

**STRATEGY IMPLEMENTATION AT DEPOSIT
PROTECTION FUND BOARD, KENYA**

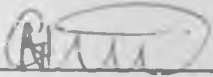
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PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE UNIVERSITY
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DECLARATION

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



Date 7/11/2012.

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This research project has been submitted for examination with our approval as University supervisor:



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DEDICATION

This project is dedicated to my grandmother, Joyce Mbaabu for her prayers, support and encouragement during the writing of this project

ACKNOWLEDGEMENT

First, I am indebted to the Almighty God for all the blessings he showered on me and for being with me throughout the study. I am deeply obliged to my supervisor, Mr J. Kagwe for his exemplary guidance and support without whose help; this project would not have been a success.

Finally, yet importantly, I take this opportunity to express my deep gratitude to my loving family, and friends who are a constant source of motivation and for their never ending support and encouragement during the writing of this research project, not to forget the management of DPFB for giving information during the collection of data for this study.

ABSTRACT

The practice and concept of strategy has many varied meanings, yet it remains closely related to planning and planning models. The word “strategy” is now applied to almost every management activity. As a result, strategic management is becoming a highly sought-after managerial competence. It is increasingly recognized that implementation skills are required throughout the organization, not just within the senior management ranks. Strategy implementation has posed a number of challenges which arise from sources that are internal and external to the organization. Different styles of managing the challenges is likely to be necessary according to different contexts and in relation to the involvement and interest of different groups (Johnson and Scholes, 2002).

The purpose of this study was to evaluate strategy implementation at the Deposit Protection Fund Board. The study’s objectives were to identify the strategy implementation practices, determine the challenges facing strategy implementation at the Deposit Protection Fund Board and to establish how the Board has managed challenges of strategy implementation. A review of related literature was undertaken to support the study. This research utilized case study design. A total of seven respondents were interviewed for the study. Interview guide was used to collect data. Content analysis was used to analyze the data.

The study found that the formulation of strategies at the DPFb was by the senior management and the employees participated in the implementation. It was also found that the strategies took longer than the stipulated time to implement. The study found that the board encountered challenges during strategy implementation which include liquidation challenges, policy related challenges, economic and operational challenges. The study also found that the measures taken to mitigate the challenges were commitment by top management, changing peoples’ cultural mindset and communication of the strategy to the staff especially those participating in the implementation of the organizational strategy. It was finally found that the measures in place to mitigate the challenges were ineffective.

The study recommends that the operations of DPFb should be made autonomous, policies guiding the operations of the Board should be harmonized and the management should be more stringent during the implementation process.

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LIST OF ABBREVIATIONS AND ACRONYMS

- DPFB** - Deposit Protection Fund Board
- CBK** – Central Bank of Kenya
- IMF** – International Monetary Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The strength of the financial system is an essential requirement to ensure economic stability and growth (Halling and Hayden, 2006). Banks are the main part of the financial sector in any economy, performing valuable activities on both sides of the balance sheet. On the asset side, they enhance the flow of funds by lending to the cash starved users of funds, whereas they provide opportunity for saving on the liability side (Diamond and Rajan, 2001). Banks also facilitate the payments and settlement systems and support the smooth transfer of goods and services. They ensure productive investment of capital to stimulate the economic growth. They help to develop new industries, thereby increasing employment and facilitating the economic growth. The varied nature of functions performed by the banks therefore necessitates proper strategic management. This point out to the importance of proper strategy implementation in financial institutions particularly in the Deposit Protection Fund Board which is charged with the responsibility of providing a safety-net for the savings, banking and payments systems in the country. It plays the role of protecting depositors against loss of all their deposits in case of a bank failure, by providing payments of insured deposits thereby ensuring depositors remain confident enough to continue keeping their savings within the banking and payment system. The Board is also mandated to facilitate the liquidation process for maximum benefit of all creditors.

The value of clear direction, good strategy, and effective implementation of

organizational action plans is now generally recognized. According to Thompson and Strickland (2003), strategic management is the process whereby managers establish an organization's medium to long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. Simply put, it refers to the formulation, implementation and evaluation of actions that will enable an organization to achieve its set objectives. The key elements that underlie the meaning and success of a strategic management process is that the process is "strategic" because it involves preparing the best way to respond to the circumstance of the organization's environment, whether or not its circumstances are known in advance. Being strategic means being clear about the organization's objectives, being aware of its resources; and incorporating both into being consciously responsive to a dynamic environment.

1.1.1 Strategy Implementation

Strategy implementation falls within the realm of strategic management which is the application of strategic thinking to doing the business of an organization. It focuses on the total organization and entails the willingness to adapt to changing circumstances. It is therefore portrayed as a lively process by which companies identify future opportunities and survival (Pearce and Robinson, 1994). In this study, strategy implementation will be used as an iterative process of implementing strategies, policies, programs and action plans that allows an organization to achieve its goals despite the available challenges and threats. As in the case of Deposit Protection Fund Board; strategies are aimed at

improving depositors' confidence through ensuring that the financial institutions repay the depositors in cases of their failure.

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Organizations seem to have difficulties in implementing their strategies. In strategy textbooks, implementation has usually been regarded as being distinct from strategy formulation and as a matter of adjustment of organizational structures and systems (Pearce and Robinson, 1994).

