACRONYMS

ATM   Automated Teller Machines

BOS   Blue Ocean Strategies

COOP Bank   Cooperative Bank of Kenya limited

KBA   Kenya Banker's Association

KCB   Kenya Commercial Bank limited

NSE   Nairobi Stock Exchange

SACCO   Savings and Credit Cooperative Organization

SMART   Specific Measurable Achievable Realistic and Time bound

SWOT   Strengths Weaknesses Opportunities and Threats

ABSTRACT

To ensure success, the strategy must be translated into carefully implemented action. There however are many challenges that organizations face when carrying out this process for blue ocean strategies; strategies that target untapped markets where demand is created rather than fought for. This is a survey seeking to establish the challenges large indigenous banks in Kenya face in implementing blue ocean strategies and how they have responded to these challenges. The study covered three indigenous banks classified as large. These banks are Kenya commercial Bank, Cooperative Bank of Kenya and Equity bank. Data was collected by way of face to face interviews with heads of units involved in strategy implementation and two executives from each bank were interviewed. From the survey, it is evident that all the banks studied clearly focus on blue ocean strategies to create and sustain their market share, and in implementing these strategies, they encounter a number of challenges emanating from the various factors on strategy implementation. These include organizational culture, organizational structure, resources and capacity building, leadership and senior management, employees, customers and steps taken to continuously monitor and evaluate progress. These challenges apply across the organization effectively implying that they need to be addressed at all levels of the organization for successful implementation. The survey also identified the responses the banks have employed to overcome or reduce the challenges. We were able to deduce that research on blue ocean strategies before they are implemented provides a good basis for seamless implementation. Communication, engaging skilled staff, involvement, promotional campaigns, a robust performance management system and allocation of specific roles and responsibilities are key in addressing these challenges.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Strategy has been defined as the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance (Thompson & Strickland, 2008). Historically, companies have competed predominantly based on how to gain the largest share of market space. Porter's (1985) theories encourage companies to choose whether to focus on differentiation, cost leadership, or focus. Thompson, Strickland & Gamble (2008) extend the argument of competing for market share in the historical manner but add a new competitive frontier of seeking an uncontested space and playing there in. Although formulating a consistent strategy is a difficult task for any management team, making that strategy operational is even more difficult (Hrebiniak, 2006). Making it operational in an uncontested market space that is largely uncharted is even more challenging.

The present Kenyan Banking industry is one of the most dynamic and competitive industries. It is characterized by hyper competition where emerging technologies, complex international and well informed customers and a shrinking market space are the main challenges. This market has seen rapid changes in technology and technological platforms that the players use to attain and retain customers and a relative ease of entry following deregulation in 1995 (but extreme difficulty in exit due to the stringent rules enshrined in the Banking Act) International competition has further caused the industry to be oversupplied and increased market share does not always lead to increased profits. Under these circumstances, a fast follower strategy for instance is hardly effective and a new growth engine is seldom found. Historical strategies have thus become ineffective in the sector.

Over the last few years, this industry has continued to grow in assets, deposits, profitability and products offering. To remain relevant in this market, banks have sought to enter into areas and offer services considered 'un-bankable' in the traditional banking sense. A move towards uncharted waters through the formulation and implementation of Blue Ocean Strategies is evident here. The current success of the banking industry is evidence that despite the challenges, banks have been able to formulate and execute strategies effectively. Implementation of these has however not been without challenges.

1.1.1. Implementation of Strategy

Organizations begin strategy formulation by carefully specifying their mission, goals, and objectives, and then they engage in SWOT analysis to choose appropriate strategies. Although formulating a consistent strategy is a difficult task for any management team, making that strategy operational is even more difficult (Hrebiniak, 2006). According to Pearce II, Robinson Jr. and Mital (2010), strategy implementation is the action phase of strategic management, prior to which, strategy formulation, analysis of alternative strategies and strategic choice are conducted in phases. Although important, these phases alone cannot ensure success.

It is obvious that a vague or poor strategy can limit its implementation efforts. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Several studies mention the fact that the kind of strategy that is developed (Alexander, 1985) and the actual process of strategy formulation, namely how a strategy is developed (Kim & Mauborgne, 1993; Singh, 1998) will influence the effect of implementation. As Allio (2005) notes, "good implementation naturally starts with good strategic input: the soup is as good as the ingredients"

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To ensure success, the strategy must be translated into carefully implemented action. This means that the strategy must be translated into guidelines for the daily activities of the firm's members and the strategy and the firm must become one – that is the strategy must be reflected in the way the firm organizes its activities, the key organizational leaders, and the culture of the organization. Therefore implementation of organization strategy involves the application of the management process to obtain the desired results. It includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources.

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures (Wheelen & Hunger, 2008). It is the process of allocating resources to support the chosen strategies and includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals.

1.1.2. Blue Ocean Strategy

The business universe has been regarded to consist of two distinct spaces; the Red Ocean and the Blue Ocean spaces. Red oceans represent all the industries in existence today - the known market space. According to Kim & Mauborgne (2005), in red ocean space, industry boundaries are defined and accepted, and the competitive rules of the game are well understood. Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth.

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The Blue Ocean Strategy (BOS) challenges companies to make competition irrelevant instead of stealing from competitors and competing in the "bloody red ocean". It is a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant (Kim & Mauborgne, 2005). The Blue Ocean denotes all industries not in existence today. This is the unknown market space according to Kim & Mauborgne (2005).

Historically, companies have competed predominantly based on how to gain the largest share of market space. Porter's (1985) theories encourage companies to choose whether to focus on differentiation, cost leadership, or focus. Thompson, Strickland and Gamble (2008) extend the argument of competing for market share in the historical manner but introduce a new competitive frontier of seeking an uncontested space and playing there in. They state that companies have a number of offensive strategy options for improving their market positions and trying to secure a competitive advantage.

Rapid changes in technology, customer demands and entry of more players in the market make it tough for companies to keep their competitive advantages for a longer period of time. When technologies shift for instance, competencies are destroyed and open the door for rivals to enter the market based on the new technologies. According to D'Aveni and Thomas (2004), in hyper-competition, competitors must move quickly to build new advantages and erode the advantages of their rivals.

Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. Companies should create new untapped market space "Blue Ocean". This theory is highly relevant to hyper competitive environments such as the banking industry. It provides companies with guidelines on how to escape from intense competition over the same market space – where there are limited customers with an increasing number of competitors by creating a new market space where there is less competition, if any. Unfortunately, blue oceans are largely uncharted.

1.1.3. The Kenya Banking Industry

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's .The KBA serves a forum to address issues affecting members.

The Kenyan Banking industry is one of the most dynamic and competitive industries. As at March 31, 2012, the sector comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 112 foreign exchange bureaus and 2 credit reference bureaus (CBK Monthly Economic Review, March 2012). Over the last few years, the sector in has continued to grow in assets, deposits, profitability and products offering. The sector is now more than ever, the focus of many players and authorities. This makes it even more competitive and challenging. Despite the numbers, a large population of Kenya's bankable population remains unbanked.

Rapid changes in technology, customer demands and entry of more highly capitalized global players in the market have made it tough for banks in Kenya to keep their competitive advantages for a longer period of time. Changing operating landscapes are adding onto the challenges faced by the players in the industry. More and more stringent regulations both at the local and international fronts are being introduced. More players are entering into the spaces traditionally considered the preserve of banks. The traditional exclusivity of deposit taking for banks has been challenged by the recent licensing of deposit taking micro-finance institutions. Offerings local like money transfer services where banks had a monopoly have been fully eroded by the entry of telecommunication companies into this space in a big way. International better capitalized players are streaming in.

Bank products have evolved from the traditional demand, savings and fixed deposits to hybrids of these, structured products and financial services hitherto considered the preserve of other sub-sectors. As focus shifts to untapped market spaces, partnerships have cropped up in areas that were unimagined five years ago. Banks are now partnering with retail stores, international card providers like MasterCard and Visa, telecommunications companies and shopkeepers to offer agency banking. These are some of the Blue Ocean Strategies adopted by banks.

1.1.4. Large Indigenous Banks in Kenya

In 2010, the Central Bank revised the peer grouping of banks from asset based to a composite index based one. Based on this weighted composite index, a large bank has a market share of 5% and above; medium bank between 1% and 5% and a small bank has less than 1% of the market share. There were 6 large banks, 15 medium banks and 22 small banks as at 31st December 2011. Among the six large banks are three banks that are locally incorporated and are majority Kenyan owned, hence indigenous. These are the Kenya Commercial Bank Ltd, Co-operative Bank of Kenya Ltd and Equity Bank Ltd

Kenya Commercial Bank Ltd (KCB)'s history dates back to 1896 when the National Bank of India opened its first outlet in Mombasa. In 1904, the bank extended its operations to Nairobi and in 1958, Grindlays Bank merged with National Bank of India to form National and Grindlays Bank. Upon independence, the government of Kenya acquired 60% Shareholding in the National and Grindlays Bank. In 1970, the government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. The bank was renamed Kenya Commercial Bank and later branded KCB. KCB is the largest bank in Kenya in terms of asset base. With a vision "To be the preferred Financial Solutions Provider in Africa with a Global Reach", currently, the bank has presence in Kenya, Uganda, Tanzania, Rwanda, Burundi and Southern Sudan.

In total, KCB has over 200 outlets across the East African region, over 390 ATMs (including the PesaPoint network) and a balance sheet of over Kshs 251 billion. Its "KCB Mtaani" agency model is also taking root across Kenya. It has customer base standing at approximately 1.5 million and a staff complement of more than 5000 employees. Apart from regional expansion, the bank has been variously creating and targeting niches previously not included in the banking segments, like the young and upwardly mobile people in Kenya. Technology is at the center of delivery especially with this target market.

The Cooperative Bank of Kenya Ltd (Coop Bank) was initially registered under the co-operative Societies Act at the point of founding in 1965. In 2008, the bank was incorporated under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE). The Bank went public and was listed on December 22nd 2008. As at close of 2011, the bank had a staff establishment of 3,193 employees located in its 94 branches countrywide and an asset base of Shs 114 billion. It is well established in agency banking, a concept it has dubbed "Coop kwa Jirani".

Coop Bank recognized an untapped market niche in Savings and Credit Cooperative societies (SACCOs) and has grown its market share by focusing on these and providing them with unique products like the "Sacco Link". This is a switch that enables members of Sacco's cash at Coop Bank ATMs and buy goods and services at Visa Branded outlets globally. This is through the use of cutting edge technology. No other bank has been able to venture in this. Regionally, the bank has already established Cooperative Bank of Southern Sudan as a joint venture and received approval from the Government of South Sudan.

Equity Bank Ltd traces its history back to 1984 when it was registered as a Building Society, a Microfinance Institution. In a span of about 38 years, it has evolved to become the all-inclusive Nairobi Securities Exchange and Uganda Securities Exchange public listed Commercial Bank. With over 7.3 million accounts, accounting to about 57% of all bank accounts in Kenya, Equity Bank is the largest in the region in terms of customer base and operates in Kenya, Uganda, South Sudan and Rwanda.

As at the end of 2011, Equity Bank had a staff complement of 6,243 across its 186 branches. Its asset base stood at shs 196 billion. The bank focuses on social economic transformation of Africa and prides itself as the people's bank where everyone is a member. To increase its reach further, it has invested in an agency mode that boasts over 3,000 agents in Kenya. The bank has also continued to upgrade its technology, always seeking to be the trend setter in applying modern technology in service delivery.

These Large indigenous banks, like any other organizations face challenges when implementing Blue Ocean strategies. These challenges may differ from those experienced in the red ocean space to those experienced in the blue ocean space when it comes to implementation. Also different firms will face different challenges even when the space is the blue ocean one for both. This is what we will seek to establish in the study.

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1.2. Research Problem

The dominant focus of strategy work over the past twenty-five years has been on competition-based red ocean strategies. The result has been a fairly good understanding of how to compete skillfully in red waters, from analyzing the underlying economic structure of an existing industry, to choosing a strategic position of low cost or differentiation or focus, to benchmarking the competition. The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented (Noble, 1999). Poor implementation has been blamed for a number of strategic failures (Wheelen & Hunger, 2008). Managing the implementation and execution of strategy is easily the most demanding and time consuming part of the strategy management process (Thompson, Strickland & Gamble, 2008). This is more the case when dealing with the uncharted waters in the blue ocean space.

Players in the Kenya Banking Sector have been following Porter's generic principles over time. They have been seeking to gain competitive advantage by focusing on a particular niche market and being good in it, providing good quality service, faster turnaround times and a wide variety of products. With time however, these factors are the norm and can no longer be considered competitive. Under these circumstances, a fast follower strategy for instance is hardly effective and a new growth engine is seldom found. Amid these challenges, the large indigenous banks have continued growing mainly by focusing on untapped markets by adopting and implementing blue ocean strategies. The implementation of these has however not been without challenges.

Many researchers have written about strategy implementation. Pierce and Robinson (2010) hold that no strategy, no matter how brilliantly formulated, will succeed if it cannot be implemented. Hrebiniak (2006) points out that 'formulating strategy is difficult; making strategy work – executing or implementing it throughout the organization – is even more

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difficult". Locally, a few studies have been done on the challenges of implementing strategy in banks. This include Challenges in the implementation of competitive strategies by Barclays Bank of Kenya (Nyaumao, 2010), Strategic alliance between Safaricom and Equity Bank (Ogega, 2010) which sought to establish, among other things, the challenges facing the two partners in implementing and managing the alliance as a strategy, and integrating strategy formulation & implementation; a case of the commercial banking industry in Kenya (Mungai, 2007).

All the above studies concentrated in challenges facing the implementation of the traditional strategy and the focus was either the on full banking industry or a case study of one bank as opposed to a cross-section of banks. Kyengo (2009) studied the extent of adoption of the blue ocean strategy by mobile content providers in Kenya. Her study did not touch on the challenges in implementing these strategies and the industry orientation, as much as it is service related, cannot be easily translated to the banking sector.

The battle of banks has heated up and factors such as price, quality, timing and know-how, business territories and financial strength have always been of great importance in companies' strategies for remaining competitive (D'Aveni. 1995). Equity Bank, Co-operative Bank and Kenya Commercial Bank have successfully entered into uncharted territories and sought to make competition irrelevant. To succeed in this hyper-competition environment, these banks have played well in the Red Ocean space and Blue Ocean space. What challenges have they faced in implementing the strategies and how have they sought to overcome them?

1.3. Research objectives

The study sought to achieve the following objectives:

i.   To find out the challenges faced by large indigenous banks in implementing Blue Ocean Strategies.

ii.   To establish how the large indigenous banks have responded to these challenges.