Pettigrew's (1991) framework for strategic change also sheds some light on the analysis of strategy implementation. Pettigrew distinguishes the content of the strategy, the outer and inner contexts of an organization, and the process in which strategic change is carried out. Pettigrew contends that the content, the context and the process are intertwined and affect one another. This has an important impact on strategy implementation research. In order to understand implementation, which is close to the process in Pettigrew's model, also the content of strategy and the context in which it takes place must be understood.

1.1.2 Challenges of Strategy Implementation

Strategy implementation is inextricably connected with organizational change. All organizations resist change and try to maintain the status quo, sometimes even if it yields

unsatisfactory results. Resistance to change is a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of introducing change. People working in an organization sometimes resist change proposals and make strategy difficult to implement (Lynch, 2000). Also, systemic resistance results from passive incompetence of the organization in support of strategy. It arises whenever the development of capacity lags behind strategy development. This may further hinder implementation, especially where strategic and operational control systems do not detect and cause adjustment to the changing internal environment.

Inadequacy of any form of resources, such as inadequate funds, equipment and facilities, and human resources skills and experience, is often a big challenge during strategy implementation. Swartz (1995) argues that the challenge to management is that it might need to recruit, select, train, discipline, transfer, promote and possibly even lay off employees to achieve the organizational strategic objectives.

Strategy implementation challenges are also found in sources external to the organization. The challenges will emanate due to the changes in the macro-environment context, namely Economic, Politico-legal, social, technological and environmental. In the rapidly changing social environment of the highly interdependent spaceship earth, businesses feel great pressure to respond to the expectations of society more effectively. Therefore, any changes in social values, behaviours and attitudes regarding childbearing, marriage, lifestyle, work, ethics, sex roles, racial equality, social responsibilities among others will have effects on firms' development (Pearce and Robinson, 1994).

Information is a key resource of particular attention at the moment with the rapid advances in information technology. These developments in the ability to access and process information can build or destroy an organization's core competences that are crucial for competitive advantage (Johnson and Scholes, 2002). Without continued product or service improvement, profitability and survival are often jeopardized.

1.1.3 The Banking Industry in Kenya

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 is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

In the recent past, the banking sector has continued to grow in assets, deposits, profitability and products offering. The growth has been fortified by an industry wide branch network expansion strategy both in Kenya and in East Africa community region as well as automation of a large number of services and a move towards emphasis on the customer needs rather than the traditional 'off-the-shelf; products. The CBK annual bank supervision report of 2010 emphasizes that the banking industry will need to cope continually with the changing business environment and a continuous flood of new requirement via robust ICT platform, while staying sufficiently responsive.

Diversification into other financial services is also expected as consumers increasingly seek one stop financial supermarket (Prahalad et al, 1994). These developments will enhance banking products being offered as also bring more consumers are into the banking space. However, the main challenges facing the banking sector today include the Finance Act 2008, which requires that banks and mortgage firms build a minimum core capital of Ksh 1 billion by December 2012. This is hoped at transforming small banks into more stable organization. However, this poses a challenge to some of the existing banks and they may be forced to merge to comply.

1.1.4 Deposit Protection Fund Board, Kenya

Deposit Protection Fund Board - Kenya is a corporation established under Section 36 of the Banking Act, Chapter 488 of the Laws of Kenya as a deposit insurance scheme to provide cover for depositors and act as a liquidator of failed member institutions.

The Deposit Protection Fund Board (DPFB) is a significant player in the financial sector as it provides a safety-net for the savings, banking and payments systems in the Republic of Kenya. It plays the role of protecting depositors against loss of all their deposits in case of a bank failure, by providing payments of insured deposits thereby ensuring depositors remain confident enough to continue keeping their savings within the banking and payments system.

DPFB is managed by a Board comprising the Governor of the Central Bank of Kenya as the Chairman, the Permanent Secretary to the Treasury and five other members who

represent the interests of the member institutions. The Board is responsible for policy formulation and direction while day to day management is under a Director appointed by the Central Bank of Kenya. It is organized into Finance & Administration, Liquidations and Legal Divisions. Under the provisions of the Banking Act, the Central Bank provides staff and facilities required for the proper and efficient functioning of DPF. Currently, member institutions comprise of forty three (46) commercial banks, two (2) non bank financial institutions and one (1) deposit taking microfinance institution (<http://www.centralbank.go.ke>).

The financial sector is one of the economic pillars of the Kenya Vision 2030. In pursuit of providing a healthy economic environment, it has faced numerous problems that have affected its growth and stability. The Deposit Protection Fund Board being a player in the financial sector has embraced strategic management practices in response to the environmental dynamism and in an attempt to promote public confidence among depositors. It is under pressure to continually review its strategic plans or formulate new ones to suit the existing trends. Once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. Strategy implementation is largely an internal administrative activity and connected with organization change.

In order to effectively implement the strategy, DPF will deliberately make internal changes in its organizational configuration in an attempt to create a strategic fit. It is expected that this organizational change is likely to be faced with challenges.

Further, the processes of implementation will encounter challenges from sources that are internal and external to the organization. This study was therefore aimed at evaluating the challenges of strategy implementation at the Deposit Protection Fund Board in Kenya as well as identifying the strategy implementation practices.