1.4. Value of the study

The study is important to the companies involved in identifying and seeking to address the challenges that they have faced or are facing in seeking an uncontested space to play in. While these banks have successfully implemented blue ocean strategies, the understanding and appreciation of the challenges other players in the industry face in seeking to play in uncontested spaces and how they have responded to them will enable them prepare better to their future blue ocean endeavors. The study provides insight into challenges in the implementation of blue ocean strategies as a way of improving performance in an increasingly hyper –competitive market space. This can help industry players prepare adequately and properly when planning to enter into the blue ocean space.

Blue ocean strategies may require different operational procedures which may pose a challenge to the regulators and policy makers. The insights from this study can be used by regulators and policy makers in defining better ways to ensure that banks and similar institutions operate within the set rules, standards and provisions. This study further adds to the body of knowledge, both locally and internationally on implementation of strategy, especially the blue ocean model. It enriches the existing theory on blue ocean strategies and their implementation. The study finally forms a guide for further research in the future.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter explores the literature that is relevant to understanding the factors influencing strategy implementation, strategy implementation challenges and the tools for successful strategy implementation. It discusses the process of strategic management, the concepts of blue ocean strategy and how it compares with the red ocean strategy, strategy implementation and the challenges thereof. It also highlights some of the ways of dealing with these challenges as suggested in by various authors.

2.2. Overview of strategic management process

Gole (2005) proposes that strategic management is a process directed by top management to determine the fundamental aims or goals of the organization, and ensure a range of decisions which will allow for the achievement of those aims or goals in the long term, while providing for adoptive responses in the short term. The three areas of corporate strategy as outlined by Gole encompass strategy analysis, strategy development and strategy implementation.

Organizations begin strategy formulation by carefully specifying their mission, goals, and objectives, and then they engage in SWOT analysis to choose appropriate strategies. Although formulating a consistent strategy is a difficult task for any management team, making that strategy operational is even more difficult (Hrebiniak, 2006).

2.3.   Blue Ocean Strategy

The metaphor of red and blue oceans describes the market universe. Red oceans represent all the industries in existence today - the known market space. According to Kim & Mauborgne (2005), in red ocean space, industry boundaries are defined and accepted, and the competitive rules of the game are well understood. Here, companies try to outperform their rivals in order to grab a greater share of existing demand. As the space gets more and more crowded, prospects for profits and growth are reduced. Products turn into commodities, and increasing competition turns the water bloody.

Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. The Blue Ocean Strategy (BOS) challenges companies to make competition irrelevant instead of stealing from competitors and competing in the "bloody red ocean". In the BOS, the rules of the game are waiting to be set.

Kim and Mauborgne (2005) argue that the corner-stone of Blue Ocean Strategy is 'Value Innovation'. A blue ocean is created when a company achieves value innovation that creates value simultaneously for both the buyer and the company. The innovation (in product, service, or delivery) must raise and create value for the market, while simultaneously reducing or eliminating features or services that are less valued by the current or future market. The authors critique Michael Porter's idea that successful businesses are either low-cost providers or niche-players. Instead, they propose finding value that crosses conventional market segmentation and offering value and lower cost.

2.4. Concept of Strategy implementation

Strategy implementation has been defined as "the process that turns implementation strategies into actions to accomplish objectives" (Pride & Ferrell, 2003). It addresses who, where, when and how to carry out strategic implementation process successfully (Kotler et al. 2001, Kotler et al. 1994). It is the process of putting strategies into action (Pride & Ferrell, 2003). It is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures (Wheelen & Hunger, 2008).

According to Pearce II, Robinson Jr. and Mital (2010), strategy implementation is the action phase of strategic management, prior to which, strategy formulation, analysis of alternative strategies and strategic choice are conducted in phases. Although important, these phases alone cannot ensure success. Pierce and Robinson say that "to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients". No strategy, no matter how brilliantly formulated, will succeed if it cannot be implemented. Sashittal and Wilemon (1996) have pointed out that some terms synonymous with "implementation", such as "execution", and "actualization of goals" are often employed in the management literature, but are not frequently used by managers themselves.

There are some commonly used models such as SWOT, industry structure analysis and generic strategies for researchers and practicing managers in the areas of strategy analysis and formulation in strategic management. By contrast there is no agreed upon and dominant framework in strategic implementation. Alexander (1991) states that "one key reason why implementation fails is that practicing executives, managers and supervisors do not have practical yet theoretically sound models to guide the actions during implementation. Without adequate models, they try to implement strategies without a good understanding of the multiple factors that must be addressed, often simultaneously to make implementation work".

It is thus obvious that strategy implementation is a key challenge for today's organizations. Poor implementation has been blamed for a number of strategic failures (Wheelen & Hunger, 2008). Managing the implementation and execution of strategy is easily the most demanding and time consuming part of the strategy management process (Thompson, Strickland & Gamble, 2008).

From the foregoing, three distinct perspectives of the strategy implementation emerge. These are the process perspective, behavior perspective and the mixed or hybrid perspective. In the process perspective, implementation is a process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures (Wheelen & Hunger, 2008). In most cases, managing the strategy execution process includes staffing the organization with the needed skills and expertise, consciously building and strengthening strategy supportive competencies and competitive capabilities and organizing the work effort (Thompson, Strickland & Gamble, 2008).

The behavior perspective perceives implementation as a hands-on operation and action-oriented human behavioral activity that calls for executive leadership and key managerial skills. It involves motivating people to pursue the target objectives energetically and if need be modifying their duties and job behavior to better fit the requirements of successful strategy execution (Thompson, Strickland & Gamble, 2008).

Implementation can also be defined as the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which strategies and policies are put into action (Wheelen & Hunger, 2008).In the instances where plans, strategies, technologies, or programs are markedly new to the firm, implementation appears to involve organizational design reconfiguration - i.e., a redesign of structure, systems, process, people, and rewards (Sashittal & Wilemon, 1996). In other instances, implementation is viewed as an action-oriented process that requires administration and control (Sashittal & Wilemon,1996). Strategy execution is defined as the step-by-step implementation of the various activities that make up a formulated decision-making strategy. Strategy execution also can be treated as a cognitive process (Singh, 1998).

Strategy implementation can therefore be re-defined as a complex process, comprising of a series of decisions, changes and activities by both managers and employees, influenced by a number of internal and external factors, to put strategy in motion, institute strategic controls that monitor progress and ultimately achieve organizational goals.

2.5. Challenges of Strategy Implementation

Andreas (2005) maintains that "if your company has successfully implemented a strategic plan, then you're definitely in the minority. The real success rate is only 10% to 30%. This low rate is discouraging, especially since a growing number of companies in recent years have invested considerable resources to develop strategic planning skills". Formulating appropriate strategy

is not enough. The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented (Noble, 1999). A number of factors can potentially affect the process by which strategic plans are turned into organizational action. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organizational structure, reward system, organizational culture, resources and leadership.

Culture is a set of assumptions that members of an organization share in common (share beliefs or values). Organizational culture helps in nurturing and dissemination of core values. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy (Pearce & Robinson, 2007). Weihnrich and Koontz (1993) look at culture as the general pattern of behavior, shared beliefs and values that members have in common.

Culture can be informed from what people may do and think within an organization setting. It involves the learning and transmitting of knowledge, beliefs and patterns of behavior over time. This means organizational culture is fairly stable and does not change fast. It sets the tone for the company and establishes rules on how people should behave. The top managers create a climate for the organization and their values influence the direction of the firm. People can be captured by their collective experience rooted in the past success and organizational and institutional norms (Johnson & Scholes, 2002). Changing a firm's culture to fit new strategy is usually more effective than changing a strategy to fit existing culture (David, 1997). Culture may be a factor that drives strategy rather than the other way round (Kazmi, 2002).

Another challenge to implementation of strategy is management and leadership. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction, and purpose for the organization (Thompson, 1997). The right managers must also be in the right position for effective implementation of a new strategy. Without these, it becomes an uphill task turning strategy into action.

Organizational structure poses a great deal of challenges in strategy implementation. Structure follows strategy (Alfred Chandler). Organizations follow a pattern of development from one kind of structural arrangement to another as they expand. According to Chandler, these structural changes occur because the old structure, having been pushed too far, has caused inefficiencies that have become too obviously detrimental to bear (Wheelen & Hunger, 2008).

Noble (1999) sees a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies. He points out that changes in the competitive environment require adjustments to the organizational structure. If a firm lags in making this realignment, it may exhibit poor performance and be at a serious competitive disadvantage. Organizations should be structured in such a way that it can respond to pressure to change from the environment and pursue any appropriate opportunities which are spotted. Structure according to Thompson (1997) is the means by which the organization seeks to achieve its strategic objectives and implement strategic changes.

Successful strategy implementation depends on a large part on how a firm is organized. Ohmae (1983) agrees that strategy and structure need to be matched and be supportive of each other in order to achieve objectives set. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objectives. It also provides managers a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce & Robinson, 2007).

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Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation. Organizational rewards are powerful incentives for improving employees and work group performance (Cummings & Worley, 2005). Effective strategy implementation depends on competent personnel and effective internal organizational systems (Thompson et al. 2007). Without a smart, capable result oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts.

Lack of clear goals and objectives can negatively influence strategy implementation. Goal setting involves managers and subordinates jointly establishing and clarifying employee goals. Participation in goal setting is seen as legitimate, resulting in the desired commitment to the implementation of strategy (Cummings & Worley, 2005). The process of specifying and clarifying goals can be difficult if the business strategy is unclear, hence under such conditions, attempting to gain consensus on the measurement and importance of goals can lead to frustration and resistance to change (Grundy, 1998).

2.6. Responding to Strategy Implementation Challenges

To overcome and improve challenges in strategy implementation, Andreas (2005) suggests that there is a need for commitment of top management, involvement of middle managers, an integration of all the various points of view, clear assignment of responsibilities, preventative measures against change barriers and a deliberate effort to allow for buffer time for unexpected incidents. To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower level managers have the same perceptions of strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Kubinski, 2002).

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In practice, managers and supervisors at lower hierarchy levels who do not have important and fertile knowledge are seldom involved in strategy formulation and when they do, the probability for realizing a smooth targeted and accepted strategy implementation process increases substantially (Kaplan & Norton, 2001). The involvement of middle level managers helps in building consensus for the strategy. A lack in strategic consensus can limit a company's ability to concentrate its efforts or achieving a unified set of goals.

An implementation effort is ideally a boundary-less set of activities and does not concentrate on implications of only one component like the organization structure. It is of great importance to integrate soft facts as well in the reflection of the implementation process. It is the consideration of soft and hard facts together that ascertains that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, such an integrative interpretation allows an important scope of development for implementation activities (Kubinski, 2002).

According to Andreas (2005), one reason strategy implementation processes frequently result in problems or even fail is that the assignments of responsibilities are unclear. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures. That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole implementation a disaster.

Another great challenge within strategy implementation is to deal with potential barriers of affected managers. Implementation efforts often fail when these are underestimated and preventive methods are not adopted at the beginning (Thompson et al, 2007). Further, one of the most critical points within strategy implementation processes is exceeding of time restrictions. This can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities (Miles & Snow, 1978).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter highlights the overall approach to be taken in the research in terms of the research design, data collection, respondents, and data collection procedure and data analysis.

3.2. Research Design

This study took the form of a case study of large indigenous banks in Kenya. A case study is an in-depth investigation of an individual organization, institution or phenomenon (Mugenda & Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. A case study is deemed appropriate since it gives an in-depth investigation of a particular research topic and will allow for exploration of solutions to complex issues. On the other hand, opponents of case studies suggest that it is hard to generalize from a single case and consequently hard to draw definite cause-effect conclusions. Case studies are however used to organize a wide range of information about a particular case, then an analysis of the contents done to seek patterns in the data.

A study with a narrower focus would achieve greater depth thereby providing further insight of the strategic change management practices in Kenya. The research focused on large indigenous bank in Kenya as the unit of analysis while the units of observation were the three indigenous banks classified as large. A unit of analysis is the individual unit about which or whom descriptive or explanatory statements are to be made, while a unit of observation is the subject, object, item or entity from which one measures the characteristics or obtains the data required in the research study (Mugenda & Mugenda,2003).

3.3. Data Collection

The study used primary data collected through face to face interviews. The interviews were self-administered using an interview guide to collect data on the challenges of implementing blue ocean strategies in large indigenous banks and how the banks have responded to these challenges. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda & Mugenda, 2003).

To obtain data required to meet specific objectives of the study, the targeted respondents were those involved with formulation and implementation of the organizations' strategies. The respondents interviewed were top managers in charge of Strategy, Finance, Research and Business development. These were considered to be the key informants for the research.

3.4. Data Analysis

The data obtained from the interviews was qualitative and the analysis deployed qualitative data analysis techniques. A qualitative study ensures that the relevant information is gathered in a flexible way and enables the researcher to acquire a rich and in-depth understanding of the research topic.

The qualitative data was analyzed using content analysis techniques and described using narratives. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda & Mugenda, 2003). The themes (variables) that used in the study were classified into two categories based on the objectives of the study: challenges in the implementation of blue ocean strategies and responses to these challenges. The findings were presented in the form of these themes and subtopics. Quality of data collected and analyzed was assured by collecting data from respondents with at least five years' experience in their respective roles.

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CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1. Introduction

This chapter presents the analysis of the data collected and interpreted on the challenges in the implementation of blue ocean strategies in large indigenous banks in Kenya. It analyzes the data and presents results on the basis of the objectives set at the beginning of the study.

4.2. Respondents Details

The respondents comprised the top level management of the banks specifically involved in strategy formulation and implementation. In total, six respondents were interviewed out of the intended 9, a 67% response rate which was considered a good result. All respondents had worked in the banks for over 5 years hence considered competent enough to respond to broad issues on blue ocean strategies implementation challenges.

The 67% response rate came about because two of the banks. cases one person held two roles considered important in this study. In both Kenya Commercial Bank and Cooperative bank of Kenya. the functions of strategy and research are run by one person while in Equity, research falls under the Innovation docket while strategy formulation and implementation is a separate docket. Research unit was considered important in the study because blue ocean strategies in most cases develop through research.