1.1.5 Managing the Challenges of Strategy Implementation

Many organizations still believe that their success depends largely on the commitment of their employees (Emshoff, 1994). Employees should be involved in decision making and new program development. It is one of the best methods of handling resistance, simply because employee involvement in the stage of a change process significantly influences the eventual outcome. People will feel better about a decision in which they played a part, because they experience a sense of ownership that are likely to creatively change aspects of their organizations to solve problem and to exert extra efforts to develop their products or services (Dirks et al, 1996).

Negotiations with individuals involved and the forces imposing the change can minimize resistance to change. When this is possible, individual involved in the change will feel they have some control and be more likely to view the change as palatable (Dowd, 1998).

1.2 Research Problem

Implementing strategies successfully is vital for the success of any organization, either public or private. Without proper implementation of a strategy, even the most superior strategy is considered useless. According to Alexander (1991), the notion of strategy

implementation might at first seem quite straightforward as in, the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task especially in the banking systems. The execution of these strategies is normally faced with challenges.

Organizations therefore need to adopt practices of managing challenges of strategy implementation to ensure an effective process. To promote public confidence in the banking system, a legal mechanism for liquidating the assets and paying off the liabilities of the failed banks and financial institutions has been bestowed upon the Deposit Protection Fund Board within the Banking Act. This requires the board to formulate and implement viable strategies to ensure that it achieves its sole objective for the institution. Despite the formulation of strategies by the board which are aimed at achieving its objectives, the board is still faced with different challenges. This is evidenced by increase in the cases of bankruptcy and complicated compensation processes for the depositors.

Different relevant studies have been done on Deposit Protection Fund Board. Mutua (2010) did a study on strategic responses by Deposit Protection Fund Board to changes in external environment. Shambe (2003) did a study on the role of Deposit Insurance in Kenya's banking sector stability and established that the level of banking stability had deteriorated since the introduction of deposit insurance in Kenya. In this case, the review of earlier researches shows that studies have not been carried out to focus on strategy implementation at DPFB. To fill the knowledge gap that exists, this study was aimed at

evaluating strategy implementation at Deposit Protection Fund Board in Kenya as well as identify the strategy implementation practices put in place.

The choice of DPFB was based on the fact that it has continued to operate successfully since its inception despite the complexity of the environment in which it operates and also due to its centrality in promoting the confidence of the depositors. This has led to the following research questions. What are the strategy implementation practices at Deposit protection Fund Board? What are the challenges facing Deposit Protection Fund Board in implementing its organizational strategies? How does Deposit Protection Fund Board manage the challenges of strategy Implementation?

1.3 Research Objectives

The objectives of the study were to:

- i) Identify the strategy implementation practices at the Deposit Protection Fund Board
- ii) Determine the challenges facing strategy implementation at the Deposit Protection Fund Board
- iii) Establish how Deposit protection Fund Board has been able to manage challenges of strategy implementation

1.4 Value of the Study

The study will be of importance to the managers of the Deposit Protection Fund Board. By highlighting on the challenges facing strategy implementation in the board, the manager will use the findings of the study to come up with strategies which will be aimed at limiting the challenges thus improving the performance of the board.

The study will also be of importance to the depositors with banks. This is because they will get to know the safety of their deposits in banks thus allowing them to make wise decisions in identifying their deposit receiving banks.

The study will also be of importance to other scholars. The study will form a basis upon which other studies will be carried out with regards to the Deposit protection Fund Board, thus contributing to the existing literature with regard to the role of the board in the banking system.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews literature related to the study. The literature is reviewed based on the following broad areas: concept of strategy, strategy implementation, challenges of strategy implementation in organizations, strategy implementation practices and managing challenges of strategy implementation.

2.2 Concept of Strategy

The practice and concept of strategy has many varied meanings, yet it remains closely related to planning and planning models. The word “strategy” is now applied to almost every management activity. According to Johnson and Scholes (2002), strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations.

In other words, strategy is about: where the business is trying to get to in the long-term; how the business can perform better than the competitors; the resources (skills, assets, finance, relationships, technical competence, facilities) required to enable it to compete; the external environmental factors that affect the business’ ability to compete, and the values and expectations of those who have power in and around the business. Strategy is often conceptualized as a term for operating at both the corporate and competitive level. Judith et al (1998) posits that corporate strategy is seen as a proxy for managerial values

and goals and the underlying motivations of top managers as revealed through their chosen diversification strategy. This diversification can be achieved through involving all the people who have power in and around the business. Heide et al (2002), on the same note, adds that there are exchanges between the organization and the various constituencies with which, in the broadest sense of the term, it has to 'trade' to continue in existence.

2.3 Strategy Implementation in Organizations

Strategy formulation and implementation are separate, distinguishable parts of the strategic management process. Logically, implementation follows formulation; one cannot implement something until that something exists. But formulation and implementation are also interdependent, part of an overall process of planning-executing-adapting. While crafting strategy is largely a work-driven entrepreneurial activity, implementing strategy is primarily an operations-driven activity revolving around the management of people and business process.

According to Strickland and Thompson (1999), successful strategy implementation depends on doing a good job of leading, working with and through others, allocating resources, building and strengthening competitive capabilities, installing strategy supportive policies and matching how the organization performs its core business activities to the requirements for good strategy execution. Non involvement of those responsible for execution in the planning process can therefore threaten knowledge transfer, commitment to sought-after outcomes, and the entire implementation process (Lawrence, 2005).