4.3. Blue Ocean Strategy Approach

In order to understand the challenges in implementing blue ocean strategies, it was important to find out how these strategies come about. The respondents in totality agreed that there was clarity in their respective banks of what constitutes blue ocean spaces and red ocean spaces. Kenya Commercial Bank and Cooperative bank respondents agreed that there is a deliberate effort to focus on the blue ocean space during the formulation of the current strategy and this focus emanates from deliberate efforts made by the respective banks to craft blue ocean strategies. Equity Bank respondents felt that there was no deliberate effort to focus on blue ocean space in the current strategic plan and their operations in the blue ocean space at both product and market levels are mainly as a result of the perceived needs of their clients.

The respondents were further asked what they perceived the involvement of staff in blue ocean strategy development to be. Kenya Commercial Bank and Cooperative Bank respondents felt that staff are engaged in various ways in coming up with new ideas and turning the same into blue ocean strategies that are implementable. Equity bank respondents felt that the involvement of staff is not that deep and more can be done. Both equity and KCB respondents agreed that there were established systems of communication supporting the implementation of blue ocean strategies and all other strategies while Coop Bank respondents felt that the communication systems are not very well developed.

On strategy implementation, KCB and Coop Bank respondents agreed that there is distinct focus on blue ocean and red ocean spaces. Equity Bank respondents felt that there was no specific focus on either of the spaces; all initiatives are treated similarly and are implemented based on some set criteria and parameters like return on investment, business impact and resources required.

4.4. Challenges of Blue Ocean Strategy Implementation and Responses

In order to find out the challenges that large indigenous banks face ion implementing blue ocean strategies, the factors responsible for strategy implementation were identified and included in the interview guide. The respondents were asked open ended questions aimed at getting an in-depth understanding of how each of the factors come into play in the implementation of blue ocean strategies in the respective banks, what challenges were posed by each of the factors and how the respective banks responded to the challenges. The respondents were also asked give other challenges emanating from other areas and the responses.

4.4.1. Organizational Culture Challenges

Organizational Culture refers to the values and beliefs shared by the organization employees. The respondents were asked what the culture of their organization was like in dealing with new challenges. The responses received included open, supportive, receptive and enabling when it comes to new ideas. In one bank it was said to be open and decentralized with units and branches having considerable authority in dealing with new challenges but in a structured manner. All the three banks have innovation and research units that are tasked with the responsibility of idea generation. All the respondents agreed that the culture in their organizations supported blue ocean strategies.

The respondents were asked to give the challenges posed by organizational culture in the implementation of blue ocean strategies. Delays in implementation of strategy in cases where one person us expected to make critical decisions featured prominently across the three banks. One respondent indicated that in his organization, some senior members of staff were used to a certain way of doing things in the organization and whenever new changes were introduced, the group would resist or take time to make decisions, leading to opportunity losses.

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Resistance caused by fear of the unknown was also mentioned by the respondents. They observed that when employees are used to a certain way of doing familiar things, new ideas or strategies can be seen as a threat to the existing culture and will be resisted. Resistance leads slow internal adoption of blue ocean products or processes and affects implementation of blue ocean strategies. Other challenges mentioned in relation to culture are lack of clear direction as these spaces are not charted at all and lack of ownership and clear succession as these strategies end up being left to a few units.

To overcome these challenges, the banks have responded in various ways. One of the banks decided to undergo a culture transformation process to create a new culture that supports blue ocean strategy implementation. Training of staff was also mentioned as responses to the challenges posed by culture in the implementation of blue ocean strategies. In training, staff are given skills to develop and implement blue ocean ideas and also taught on how to operate in blue ocean spaces. The respondents agreed that staff need to understand the dynamics of operating in uncharted waters before venturing into them. This will give them confidence to successfully implement blue ocean strategies.

Another response mentioned by the respondents was effective communication. This is to reassure staff that the new space being focused on was to their benefit and should not be viewed as a threat. Involvement in the strategic management process also featured as a response. Once staff members are involved from the onset, they are likely to be more receptive of new ideas than when they are involved at the implementation stage. All the respondents felt that involving as many staff members as possible has helped the banks overcome organizational culture related challenges in implementing blue ocean strategies.

4.4.2. Organizational Structure Challenges

Asked whether the organizational structure in their respective banks supported blue ocean strategies, 5 of the 6 respondents felt that it did. One respondent felt that their structure did not always support focus on blue ocean strategy. The respondents mentioned that in some cases, new structures have been created to specifically handle blue ocean strategies and in all cases, there are deliberate efforts to have ideas generated and implemented. This is the reason behind the creation of some form innovation and research dockets in the banks. In two of the bank's, these units report directly to the Chief Executive while in one, the innovation unit is part of the Technology and System unit that reports to chief operations officer.

The main challenge posed by structure in the implementation of blue ocean strategies is resource allocation. In all the three banks, there is no separate unit or separate structure put in place to implement blue ocean strategies specifically. Blue ocean strategies are thus implemented by the same people who implement red ocean strategies. Given that blue ocean waters are largely uncharted, focus and resources are directed more towards the more understood blue ocean strategies causing delays and frustration in implementation of blue ocean strategies.

To overcome the above challenges, the respondents mentioned that the banks have sought to have blue ocean strategy implementation included in the performance management system with clear objectives and bearing weights similar to or more than those of the red ocean strategies. In this way, focus and attention is not lost and resources are allocated properly. Staff members are involved in setting these objectives and achieving them ensuring total buy-in of the process. Yearly assessment of individual roles to ensure proper revision of the structure to be in line with organization strategy was also mentioned as a response by one of the banks.

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Another response mentioned by the respondents is decentralization of decision making allowing as many people involved in the implementation as possible to chart their own ways of implementing their part of the blue ocean strategies. One of the banks for instance allows the regional managers to decide on where to put up branches to tap into the identified untapped market, reducing conflicts and attaining a faster time-to-market rate. Close monitoring and evaluation was also mentioned as a response aimed at ensuring blue ocean strategies get their due attention.

4.4.3. Issues Arising from Resources and Capacity in the Banks

The respondents totally agreed that the institutions have built enough capacity to support blue ocean strategies and the available resources (physical, technological, financial, time and human) support blue ocean strategy implementation. The banks have made deliberate effort to put in place enough resources to implement both blue ocean and red ocean strategies. Some respondents noted that for some blue ocean strategies, resources were acquired for their implementation specifically. The investment in these resources was massive putting a great deal of pressure for the successful implementation of those strategies. In one case, computer hardware and other systems bought for a particular blue ocean strategy were rejected by the end users causing immense losses and a suspension of the implementation of the strategy.

The respondents mentioned delayed implementation as one of the challenges posed by lack of resources and capacity. Some respondents also mentioned lack of knowledge in sourcing and building this capacity since this is a new territory. In the bank mentioned above, the wrong system was purchased and had to be decommissioned. Acquiring the right skill sets is another challenge in seeking to build capacity to implement blue ocean strategies. This as noted by one respondent is brought about by existence of a thin market to source from or the lack of sufficient knowledge on the requirements of the job on the part of the people recruiting.

Conflict of interest was also mentioned by some respondents as a challenge. This, they said was prevalent in cases where resources are shared by several people or units with different goals. Since the blue ocean is not known well, more resources are directed towards the red ocean. In one of the banks, it was said that focus is normally directed at servicing existing clients in the known markets and everything else comes second. In another bank, it was said that the management has not always been clear of what resources support what strategy.

To respond to the above challenges, all the respondents mentioned the use of the performance management system to ensure that clear objectives are drawn and measured regularly. This ensures focus and clarity of roles to eliminate any conflicts of interest. Another response mentioned by the respondents is research. Using their internal research units, the banks are able to subject all new ideas to extensive research to fully understand them before investing in resources and capacity. This eliminates the risk of acquiring resources that are not useful or required.

The use of the latest project management techniques was also mentioned as a response to resource and capacity. These techniques are able to discern from the onset what resources are required and at what point this enabling the organization plan well. One of the banks has a full-fledged project management office for this purpose. The others manage projects through specialists attached to some units like Technology and Strategy. Another response mentioned is creating a unit that is tasked with implementation of blue ocean strategies specifically, with its own budget and resources.

4.4.4. Challenges due to Leadership and Management in the Banks

All the respondents agreed that the leadership and senior management provided leadership in the implementation of blue ocean strategies. In one bank, the respondents felt that the leadership and top management really supported blue ocean strategies in the current strategic plan that there was no noticeable resistance from the top for their implementation. Respondents from the other two banks felt that there was always resistance at the top when seeking to implement blue ocean strategies mainly due to fear of failure caused by lack of clarity of the strategy, inherent risk averseness and a feeling of encroachment in territories that are normally the preserve of the some organizations down the chain in the financial sector.

Rigidity and bureaucracy coupled with the failure to embrace new ideas and innovational technology among the leadership and top management was mentioned as a big challenge in the implementation of blue ocean strategies. Ineffective coordination and poor sharing of resources and responsibilities by and among the leadership were also pointed out by some respondents as challenges. Improper understanding and articulation of the company's vision and mission and how the blue ocean strategies fit into the whole strategic plan was also mentioned as a challenge. These challenges inevitably cause delays and in some cases total abandonment of the strategy leading to missed opportunities.

To respond to the above challenges, the respondents mentioned the involvement of the highest authorities in the banks in the implementation of blue ocean strategies as a key factor. Given the magnitude of investments and risks involved in these strategies, it is inevitable that the Chief Executive Officers and sometimes the Board of Directors get involved directly in their implementation. With the support from the very top, the rest of the leadership and management are left with little choice but to support the implementation of these strategies. In a few cases, some leaders who have shown absolute resistance to new ideas have been forced out of the organization so that the implementation can continue smoothly.

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Other responses mentioned by the respondents include training the leadership to understand the blue ocean strategies and support their implementation, including as many leaders as possible in the entire blue ocean strategic management process, creating focused units, like the innovation units to champion idea generation and including blue ocean strategy implementation in the performance management system. Research also featured prominently as a response. All respondents said that he banks are now implementing well researched ideas which give the leadership a great deal of confidence in the blue ocean strategies hence garnering support in their implementation. Hiring of experts to lead the implementation of blue ocean strategies was also mentioned by one of the respondents.

4.4.5. Challenges related to Bank Employees

The respondents were asked to explain how employees are prepared to play in the blue ocean spaces. Direct involvement of as many employees as possible in the entire process was mentioned as key. Effective communication of both the blue ocean market and blue ocean products also came in as important in preparing employees. Training, forming of focus teams and the use of innovation champions were also mentioned as other ways to prepare staff for blue ocean strategies. All respondents agreed that staff in the banks were committed to new ideas and playing in new spaces and recruitment policies across the three banks supported blue ocean strategies in most cases. Two of the respondents felt that recruitment policies supported these strategies to a small extent.

All respondents also agreed that there has been resistance from employees when seeking to enter blue ocean spaces. This is because staff members are not sure how to approach areas that have not been ventured into previously. They therefore do not want to take responsibility for failures in what they consider 'experiments'. They therefore would rather maintain the status quo by operating in the well charted by "bloody" red ocean spaces. This brings in disengagement from the staff members and implementation becomes a challenge.

The respondents also mentioned that when staff members do not fully understand blue ocean strategy, they will take a bit longer to fully accept and own new products, processes or markets. This leads to

slow and poor implementation that can see these strategies fail. Sometimes staff members can plot to sabotage a strategy because they do not fully comprehend it and this may lead to losses in wasted investments. All respondents agreed that the banks did not have reward systems tied to implementation of blue ocean strategies specifically but all had a reward system tied to implementation of strategy generally.

To respond to these challenges, the respondents mentioned that the banks assign all staff clear roles and responsibilities and set clear objectives as far as blue ocean strategy implementation is concerned. This ensures that all staff members have a role to play in implementing strategy and will be measured and rewarded on the same in the performance management system. Training, use of focus groups to articulate and cascade the blue ocean strategies and creation of specialist units to implement blue ocean strategies were also mentioned as responses to the above challenges.

One bank was said to have taken its entire staff through a transformation process in order to increase acceptance levels of blue ocean strategies and enhance their implementation. Involving staff in the generation and implementation of blue ocean ideas also featured as a response. Extensive research before implementation and effective communication to reassure staff about blue ocean strategies also play a big role in reducing resistance and enhancing implementation of the strategies.

4.4.6. Challenges brought about by Customers of the Banks

Piloting, communication through media and other methods and promotional campaigns were mentioned as ways of preparing customers to participate in blue ocean spaces. In some cases, blue ocean products were launched to a select few before they are rolled out to the market. One of the respondents mentioned that in one case, a focus group was created from existing clients who also had presence in the market being targeted. Their views were taken about entering the market and entry strategies were crafted based on these views. These clients were then used to lay the ground for the implementation of the blue ocean strategy of entering the market. Entry into the market was made very easy.

Three of the respondents said there has been resistance from customers when seeking to enter blue ocean spaces. Some of the customers resist because of the risks they perceive in these spaces while others do because they do not fully understand the new banking models. Resistance also comes in the form of rejection of products which they only get to know about when they are launched. In some instances, the banks have had to withdraw some products that were thought to be blue ocean in nature due to targeted customer resistance. Resistance from customers was said to lead to challenges like slow adoption of products r in some cases, as mentioned above, total rejection.

To overcome these challenges some respondents mentioned that the banks conducted promotions and campaigns aimed at both informing and reassuring the customers, existing and prospective. Research was also said to play a big role in understanding the customers and their needs in the blue ocean space before venturing into the same. The banks thus enter into the space with full information about their customers reducing resistance and speeding up acceptance, making implementation of the strategy easy. All the respondents agreed that consistent and effective communication with the clients goes a long way to ensure customers are well informed and understand what to expect.

4.4.7. Monitoring and Evaluation Systems in the Banks

The respondents were asked whether there was good coordination and sharing of responsibilities towards blue ocean strategy implementation and all of them agreed that there was. They mentioned that without clear responsibilities and coordination, direction and execution will not be possible. All respondents further agreed that the banks did not have a specific performance evaluation system to support blue ocean strategy implementation but depended on the overall performance Management system that is used for all strategies. They however agreed that the deliberate effort has been made to include blue ocean strategy implementation objectives and targets in the performance evaluation system.

The respondents were also unanimous that all projects are monitored and evaluated to identify gaps for future projects use. They also agreed that there are instances where implementation of blue ocean strategy projects took longer than expected. This they said was mainly due to lack of clear understanding by all parties involved of the expected outcomes, lack of complete ownership by the stakeholders, lack of total support, inadequate resources, lack of coordination among the leadership, vendor management problems, conflicts with red ocean strategy initiatives and general resistance. Some of the blue ocean strategy projects stall because of budget constraints emanating from incorrect project conceptualization leading to wrong budget estimates. This is more the case because of their nature as not been previously tested hence nothing to base estimates on.