The successful implementation of strategy takes more time than its formulation. This can challenge managers' attention to execution details. According to Lawrence (2005), the longer time frame can also detract from managers' attention to strategic goals.

The implementation process impacts on every part of the organization structure from the biggest organization to the smallest work group. Pearce and Robinson (1994) asserts that key to successful strategy implementation is for management to communicate the case for organizational change so clearly and persuasively that there is determined commitment throughout the ranks to carry out the strategy and meet performance targets. Management's handling of strategy implementation is successful when the company achieves the targeted strategic and financial performance and shows good progress in realizing its long-range strategic vision.

Management practices considered central to strategy implementation include building a capable organization, matching organization structure to strategy, creating a strategy supportive culture and managing human resource. Proficient strategy execution depends heavily on filling key position with able people, building the core competencies, resource strengths and organizational capabilities needed to perform its value chain activities proficiently and structuring internal work effort and mending it with the collaborative efforts of strategic allies. Building a capable organization is thus always a top-strategy-implementing priority (Robert et al, 1996). On the other hand, matching structure to strategy centers around making strategy-critical activities the main organizational building blocks, finding effective ways to bridge organizational lines of authority and

coordinate the related efforts of separate internal units and individuals, and effectively networking the efforts of internal units and external collaborative partners (Strickland and Thompson, 1999).

According to Kotter and Heskett (1992), building a strategy supportive corporate culture is also important to successful implementation because it produces a work climate and organizational *spirit de corps* that thrive on meeting performance targets and being part of a winning effort. Robert et al. (1996) argued that strategies cannot be implemented and executed with real proficiency unless organizational units and individuals are committed to the task. Strategy supportive motivational practices and reward systems are also powerful management tools for gaining employee commitment. The key to creating a reward system that promotes good strategy execution is to make strategically relevant measures of performance the dominating basis for designing incentives, evaluating individual and group efforts and handing out rewards (Robert et al., 1996).

2.4 Strategy Implementation Practices

Strategic change can be successful through a four-stage process (Schmidt, 2006). Assess the organizational capabilities and behavior needed to move from what the company is, to what it needs to become. Determine what work processes would be required to implement the strategy and design current work processes to fit those requirements. Identify what information needs the work processes, generate and determine what information systems and database would be required to meet those needs and determine which organizational structure would best support those work processes.

For successful strategy implementation, an organization should understand the impact on strategy of external environment, internal resources and competences and the expectations and influence of stakeholders (Johnson and Scholes, 2002). The organization exists in the context of a complex, commercial, political, economic, social, technological, environmental and legal world. The environment change is more complex for some organizations than for others. For successful strategy implementation it is important for the company to understand historical and environmental effects as well as expected or potential changes in environmental variables (Johnson and Scholes, 2002).

The resources and competences of the organization make up its strategic capability, which enables success in implementation of chosen strategies. Just as there are outside influences on the organization and its choice and implementation of strategies, so there are internal influences as well. These internal influences constitute the strengths and weakness of the organization. Competences such as skills and know how enhance strategy implementation.

2.5 Challenges of Strategy Implementation in Organizations

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) asserts that strategy implementation is less glamorous than strategy formulation. He explains this by saying that people overlook strategy implementation because of a belief that anyone can do it.

People are therefore not sure of what strategy implementation includes and where it begins and ends. Strategy implementation can pose a number of challenges. The challenges arise from sources that are internal and external to the organization.

2.5.1 Ineffective Leadership

Ineffective leadership is a factor mentioned by almost all researchers as a reason hindering the implementation of strategy in organizations. Alexander (1985) found that ineffective coordination of implementation activities was one of the causes of failure. Beer et al (2000) mentioned the quality of direction, which describes multiple ways in which senior management can be ineffective. Senior management sometimes bypasses middle management, and directly obtains information from and gives orders to the lower level employees, causing ineffective communication lines in the implementation team. Additionally, this causes a situation in which conflicts are avoided and value-adding discussions on decision-making are lost.

Finally, Beer et al (2000) states that leadership in many teams does not make the necessary trade-offs they face during the implementation. Instead, they create vague strategic objectives which do not provide effective direction for implementation.

2.5.2 Lack of Synergy between Strategy and Culture

Lack of synergy between strategy and culture may obstruct the smooth implementation of strategy by creating resistance to change. It is important that the culture of an organization be compatible with the strategy being implemented because where there is

incompatibility between strategy and culture, it can lead to a high organizational resistance to change and de-motivation, which in turn can frustrate the strategy implementation effort.

However, when culture influences the actions of the employees to support current strategy, implementation is strengthened. Maximizing synergy, while focusing to reinforce culture, managing around culture and reformulating a new organization culture, are some recommendations, by Pearce and Robinson (1994), of managing strategy-culture relationships in various situations.

2.5.3 Lack of Communication

Once the strategy has been formulated, communication is one of the most important vehicles for successful implementation. First of all, management should inform all employees about the content, meaning of, and reasons for the new strategy. However, they should not only inform the employees, but also leave room for questions and discussions with the affected employees.

Communication also involves the explanation of new tasks and responsibilities to the affected employees. According to Neilson et al (2008) throughout the implementation process, communication should flow bottom-up to allow management to monitor the implementation process and determine whether changes to the approach are needed.

2.5.4 Macro Environmental Challenges

Unanticipated changes in the government policies regarding taxation, industry cooperation, environmental protection, education policies, among other factors will impact on strategy implementation. A new administration may also bring about changes to the board of directors and leadership in an organization.

The operating environmental forces compounded by pressure arising from stakeholders like creditors, suppliers, customers, shareholders, government and the local community can impose challenges that could impair strategy implementation. Often people know little, if any, about a strategy when it is being hatched in the boardroom. Participation of all stakeholders in strategic planning is seen as important because of the key role; stakeholders have to play in implementation, including monitoring of the planning recommendations and strategies.

2.6 Managing Challenges of Strategy Implementation

Formulating the right strategies is not enough, because managers and employees must be motivated to implement those strategies. Allio (2005) suggests that to overcome and improve challenges in strategy implementation, the following steps should be undertaken.

2.6.1 Commitment of Top Management

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself (Kubinski, 2002).

This is undoubtedly a prerequisite for strategy implementation. The top management must demonstrate their willingness to give energy and loyalty to the implementation process. The demonstrable commitment becomes a positive signal for all the affected organizational members.

To ensure successful strategy implementation, the senior executives must abandon the notion that lower managers have the same perceptions of the strategy and its implementation, its underlying rationale and its urgency. Instead, they must not spare any effort to persuade the employees of their ideas (Kubinski, 2002).

2.6.2 Integrative Point of View

Traditional strategy implementation concepts generally over-emphasize the structural aspects and reduce the whole effort down to an organizational exercise. However, it is dangerous to ignore other existing components when implementing a new strategy. Alexander (1985) states that strategy implementation requires an integrative point of view. Not only the organizational structure, but cultural aspects and the human resources perspective are to be considered too.

An implementation effort is ideally boundary-less set of activities and does not concentrate on implications of only one component. It is of great importance to integrate both soft and hard facts that ascertains that cultural aspects as well as 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).

2.6.3 Preventive Measures against Change Barriers

Today change is the only constant and organizations long term success is determined by its ability to manage change. Increasing appreciation of the complexity of an organizational life has been paralleled by a growing recognition that organizations cannot cope successfully with the modern world and all its changing aspects purely on an ad hoc and piecemeal basis.

A great challenge within strategy implementation is to deal with potential barriers of the affected workforce. The implementation efforts often fail when these barriers are underestimated and preventative methods are not adopted at the beginning (Thompson et al, 2007). An organization needs to be aware that these barriers against implementation of the strategy can lead to a complete breakdown of the formulated strategy.

2.6.4 Clarity and Consistent Communication.

Communication is key to the employees understanding the new corporate strategy and their accurate interpretation of the organization's goals and objectives. Further, open communication is effective in reducing employees' resentment and resistance. An effective and comprehensive communication plan, with feedback loops for employees to air their concerns, must be in place from day one (Attaran, 2000).

Effectively communicating the change process aids in maintaining positive staff morale during the change (Sherer, 1997). People are trying to find out facts during transitions. Axley (2000) When change is imminent, people want to know the specifics of any change, why, when, who and how, till they believe that useful change is possible or they will not make the sacrifices required of the change process.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology which was used in the study in order to achieve the research objective. The topics covered include the research design, population of the study and data collection methods and data analysis.

3.2 Research Design

This study used a case study as the research design. Robson (2002) defines a case study as “a strategy for doing research which involves an empirical investigation of a particular phenomenon within its real life context using multiple source of information”.

Payne and Payne (2004) define case study as very detailed research inquiry into a single example (of a social process, organization or collectively) seen as a social unit in its own rights and as a holistic entity. The social unit is usually located in one physical place, the people making up the social unit being differentiated from others who are not part of it. The researcher therefore deems the design appropriate as it will help in the determination of challenges facing strategy implementation in Deposit Protection Fund Board.

3.3 Data Collection

Both primary and secondary sources of data was used for the study. An Interview guide was used to collect primary data. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003).

The researcher personally interviewed the senior management of the board as they are considered key informants for this research. The instrument was constructed based on the pre-determined research questions.

The instrument contained items on demographic characteristics of the respondents, challenges facing strategy implementation at the Board and management of challenges facing strategy implementation. Secondary data was collected from written materials such as text books, journals, magazines, dailies and internet.

3.4 Data Analysis

The data obtained was analyzed using qualitative analysis. Qualitative data analysis makes general statements on how categories or themes of data are related (Mugenda and Mugenda, 2003). The qualitative analysis was done using content analysis.

Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of objects, items or things that comprise the study. The technique helped the researcher to provide knowledge, new insights, representation of facts and practical guide to action with regard to the challenges facing strategy implementation at the Deposit Protection Fund Board and identify the strategy implementation practices.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents the analysis and findings of the study. Qualitative data analysis technique was used to analyze the data. The purpose of this study was to evaluate strategy implementation at the Deposit Protection Fund Board in Kenya as well as identify the strategy implementation practices put in place. A total of 7 respondents from the Deposit Protection Fund Board were interviewed.

4.2. Demographic Information of the Respondents

On the demographic information of the respondents, the researcher sought to establish the respondent's gender, age, education background, position at the board and period of services at the DPFB.

On the distribution of the respondents by gender, the study found that most of the respondents interviewed were female. From the findings of the study, it can be said that there are many female in the senior management of the Board.

On the distribution of the respondents by age, the study found that most of the respondents were aged between 40-50 years. This is an indication that the members of the board were aged which probably reflects their job experience thus the information provided for the study was considered reliable.

Regarding the academic qualifications of the respondents, it was found that most of the respondents had good academic credentials. From the findings of the study, it can be said that the respondents interviewed were qualified for the positions which they held at the DPFB.

On the positions held by the respondents, the study found that those interviewed held the positions of Director and Assistant Directors in the organization. This is an indication that the information collected for the study had different views of the senior management at DPFB thus the findings presented in the study can be considered reliable.

Finally on the work experience, the study found majority of the respondents had served in the organization for a period of more than 15 years while the rest had served for a period of less than 15 years. This shows that most of the respondents had long work experience in the organization hence they were considered knowledgeable of the challenges facing the implementation of strategies in the organization.

4.3 Strategy Implementation practices at the Deposit Protection Fund Board

In establishing strategy implementation practices at the board, the researcher sought to get information on the formulation of strategies at the Board, the implementation of strategies, timing of strategy implementation and effectiveness of strategy implementation in the organization.

On the formulation of strategies at the DPFB, it was found that the strategies were formulated by the senior management of the Board.

Regarding the implementation of the formulated strategies at the Board, the study found that employees participate in the implementation of the organizational strategies. It was also found that the management did follow up on quarterly basis to ensure that the strategies formulated are being implemented. This helps them in finding way forward for the challenges faced in the course of the implementation of strategies.

The respondents were asked whether the formulated organizational strategies were implemented within the stipulated time. The study's findings were that the formulated strategies were not implemented within the stipulated time. This is an indication that time for implementation of strategies at the Board was a challenge.

On the effectiveness of strategy implementation at the Board, majority of the respondents mentioned that it was not effective with a minority mentioning that strategy implementation was effective. From the findings of the study, it can be said that there was a problem in the implementation of strategies at the Board.

4.4 Challenges facing Strategy Implementation at the Deposit Protection Fund Board

To establish the challenges facing strategy implementations at the DPFB, the researcher sought to get information on whether there are strategy related challenges at the Board,

policy related challenges and operational challenges influencing strategy implementation at the Board.

4.4.1 Challenges of Strategy Implementation at the DPFB

To establish whether there were challenges at the DPFB, the respondents were asked to mention if they encounter any challenges during strategy implementations at the Board. The study found that all the respondents interviewed mentioned that there were challenges facing strategy implementation at the DPFB.

The respondents were further asked to mention some of the challenges facing strategy implementation at the Board, the following challenges were mentioned:

Liquidation challenges: There is urgent need to wind up some institutions under liquidation where all the valuable assets have been realized and continuation of the liquidation is no longer financially sustainable. According to the Annual Reports and accounts for the year ended 30th June 2009, the total protected deposits paid by the 20 (twenty) institutions in liquidation amounted to KShs.1, 004 million. 2009. This represents a KShs. 3 million decrease from June 30, 2008 due to the writing back of KShs. 3 million by Trust Bank Limited being unclaimed protected payments. This is an indication of a weakness in strategy implementation in liquidation of institutions.

Challenges related to launching of claims for protected deposits: Although the Board endeavors to ensure prompt payment by placing several public advertisements in the print and electronic media, a significant number of depositors fail to lodge claims for protected deposits and declared dividends until they are barred by the statutory notice period.

Slow loan recovery: Loan recovery is hampered by slow and costly court process in which debtors have undue advantage of procedural technicalities to the detriment of creditors and the financial sector. Poor documentation or lack of requisite documentation to support loan cases is also a challenge to loan recovery. Other challenges related to loan recovery may include: continued accumulation of interest on already bad non-performing loans only overstating the assets thereby unnecessarily increasing recovery costs. It is desirable to zero-rate interest on loans balances at liquidation.

Limited coverage: Insurance coverage is still very low in relation to the total exposure of the Fund. Consequently, there is need to continue building the fund as well as ensuring that the financial system is sound.

Difficulty in realization of securities held especially family land and properties in rural areas as well as long court processes before realization of a security has been a huge challenge to the Board.

4.4.2 Policy related challenges facing Strategy Implementation at the DPFB

On policy related challenges, the respondents were asked to explain whether different policies governing the operations of the board affected the implementation of its strategies. It was found that the operations of the Fund are governed by different laws: The Central Bank Act; The Banking Act; The Companies Act and Insolvency and Bankruptcy Act which presented a lot of limitations to its smooth operations

On the resolution, they mentioned that there was urgent need to harmonize the relevant sections of the Acts in a single piece of legislation.

4.4.3 Operational and Economic Challenges influencing Strategy Implementation at the DPFB

Operational factors influencing strategy implementation in the Deposit Protection Fund Board were found to be lack of periodic follow up, lack of supportive culture for strategy implementation, inadequate resources and inadequate communication of strategy.

Regarding the economic factors influencing strategy implementation at DPFB, the study found that factors such as the interest rates charged by banks, inflation and investment in only treasury bills and treasury bonds affected strategy implementation at the DPFB.

Interest rates were found to be a challenge in that the Board only invests in treasury bonds and bills. The budget is based on the assumptions that these will not fluctuate as much which may not be the case. Also unanticipated changes in government policies regarding taxation, industry cooperation, environmental protection impacts on the strategy implementation.

4.5 Responsibility for the Management of Challenges at the DPFB

The respondents were asked to mention the people charged with the responsibility of managing the challenges facing the implementation of strategies at the DPFB. The study found that the people charged with such a responsibility were the top management and heads of Divisions/sections

4.5.1 Measures for Effective Implementation of Strategies at the DPFB

To establish the measures put in place for the management of the challenges, the respondents mentioned communication of the strategy to the staff especially those participating in the implementation of the organizational strategy as one of the measures that had been taken. Preventive measures against change barriers were also mentioned as a measure that the organization undertook to manage the challenges during strategy implementation. An organization needs to be aware that these barriers against implementation of the strategy can lead to a complete breakdown of the formulated strategy.

4.5.2 Effectiveness of Management of Challenges of Strategy Implementation at the DPFB

On the level of effectiveness of the management of the challenges facing strategy implementation at the DPFB, the respondents were asked to mention the effectiveness of the strategies which were already in place. Majority of the respondents mentioned that the management of the challenges was less effective while a small percentage of the respondents affirmed that the measures were effective. From the findings of the study, it can be said that the current measures put in place to manage the challenges of strategy implementation at the Board are ineffective. This calls for other effective measures to be developed to overcome the challenges facing strategy implementation at the Board.

4.5.3 Recommendation on the Improvement of Strategy Implementation at the DPFB

The following were the recommendations on what should be done to improve the implementation of strategies at the Deposit Protection Fund Board. Commitment by the top management to ensure that strategy is implemented. According to Kubinski (2002), the most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. Thus through the commitment of the management, strategies will be implemented effectively as a result of their commitment and involvement.

Refining the policies governing the operations at the DPFB: Since the Board is governed by many laws such as the Central Bank Act; The Banking Act; The Companies Act and Insolvency and Bankruptcy Act, there is an urgent need to harmonize the relevant sections of the Acts in a single piece of legislation. Refined policies will allow better management of the Board thus improving the implementation of strategies at the Board.

Training of the personnel: Adequate training of the personnel will help to improve strategy implementation at the Board.

Restructuring the management: Through the re-arrangement of the management, the board will get the right people to ensure different strategies are effectively implemented

Making DPFB an autonomous institution: This will give the organization authority to make decisions on its own and thus being at a position to effectively implement its strategies without external interference.

Benchmarking DPFB with other organizations with a view to learn and borrow ideas which can be helpful in the implementation of strategies.

There is need for proactive engagement in the resolution of problems affecting weak institutions before they become insolvent and thereby fall into liquidation.

Repossession of securities said to be irregularly acquired but held by banks against unpaid loans: Since this is beyond the control of both the lenders and DPFB, in future lenders have to exercise a lot of prudence in the choice of securities. This will eliminate the challenges thus ensuring effective implementation of strategies at the Board.

4.6 Discussion of the findings

On strategy implementation practice at the DPFB, the study found that employees of the board participate in the implementation of the organizational strategies and that the management do follow up to ensure that the formulated strategies are implemented. According to Strickland and Thompson (1999), successful strategy implementation depends on doing a good job of leading, working with and through others, allocating resources, building and strengthening competitive capabilities, installing strategy supportive policies and matching how the organization performs its core business

activities to the requirements for good strategy execution. Thus by involving employees in the implementation of strategies at the DPFb can be considered as one of the strategies in place to ensure effective implementation of formulated strategies.

Regarding the time for the implementation of the formulated strategies, the study found that most of the respondents interviewed mentioned that formulated strategies were not normally implemented within the stipulated time. This is one of the challenges which affected strategy implementation at the DPFb. These findings are in line with the findings of a study done by Lawrence (2005) who found that successful implementation of strategy takes more time than its formulation thus posing challenge to managers in charge of the implementation by destructing their attention to execution details. He adds that longer time frame can also detract from managers' attention to strategic goals.

Regarding the challenges facing strategy implementation at the DPFb, the study found that there were operational, economic and policy related challenges which affected strategy implementation. An earlier study done by Cletus et al. (2007) confirms these findings where it was found that economic factors such as interest rates, taxation changes, economic growth, inflation and exchange rates affects growth in banking industry. Operational challenges such as inadequate strategy communication were found to affect strategy implementation at the Board. According to Neilson et al (2008) throughout the implementation process, communication should flow bottom-up to allow management to monitor the implementation process and determine whether changes to the approach are needed.

On the management of challenges facing strategy implementation, the study found that commitment by top management, changing peoples' cultural mindset and communication of the strategy were the most preferred measures for ensuring effective strategy implementation at the board. Attaran (2000) found that effective strategy implementation can also be achieved through ensuring effective and comprehensive communication plan, with feedback loops for employees to air their concerns is in place.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendations for further study.

5.2 Summary

The study found that the formulation of strategies at the DPFB was the responsibility of those in the senior management of the Board. On the implementation of strategies, the study also established that the employees of the Board participated in the implementation of the formulated strategies. This was in conjunction with the effort of the management who did follow ups to ensure that the formulated strategies were being implemented. Regarding the implementation of strategies timing, it emerged that they did not implement the formulated strategies within the stipulated time. The study's findings indicate that strategy implementation at the DPFB was effective.

The study established that there were challenges facing strategy implementation at the Board. These challenges were liquidation challenges, challenges related to launching of claims for the protected deposits, slow loan recovery, limited insurance coverage, policy related challenges and difficulty in realization of securities held especially family land and properties in rural areas as well as long court processes before realization of a security.

It was also noted there were policy related challenges facing the Board. These included The Central Bank Act; The Banking Act; The Companies Act and Insolvency and Bankruptcy Act which presented a lot of limitations to its smooth operations. According to the study economic and operational challenges which included the interest rates charged by banks, inflation and investment in only treasury bills and treasury bonds affected strategy implementation at the DPFB.

The study's findings indicate that the top management of the Board was charged with the responsibility of managing the challenges at the Board. The following measures were taken to manage the challenges: commitment by top management, changing peoples' cultural mindset and communication of the strategy to the staff especially those participating in the implementation of the organizational strategy.

Regarding the effectiveness of the strategies in place, the study established that management of the challenges at the Board was less effective.

5.3 Conclusions

From the findings of the study, it can be concluded that there were challenges facing the implementation of strategies at the DPFB. It can also be concluded that even though there were measures in place to mitigate the challenges, they were considered to be ineffective.

5.4 Recommendations

Regarding the operations of the Board, the study recommended that DPFB should be made autonomous. This is to give the organization authority to make decisions on its own

and thus being at a position to effectively implement its strategies without external interference.

On the challenges facing strategy implementation at the Board, the study recommended that the policies guiding the operations of the Board should be harmonized to allow better management of the Board thus improving the implementation of strategies at the Board

Finally of the measures taken to mitigate the challenges, the study recommended that the top management of the organization should be more stringent on the implementation of strategies at the Board. This will ensure that any loop hole do not occur during the implementation of strategies. This can be ensured by ensuring follow up in done on the implementation of strategy can evaluating the process of the implementation of strategies.

5.5 Limitations of the study

This study was to evaluate the strategy implementation at the DPFB. The researcher interviewed the senior management of the Board. This presented a limitation of the study as it left out the employees and other stakeholders whose opinions could have been of help to the study.

This study was also limited by time constraints. The researcher used a flexible time frame to be able to meet the respondents and obtain data for the study.

5.6 Recommendations for Further Research

This study was carried out at the DPFB. The study focused on the challenges facing the implementation of strategies at the DPFB and the measures taken to mitigate the challenges. The researcher therefore recommends that another study be done on the effectiveness of DPFB in promoting confidence among the depositors.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

July 2012

Dear Sir/Madam,

REF: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration (M.B.A.) student at the University of Nairobi. I am required to submit as part of my course work assessment a research project report on “CHALLENGES FACING STRATEGY IMPLEMENTATION AT DEPOSIT PROTECTION FUND BOARD”. Your organization has been selected to participate in the study. I would appreciate for your cooperation and time to discuss with you on strategy implementation in your organization. Please be assured that all your responses shall be kept strictly anonymous and confidential and shall only be used for academic purposes and destroyed after data analysis is done.

Thank you in advance.

Geldine Mbaabu

M.B.A. Student (Researcher)

University of Nairobi

INTERVIEW GUIDE

STRATEGY IMPLEMENTATION AT DEPOSIT PROTECTION FUND BOARD, KENYA

1. Position in the Deposit Protection Fund Board _____
2. For how long have you worked with Deposit Protection Fund Board? _____

SECTION B: STRATEGY IMPLEMENTATION PRACTICES AT THE DEPOSIT PROTECTION FUND BOARD

3. Who is responsible for the formulation of strategies at the Deposit Protection Fund Board?
4. Do members of the Board participate in the implementation of strategy in organizations?
5. Are the strategies at Deposit protection Fund Board implemented within the stipulated time?
6. What is the level of effectiveness of strategy implementation at The Deposit Protection Fund Board?

SECTION C: CHALLENGES FACING STRATEGY IMPLEMENTATION AT DEPOSIT PROTECTION FUND BOARD

7. Are there challenges facing strategy implementation in Deposit protection fund board?
8. The following are some of the laws governing the operation of Deposit Protection Fund Board in their operations. Briefly explain how each affects strategy implementation in the Board?

CBK Act:

Banking Act:

Company Act:

Insolvency and Bankruptcy Act:

9. To what extent do the following economic factors influence strategy implementation at the Deposit protection Fund Board?

Interest rates:

Inflation:

Investment in only treasury bills and treasury bonds:

10. What are other factors that influence strategy implementation in the Deposit protection fund board?

11. What are some of the operational factors that cause challenges in strategy implementation and to what extent?

12. What would you recommend to be done to improve strategy implementation in Deposit Protection Fund Board in Kenya?

SECTION D: MANAGING THE CHALLENGES OF STRATEGY

IMPLEMENTATION AT DEPOSIT PROTECTION FUND BOARD

13. What measures has the management put in place to ensure the barriers to effective strategy Implementation are managed effectively?

14. Who is responsible for managing the challenges of strategy implementation?

15. What is the level of effectiveness of managing the challenges of strategy implementation at The Deposit Protection Fund Board?

16. Have the measures that have been put in place by the Board ensured a smooth strategy implementation?