To address the above challenges, the respondents mention the application of project management techniques as a major response. One of the banks has a full-fledged projects management office whose mandate is to ensure projects are delivered in a timely basis and within budget. The office is thus involved in projects from their inception to the delivery. Other banks have project management specialists in some units like Technology and Systems to help in managing time and budget. Another response mentioned is continuous monitoring and changing tact if conditions are such that the project will not succeed. Some respondents mentioned that deliberate efforts are made to have an alternative plan at all stages to ensure continuity. In some cases however, even "plan b" may not work and the projects are abandoned altogether.

Having SMART objectives and a robust performance evaluation and management system was also mentioned as a way of addressing the challenges. Having a dedicated team responsible for the implementation of blue ocean strategy projects and specific project resources were also said to important in ensuring focus is maintained on the blue oceans projects implementation and delays and budget overruns are minimized. Seeking support from the topmost organ in the banks and involving all stakeholders at all stages also featured as ways of minimizing resistance and ensuring smooth implementation.

4.4.8. Effects of Red Ocean strategies implementation and the Banks' policies and procedures

Respondents from two banks felt that the existing policies, procedures, rules and administrative practices support blue ocean strategy implementation while those from one bank felt that there are gaps that need to be bridged to gain full support. These respondents felt that the existing policies procedures and rules were crafted with traditional banking in mind and did not cover blue ocean strategies. One policy that featured in this bank is the lending policy where certain sectors like education are specifically excluded. Recent trends however show that education as a sector has come out with many private institutions coming up and requiring financing. This bank cannot operate in this sector even if no other bank was not operating there and opportunities were limitless, until the policy is revised.

The respondents were also asked whether the implementation of red ocean strategies had an impact on blue ocean strategy implementation and they unanimously agreed. They said since the red ocean was more charted than the blue ocean, focus was mainly on the known rather than the unknown. In situations where there are scarce resources and the strategies have to compete for them, the red ocean strategies will always win. Conflict of interest between red ocean and blue ocean strategies causing delays and lack of focus was also mentioned as a challenge.

To address the above. having clear responsibilities and including blue ocean strategy implementation in the performance management system was said to be the main response. This is because once these are in the system and there is regular staff evaluation. focus is easily maintained. conflicts are reduced. resources are allocated and policies that are inhibitive are checked and addressed. Another response mentioned is to set clear priorities so that it is known and appreciated where each project stands and when it needs to start and end.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter provides a summary of the discussions of the findings, conclusion, recommendations, limitations of the study and suggestions for further study. It seeks to put the study into perspective both conceptually and contextually.

5.2. Summary

The objectives of this study were to find out the challenges that the three large indigenous banks in Kenya face in implementing blue ocean strategies and how they have responded to these challenges. From the study, it is evident that the three large indigenous banks in Kenya focus on blue ocean strategies and seek to implement them both as part of the full strategic plan and as projects supporting specific strategies. As is the case in red ocean strategies, to ensure success, blue ocean strategies must also be implemented. The three banks studied have various ways of implementing different blue ocean strategies ranging from direct focus through specialized units to implementing them together with the rest of the other strategies.

Implementation of blue ocean strategies comes with many challenges especially given the nature of these strategies, that they have largely not been tested and tried before. These challenges emanate from the factors that influence strategy implementation. These factors are organization structure, culture, resources and capacity, employees, leadership and senior management orientation, customers, policies and procedures and how monitoring and evaluation is done.

The banks studied employ various methods to address the challenges faced in implementation of blue ocean strategies. These methods range from putting in measures to ensure the strategies are well understood before they are implemented, communication during the implementation and after, employing required resources at the right place and time, involving everybody from conception to full implementation, training and monitoring and evaluation. How and when they employ these methods differs from bank to bank.

5.3. Conclusion

Banks in Kenya are regulated and factors like structure especially at the top, policies and procedures are to some extent determined by industry regulations. Standardization of these however does not eliminate the uniqueness in challenges experienced in blue ocean strategies implementation and the responses respective banks give to these challenges. All the three banks studied have a board of directors and various similarly constituted board committees. At the management level, they have a chief executive officer (managing director) and various executives. Management committees support this executive team in execution. Implementation of blue ocean strategy in the three banks is at the executive and management level and below. Structure at this level differed slightly from bank to bank but the units tasked with implementation of blue ocean strategies remained largely the same.

Insufficient information and lack of clarity on the direction these strategies will take and expected results bring about most of the challenges. These challenges include delays in implementation, conflicts of interest, sabotage, bursting the budget, wastage and some cases total frustration. In some cases, blue ocean strategies are abandoned altogether when the ensuing challenges become insurmountable. The banks studied approach these challenges in various ways depending on the source and nature of the challenges. Successful implementation of blue ocean strategies depends on how these approaches are employed.

5.4. Recommendations

Blue ocean spaces provide immense opportunities for business growth and sustainability. However, implementation of blue ocean strategies faces more challenges that need to be addressed. Extensive research of blue ocean ideas and strategies before they are implemented provides a good foundation for a seamless implementation. Having a unit focusing on innovation to generate ideas that can be turned into blue ocean strategies is a good way of feeding the research unit with ideas to research on.

Structure, culture and resources follow strategy. Firms pursuing blue ocean strategies should put in place structures that support the strategies. Culture should be aligned well with the blue ocean strategies to ensure there is little resistance. Resources should be availed and well allocated to blue ocean strategies to ensure there are no delays and the projects supporting these strategies are not derailed. Project management techniques and a specialized project office are useful in ensuring blue ocean projects are delivered in time and within budget.

Given their nature, blue ocean strategies can be difficult to implement if employees with specific skills are not on board. Where this is the case, it is advisable to first of all understand the required skillsets, then seeking people with the same to ensure a seamless implementation of these blue ocean strategies. In other cases, existing employees may require u-skilling to bring them to the required level. Training is therefore recommended.

Companies seeking to implement blue ocean strategies should involve all the required employees from the onset to ensure all are on board and have a similar understanding before implementation begins. This significantly reduces resistance and makes implementation easy.

In implementation of blue ocean strategies, it is important to allocate clear responsibilities and set SMART objectives relating to the strategies. Having a robust performance management system in place and including blue ocean strategies implementation therein helps keep the strategies in focus, ensures resources are allocated accordingly to the strategies and people are held accountable for their successful implementation.

As with other strategies, it is imperative to continuously monitor and evaluate the implementation of blue ocean strategies. This will help identify any challenges they are facing and take corrective action before it is too late. Support from the topmost organ in the management of the organization will go a long way in ensuring that this happens. It also recommended that each plan has an alternative plan ("plan b") to ensure continuity of the blue ocean strategy implementation.

5.5. Limitations of the study

In the course of the study, some challenges were encountered that limited the research in one way or another. The biggest challenge was time. Data collection was by face to face interview requiring both the interviewer and the interviewee to be present. This was not easy to achieve as in most cases, work pressures on both sides made it very difficult to arrange the interviews.

Another challenge experienced was confidentiality. Blue ocean strategies are closely guarded secrets of the concerned companies and most people approached were not willing to freely divulge information about the challenges faced despite assurances that this will be for academic purposes only.

The concept of blue ocean is relatively new and is not well understood. The respondents too time to understand the concept and relate it to the strategic orientation of their respective banks. This extended the time to it took to get appointments and to conduct the interviews. In some cases, the respondents requested for a concept note explaining the research increasing the back and forth in the engagement.

In a good number of cases, especially when dealing with respondents from units other than strategy, statements were given about the implementation blue ocean strategies that were too general. Little or no understanding of the concept contributed to this in most cases. This lead to the researcher resorting to asking further questions to get a better understanding and in this way, the interviews took longer than anticipated and causing a little consternation on the part of the interviewees.

5.6.   Suggestions for Further Study

This study focused on large indigenous banks in Kenya, which are only three. While findings from this study can apply to all banks, banks with different ownership structures and orientation could be facing different challenges. An industry study will be ideal to bring out the challenges faced by all banks in implementing blue ocean strategies and the responses employed.

Another area of study that is recommended is the relationship between the various factors of strategy implementation and blue ocean strategy implementation. This will unveil the factors that have the greatest impact on the implementation of blue ocean strategies and how they can be addressed.

While all the three banks admitted to be focusing on blue ocean strategies, it was not apparent to what extent they have adopted blue ocean strategies. A study on the extent to which blue ocean strategies have been adopted by banks is therefore recommended.

Further study is also recommended on the areas of crafting and implementing blue ocean strategy in Kenyan companies that are not in the financial sector. This will shed more light in the extent to which the concept of blue ocean is known and applied in Kenya.

5.7. Implication of the Study on Theory, Policy and Practice

The study provides insight into challenges in the implementation of blue ocean strategies as a way of improving performance in an increasingly hyper –competitive market space and how the challenges can be addressed. It will thus help in expanding the available literature on blue ocean strategies and providing a basis of reference in the future. It thus enriches the theories on blue ocean strategies, their implementation. the challenges faced and how they can be responded to. The study can also form a guide for further research in future.

The insights from this study can be used by regulators and policy makers in defining better ways to ensure that banks and similar institutions operate within the set rules, standards and provisions. Blue ocean strategies may require different operational procedures which may pose a challenge to the regulators and policy makers. Policies on innovation and research can be guided by this study.

In practice, the study can help firms seeking to enter blue ocean spaces in identifying and seeking to address the challenges that they may face and possible ways to address the challenges. Also, while some firms may have successfully implemented blue ocean strategies, the understanding and appreciation of the challenges other players in the industry face in seeking to play in uncontested spaces and how they have responded to them will enable them prepare better to their future blue ocean endeavors.

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APPENDICES

Appendix One: Interview Guide

Notes for undertaking the interview

1. Introduction – Provides information on blue ocean strategies

2. Section A – Seeks background information about the respondent

3. Section B – Seeks information on blue ocean strategy approach and focus

4. Section C – Seek information on Blue Ocean strategy implementation challenges at the bank and responses to these challenges by the bank

5. Section D – Requires general information and respondent's suggestions

Introduction

The Kenyan Banking industry has been observed to be experiencing hyper competition. The market is overbanked with more and more players chasing the same customers. In this market, it is hard to attract and retain customers in the traditional banking methodology. Some banks have however been seen to be able to create their own uncontested market space in which the competition is not relevant, a concept known as Blue Ocean Strategy. In this strategy, one is venturing into uncharted waters. This makes formulating of blue ocean strategies a bit difficult. For the same reason, implementation of the blue ocean strategies comes with many challenges. These challenges are the focus of this study.

Section A: Background information

1.1. Name of Bank

1.2. Name of respondent

1.3. Designation of respondent

1.4. Department

1.5. Number of years in the position

1.6. Overall length of service in the bank

Section B: Blue Ocean Strategy Approach

1. What is the duration of the current Bank strategy

2. Is there clarity in the bank of what constitutes Blue Ocean (uncontested) and Red Ocean (contested) market spaces?

3. In its formulation, was there a deliberate effort to focus on blue ocean space?

4. What approach was used in setting this focus, deliberate or resultant?

5. What level of involvement of employees did this strategy development take?

6. Are there established systems of communication supporting the implementation of blue Ocean strategies?

7. In strategy implementation, is there distinct focus on blue and red ocean spaces?

Section C: Challenges of Blue Ocean Strategy implementation and responses

Organizational Culture

1. What is the culture of the organization like in dealing with new challenges?

2. Is the culture supportive of blue ocean strategies?

3. What challenges has the existing culture posed in implementing blue ocean strategies?

4. How has the bank responded to these challenges?

Organizational Structure

1. Is the organizational structure supportive of blue ocean strategies?

2. What challenges has the existing structure posed in implementing blue ocean strategies?

3. How has the bank responded to these challenges?

Resources and Capacity

1. Has the bank build enough capacity to support blue ocean strategies?

2. Do the available resources, i.e. physical, technological, financial and human support Blue Ocean Strategy implementation

3. What challenges have resources and the existing capacity brought about in implementing blue ocean strategies?

4. How has the bank addressed these challenges?

Leadership and management

1. Has the leadership and senior management provided leadership in blue ocean strategy implementation?

2. Has there been resistance from the leadership and management of the bank when seeking to implement blue ocean strategies?

3. If yes, why?

4. What challenges has the existing leadership and management caused in implementing blue ocean strategies?

5. How has the bank responded to these challenges?

Employees

1.   How are employees prepared to play in the blue ocean spaces?

2.   Has there been resistance from employees when seeking to enter into these spaces?

3.   If yes, why?

4.   Are staff in the bank committed to Blue Ocean strategies?

5.   Is the bank's recruitment policy supportive of blue ocean strategies?

6.   What other challenges have employees posed in implementing blue ocean strategies?

7.   How has the bank handled these challenges?

Customers

1.   How are customers prepared to play in the blue ocean spaces?

2.   Has there been resistance from customers when seeking to enter into these spaces?

3.   If yes, why?

4.   What other challenges have customers posed in implementing blue ocean strategies?

5.   How has the bank handled these challenges?

Reward system

1.   Are the reward systems tied to ability to implement Blue Ocean Strategies

Policies

1.   Do existing policies, procedures, rules and administrative practices support Blue Ocean Strategy implementation?

Monitoring and Evaluation

1.   Is there good coordination and sharing of responsibilities towards Blue Ocean Strategy implementation?

2.   Is there a performance evaluation system to support Blue Ocean Strategy implementation?

3.   If yes, how can you describe its effectiveness?

4.   Are projects monitored and evaluated to identify gaps for future projects use?

5.   Are there instances where implementation of blue ocean strategy projects took longer than expected?

6.   If yes, what were the reasons for the delays?

7.   How does the bank ensure proper utilization of funds and resources in implementing blue ocean strategies?

Others

1.   How has the implementation of red ocean strategies impacted on the implementation of the blue ocean strategies? How has the bank responded to these?

2.   What other challenges has the bank faced in implementing blue ocean strategies? What has been the response by the bank to these challenges?

Section D: General information

1.   Are the above challenges unique to your department or do they apply universally across departments? Please tick() appropriately

Unique only to my department	
Apply universally across departments in the Bank	

2.   What other suggestions would you like to give that would help you bank minimize   Blue   Ocean   Strategies   implementation   challenges?
....

3.   Please give any other comment you may have regarding implementation of Blue Ocean Strategic decisions at your bank...

Appendix Two: Letter of Introduction

UNIVERSITY OF NAIROBI
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Nairobi, Kenya

DATE 25ᵀᴴ July 2012

TO WHOM IT MAY CONCERN

The bearer of this letter MR. GEOFFREY ONYISMBE NYAMBANE

Registration No A61/60513/2010

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.

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE