

STRATEGY IMPLEMENTATION AT EQUITY BANK LIMITED

BY

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DECLARATION

This Management Research Project is my original work and has not been presented for a degree in any other university

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DEDICATION

This Management Research Project is dedicated to

My Father: Mr. Jeremiah K. Muriu

Thank you Dad for your prayers, guidance, financial and moral support and for emphasizing the value of education right from when I started schooling

My Mother: Mrs. Agnes G. Kibe

Thank you Mum for your prayers, guidance, financial and emotional support and for bringing me up right

For sure "Your love and care are invaluable"

MAY THE ALMIGHTY GOD CONTINUE TO BLESS YOU ABUNDANTLY

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My appreciation goes to several people whose support enabled me to complete this research project, as well as the entire MBA degree programme.

In carrying out this research project, I first and foremost needed both physical and mental strength to accomplish the task within the university's stipulated time frame. It is by God's help this research work has been written and I offer ultimate thanks and praise to the Lord God for his faithfulness, grace, wisdom, and favour. Truly, as in Philippians 4:13, "I have the strength to face all conditions by the power that Christ gives me."

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ABSTRACT

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge. The notion of strategy implementation might seem quite straight forward: a strategy is formulated and then implemented. On the contrary, transforming strategies into action is a far more complex, difficult and challenging undertaking and therefore not as straight forward as one would assume. Successful strategy implementation is as critical and difficult as the strategic choice. It requires consideration of resources to be used, structure, systems and other variables.

Many studies have been conducted on how Kenyan organizations have responded to the changing environmental conditions and on strategic change management. These studies have not focused on the challenges to strategy implementation. Given that strategy implementation challenges are inevitable, the researcher felt there was a need to study strategy implementation, the challenges encountered and how these challenges are addressed by an indigenous Kenyan organization.

It is against this background that the researcher had set out to study strategy implementation by Equity Bank Limited, the implementation challenges encountered by the bank and how the bank addressed these challenges. The study was conducted through a case study design, focusing on strategy implementation at Equity Bank, interpreting in-depth details concerning the challenges to strategy implementation and how these challenges have been overcome by the bank.

The study established that Equity Bank has implemented various strategies since its inception. Implementation of major strategies were categorised into four phases. The first major category of strategy implementation was on the market and the client focus while the second category was on ownership and governance. The third category of strategy implementation was on management and the fourth category focused on the staff.

The finding of the study established that the major challenges encountered by Equity Bank while implementing strategies included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and indiscipline among some employees.

In order to address the challenges encountered while implementing strategies, the study found out that Equity Bank involved all employees and other stakeholders in its strategy implementation process. This is in an attempt to minimise resistance to change. There was also communication to all parties to be affected by the changes as a result of strategy implementation. The staff were also trained on new products and services and assisted in utilising new skill acquired during training sessions. Other initiatives adopted included encouraging employees to brainstorm, share new ideas, and to own the strategy implementation process. The leadership style of delegating responsibilities, creating incremental challenges and rewarding performance enhanced the morale of senior managers and branch managers in implementing strategies. Lower level employees were also rewarded for good performance, dedication and long service.

In order to address the challenges associated with financial constraints, that inhibited strategy implementation, Equity started getting assistance from international organizations such as European Union- Micro Enterprise Support Programme (EU-MESP), and United Nations Development Programme (UNDP) among other international organizations. The bank also recognised the importance of social cultural processes in successful strategy implementation hence its development and adoption of core guiding values.

The study was based on Equity Bank Limited and it could not therefore give a general picture of strategy implementation, its challenges and how these challenges are addressed by other banks operating in Kenya. The findings of the study were organization specific and apply to Equity Bank only. The study focused on the strategy implementation aspect of the strategic management process leaving out the formulation aspect as well as the control and evaluation aspect which are the other vital components part of the strategic management process. There is therefore the need to carry out further studies on strategy implementation, its challenges and how these challenges are overcome by other banks operating in Kenya. A replication of this study should also be done after some time to find out if there are any changes that have taken place and comparison with the findings of this study done

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategy Implementation

Strategy implementation is one of the components of strategic management and it refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives (Pearce and Robinson, 1997). Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system (Bryson, 1995).

Strategic management by itself is a process. According to Robins and Coulter (2002), strategic management is the process that encompasses strategic planning, implementation and evaluation. In their view, strategic management process is a way of considering, dealing, and realizing already formulated strategies. Strategy implementation, on the other hand, is concerned with both planning on how the choice of strategy can be put into effect, and managing the changes required (Wang, 2000). In general terms, strategy implementation is a series of actions aimed at putting a selected strategy to work. It is an important part of the strategy process, but has often been allocated a secondary status when compared to formulation of strategy and the choice of strategic direction.

An important step in the strategic management process is implementation which is how the strategy is put into action. No matter how creative the formulated strategy, the organization will not benefit if it is incorrectly implemented. This highlights the need to study strategy implementation with a view to making the process a success. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as well as implementing strategies (Mintzberg, 1994).

Organizations, whether for profit or non-profit, private or public have found it necessary in recent years to engage in strategic management in order to achieve their corporate goals. The environments in which they operate have become not only increasingly uncertain but also more tightly interconnected (Machuki, 2005). This has meant that organizations' managers are required to think strategically as never before, need to translate their insight into effective strategies to cope with their changed environments and to develop rationales necessary to lay the groundwork for adopting and implementing strategies in this ever-changing environment. According to Pearce and Robinson (1997), in order for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment.

Even after the grand strategies have been determined and the long term objectives set, the strategic management process is far from complete. Strategic managers now move into a critical new phase of that process- translating strategic thought into organizational actions (Pearce and Robinson, 1991). They move from planning their work to working their plan as they shift their focus from strategy formulation to strategy implementation.

This shifting gives rise to three interrelated concerns, identifying measurable, mutually determined annual objectives; developing specific functional strategies and; communicating concise policies to guide decisions (Pearce and Robinson, 1991). Annual objectives translate language aspirations into this year's budget. If well developed, these objectives provide clarity, a powerful motivator and facilitator of effective strategy implementation.

Functional strategies translate grand strategy at the level of the firm as a whole into activities for the firm's units. Operating managers participate in the development of these strategies, and their participation, in turn, helps clarify what their units are expected to do in implementing the grand strategy. Policies are specific guides for operating managers and their subordinates. Although often misunderstood and misused, policies can be powerful tools for strategy implementation if they are clearly linked to functional strategies and long-term objectives.

Managing the implementation and execution of strategy is an operation-oriented, make-things happen activity aimed at performing core business activities in a strategy supportive manner. It is easily the most demanding and time-consuming part of the strategic management process (Thompson and Strickland, 2007). Converting strategic plans into actions and results tests a manager's ability to direct organizational change, motivate people, build and strengthen company competence and competitive capabilities, create and nurture a strategy-supportive work climate, and meet or beat performance targets. Initiatives to put the strategy in place and execute it proficiently have to be launched and managed on many organizational fronts.

Management's action agenda for implementing and executing the chosen strategy emerges from assessing what the company will have to do differently or better. This is usually the case, given the company's particular operating practices and organizational circumstances, to execute the strategy competently and achieve the targeted financial and strategic performance (Thompson and Strickland, 2007). Depending on the amount of internal change involved,

full implementation and proficient execution of company strategy can take several months to several years.

Organizations, while implementing strategies are faced with a myriad of challenges. This is usually the case because strategy implementation requires working with others and committing a substantial amount of organizational resources. Strategy implementation challenges emanates from a variety of sources with some coming from within the organization while others are as a result of the organization's external environment.

Good strategy implementation requires overcoming the challenges of execution in pursuit of excellence. It is a job for a company's whole management team and success hinges on the skills and cooperation of operating managers who can push needed changes in their organization unit and consistently deliver good results. According to Thompson and Strickland (2007), strategy implementation can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance target and shows good progress in achieving management's strategic vision.

1.1.2 The Banking Industry in Kenya

A bank can be defined as an institution that mainly deals with receiving money deposits from investors and lending money in form of short or long -term loans and advances to its customers at prearranged rates of interest (Mbogo, 2003). According to Marketing Intelligence (2002), there are 46 banks and non - bank financial institutions in Kenya which essentially takes deposits from individuals and organizations to invest on their behalf. There are fifteen micro finance institutions and forty - eight foreign exchange bureaux (Central Bank of Kenya, 2003)

The commercial banks and non banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (Abshirov, 2004). The central bank has on a few occasions put certain commercial banks under statutory management and some have resulted in closure. Some of the smaller banks have merged in a bid to survive as they are faced with an increase in commercial banks minimum paid up capital and high operational costs due to cut - throat competition from the bigger players (Marketing Intelligence, 2002). The threat of increased capital base is even more real today, following the finance minister's proposal to increase the amount further to Kshs 1 billion in the 2008-2009 budget presentation.

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 is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions (Abshirov, 2004).

Prospects for the banking industry in Kenya looked bright in 2007, riding on an expanding economy which ensured expansion of money supply in the economy. A booming economy and increased consumer spending meant increased savings and improved ability by individuals to take up loans from the banks.

The banking sector's pre-tax profit for the seven months periods ending July, 2007 increased by 40.7 per cent to stand at Kshs 20.4 billion compared to Kshs 14.5 billion in July 2006 (The Financial Post, 29 October – 4 November, 2007). The improved profitability was attributed to an increase in interest income on loans and advances, government securities and non-funded income.

Total income increased by 19.6 per cent from Kshs 52.6 billion in June 2006 to Kshs 62.9 billion in July 2007. On the other hand, total expenses increased by 11.7 per cent from Kshs 38.1 billion over the same period.

Against this background, prevailing excess liquidity in the market and fears of rising inflationary pressure as a result of steep crude oil prices, remain a major concern for the industry and monetary authorities. Liquidity is basically the combined amount of cash and bank balances, Treasury bills and investments held by a bank compared to its total deposits. Liquidity as a ratio gives a good indication of how well a bank is positioned in term of dealing with short-term crisis by realizing short-term assets.

A new trend is emerging in the Kenyan banking industry. Some banks have been changing their liquidity positions in preparation for the bruising competition and anticipated market challenges ahead. Some of these banks are regarded as small and generally tend to keep a low profile. But recent trends show that they are indeed among the most stable banks in Kenya. They have very strong liquidity, in some cases, up to four times that of the banking industry giants. Awash in cash, they are in a position to snap up opportunities as they unfold

In the market without resorting to heavy borrowing or issuing bonds. This was the case with the Safaricom IPO, where most banks advanced loans to investors interested in buying the stock.

Banks have experienced major challenges caused by both external and internal factors. The Kenyan economy, in the 90's and early 21st century, has been very unstable and there has been increased competition from other banks. Internal factors that have affected banks' performance were attributed to the fact that many banks were ill prepared to handle demands such as provision of diversified range of financial services, demands on liquidity, foreign exchange, credit products and capital finance obligations (Mumbi, 2005)

In order to counter the challenges, the banks have responded by offering financial services under the umbrella of universal banking institutions. These include insurance brokerage licensing and insurance premium financing. Banks like Kenya Commercial Bank, Standard Chartered Bank and Equity Bank have in addition, implemented changes which include but not limited to change in reporting structure hence creating flat structure; restructuring of some departments and division in order to centralize key operational areas, review of operational processes so as to improve efficiency and effectiveness, branch modernization programmes so as to improve physical infrastructure and customer service and installation of automated teller machines (ATMs) (Market intelligence, 2002). Co-operative Bank of Kenya has responded to the challenges by coming up with new products and services (Kathuku, 2004) and Kenya Commercial Bank has responded to the challenges by improving internal resource capabilities through staff training and reviewing of operational processes as well, hence enhancing the bank's business processes (Mbogo, 2003)

1.1.3 Equity Bank

Equity bank started its operation in 1984 as Equity Building Society (EBS). On 31st December 2004 Equity Building Society converted to Equity Bank Limited (Equity Bank website, 2008). The initial focus was to offer mortgage services mainly to low income earners, but Equity Bank has since changed its focus to micro - finance services, targeting low and middle income earners. Equity Bank grew to become a leading micro finance institution providing a wide range of products and services (Equity bank websites, 2008). The growth was not a smooth ride: the bank faced a lot of challenges as a result of changing environmental conditions in Kenya, mainly economic, political and growing customers' tastes and preferences (Mumbi, 2005).

In order to sustainably expand its client outreach in rural areas, Equity Bank has developed demand driven products for farmers, improved operational efficiency and introduced mobile banking operations. One of the first actions of Equity in 1994 was to revise its mission to reflect its actual clientele: low and moderate borrowers. The bank then expanded its offerings beyond a single credit and single deposit to include business, household, education, emergency, and group loans, as well as special savings accounts for businesses, children, groups and the elderly (Equity Bank website, 2008).

According to Coetzee, Kabbucho and Mnjama (2002) report on the Re-birth of Equity, the Central Bank of Kenya (CBK) established that Equity was technically insolvent and had poor board supervision and inadequate management in 1993. Non performing loans were 54% of the portfolio and accumulated losses totalled to Kshs 3 million. At this stage, deposits were being used to meet operating expenses – its liquidity ratio stood at 5.8 %, far below the required 20%. Equity had therefore to change radically in order to cope with the new environmental challenges (Coetzee, Kabbucho and Mnjama, 2002).

Since 1993, several strategic changes have taken place at Equity Bank. The changes which can be categorized into four have had effect on the staff morale and performance. The first major category of change is on the market and the clients focus; the second one is on ownership and governance; the third one is on management and measurement, and the last one is the focus on the staff. These changes took place in few different phases. The changes have been characterized with long working hours as Equity Bank experience fast growth, transfer of staff to new branches outside their comfort areas, new mission and vision; new ways of serving customers which include use of computers as opposed to the old manual systems.

From the time Equity Bank started, it has changed its marketing strategies several times from a product – driven to a market – driven approach of servicing its customers. Equity Bank focus on low income clients and their need started from when it opened its doors hence mobilizing individual's customers on a one – on- one basis. Other changes that have taken place and assisted the bank to grow include financial assistance from UN bodies and other European financial institutions (Coetzee, Kabbucho and Mnjama, 2002).

During the first 15 years, Equity Bank relied entirely on its own resources and had no assistance from any international partners. From 1991, Equity Bank started getting assistance from international organizations like European Union – Micro Enterprise Support Programme

(EU - MESF), United Nations Development Programme (UNDP) and Britain's Department for International Development (DFID'S) Financial Deepening Challenge Fund (FDCF). The assistance supported the launch of mobile banking program in August 2001 and Africap provided assistance in 2003 (Mumbi, 2005). The mobile banking service uses Global System for Mobile communications (GSM) technology that provides on-line links between mobile units in remote villages and main branches for processing transactions. This enabled Equity Bank to turn around and offer a greater range of services.

Equity Bank turnaround resulted in improved rating by the Central Bank of Kenya. The overall rating shortly after 1993 rating rose to marginal, then to fair and in 2002 to satisfactory (Coetzee, Kabbucho and Mnjama, 2002). Equity Bank has grown both in profitability and in clientele. In April, 2008 Equity Bank expanded into the Ugandan market. This was by way of signing a conditional agreement with the Ugandan Microfinance Limited – the leading Microfinance Company in Uganda- to take up 100% of the bank's share capital. The acquisition price was Ksh 1.66 billion (Equity Bank website, 2008). Equity Bank has computerized all the business processes so as to enhance customer service.

The bank is now a public company that is 83.55% owned by over 2,300 Kenyan shareholders, 5.52% by Africap which is a consortium of international development investors, principally International Finance Corporation and European Investment Bank and 10.93% by British-American Investment Company Limited. As at end of 2007, Equity had additional 1,024 staff members, 8 directors and total shareholders fund closed at Kshs 14.02 billion. Equity bank has also grown in profitability and in business performance as well. This has resulted in the bank profitability growing from Kshs. 35 million in 2000 to Kshs. 245 million in 2004 and to Kshs 1.89 billion by end of 2007. In addition, the amount of money disbursed in form of loans rose from Kshs. 433 million in 2000 to Kshs. 4.9 billion in 2004 and to Kshs 21.83 billion in 2007. Customer's base has grown from 79,000 in 2000 to 413,000 in 2004 and to 1.84 million in 2007 (Equity bank website, 2008).

Equity Bank is credited with taking banking services back to the general public through its accessible, affordable and flexible service provision. Its mobile banking operation provides rural Kenyan citizens with access to secure financial services at an affordable cost and on a consistent basis, and has increased both the deposit base and profitability of the bank. The bank is guided by the following core values which it upholds in all the activities it undertake: professionalism, integrity, creativity and innovation, teamwork, unity of purpose, respect and

dedication to customer care, and effective corporate governance (Equity Bank website, 2008).

1.2 Research Problem

While implementing new strategies in any organization strategy implementation challenges are inevitable. Strategy implementation happens to be more challenging and delicate task than strategy formulation as it involves sensitive issues such as resource mobilization, restructuring, cultural changes, technological changes, systems and process changes, policy changes, leadership changes among others. Implementation challenges tend to originate from various sources, some internal to the organization while others are from the external environment.

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge. The notion of strategy implementation might seem quite straight forward; a strategy is formulated and then implemented. In the contrary, transforming strategies into action is a far more complex, difficult and challenging undertaking and therefore not as straightforward as one would assume (Aaltonen and Ikavalko, 2001). Because implementation of strategies remains the greatest bottleneck, many organizations are not able to address their goals adequately (Machuki, 2005)

Al-Ghamdi (1998) identified barriers to strategy implementation which include: competing activities that distract attention from implementing the decision; changes in responsibilities of key employees not clearly defined; key formulators of the strategic decision not playing an active role in implementation, problems requiring top management involvement not communicated early enough; key implementation tasks and activities not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employees, uncontrollable factors in the external environment; surfacing of major problems which had not been identified earlier; advocates and supporters of the strategic decision leaving the organization during implementation; and implementation taking more time than originally allocated.

Banks play an important role in an economy. They are the major regulators of the monetary system as they deal with receiving money deposits from investors and lending money in form of loans and advances to customers (Mbogo, 2002). The banking industry in Kenya has been faced with several environmental forces of change ranging from economic, technological,

legal and social coupled with stiff competition. In response to these environmental forces, various players within the industry have adopted different measures so as to adjust to the changing environment.

Equity Bank on its part, has undertaken major strategy implementation exercises that have involved corporate social responsibility; capital restructuring; branch network expansion; new product development, refocusing its business from product - driven to customers - driven, change of leadership; and expansion into the regional market by acquiring Uganda Microfinance Limited (Mumbi, 2005). It is clear that there has been successful strategy implementation as shown by the bank's increase in profitability, growth and expansion over time.

Studies by Njau (2000) on strategic responses by East African Breweries Limited, Mbogo (2003) on strategic change management process in Hybrid Private-Public Organizations; the case of Kenya Commercial Bank, Ogwora (2003) on strategic change management at the National Cereals and Produce Board, Rukunga (2003) on strategic change management practices in Kenya; the case of Nairobi bottlers limited, Kathuku (2004) on strategic responses to changes in the environment by the cooperative Bank of Kenya, were mainly on how Kenyan organizations have responded to the changing environmental conditions and strategic change management. These studies and many others did not focus on the challenges of strategy implementation. Given that strategy implementation challenges are inevitable, there was a need to study these challenges as experienced by an organization which has implemented new strategies. In the case of Equity Bank, no documented information existed on strategy implementation, its challenges and how these challenges had been overcome.

It is against this background that the researcher had proposed to study strategy implementation and its challenges, faced by Equity Bank. Equally important in the study was finding out how the bank has overcome these challenges. Thus, the study aimed at seeking responses to the following research questions: how strategy is implemented at Equity bank? what strategy implementation challenges has Equity Bank experienced? and how the bank has overcome these challenges?

1.3 Objectives of the Study

The objectives of the proposed study were to:

1. Determine how strategy is implemented at Equity Bank.

- ii. Establish strategy implementation challenges faced by Equity Bank
- iii. Determine how Equity Bank has overcome these challenges

1.4 Importance of the Study

The findings of this study are important to various users. It provides information to future scholars who might need to research on the challenges to strategy implementation within commercial banks operating in Kenya. This is so because this study adds to the existing literature in the field of strategy implementation.

This study also provides the management of Equity Bank with an overall picture of the challenges that the bank has encountered while implementing new strategies. This goes a long way in helping managers to prepare adequately for future strategies to be implemented by the bank and where possible turn around challenges that can be avoided.

The findings of this study are also useful to stakeholders, especially shareholders and other interested parties, since it lead them to make informed decisions on the management of the company. Thus the findings of this study are important in as far as decision making by various Equity Bank's stakeholders is concerned.

1.5 Scope of the Study

The researcher had sought to study strategy implementation, its challenges as experienced by Equity Bank and determine how the bank has overcome these challenges. This is bearing in mind that strategy implementation happens to be more challenging and delicate task than strategy formulation as it involves dealing with sensitive issues, such as resource mobilization, restructuring, cultural changes, technological changes among other changes. Thus strategy implementation challenges are inevitable.

The study focused on Equity Bank, a major player in the Kenyan banking industry. The bank started its operations in 1984 as a building society, offering mortgage services mainly to low income earners. Since then the bank has undergone tremendous growth, though along the way, it has also encountered challenges as the business environment has continued to change

1.6 Structure of the final Project

This project report is made up of five chapters. Chapter one is the introduction chapter. This chapter comprises of the background to the study, the strategy implementation process, an overview of the banking industry in Kenya with a special focus on Equity Bank, research problem, objectives of the study and the study's scope.

The literature review constitutes chapter two. This chapter is made up of an in – depth discussion of various concepts within the field of strategic management. These includes the strategic management process, strategy implementation, challenges to strategy implementation, outcomes to strategy implementation, and how organizations addresses challenges to strategy implementation

The third chapter of the project report is the research methodology chapter. This chapter comprises of the methodology that was used to conduct the research. It describes the research design, data collection methods and the process that was used to analyse the results from the data that was collected.

Chapter four is the findings and discussion chapter. The researcher had intended to achieve the objectives of examining strategy implementation at Equity Bank, its challenges, and how these challenges have been overcome by the bank. This chapter presents the findings of the study with regard to these objectives and a discussion of the same.

Chapter five includes the summary, conclusion, recommendations, limitations and suggestions for further research. In this chapter, the findings of the proposed study are summarized and recommendations made

CHAPTER TWO: LITERATURE REVIEW

2.1 The Strategic Management Process

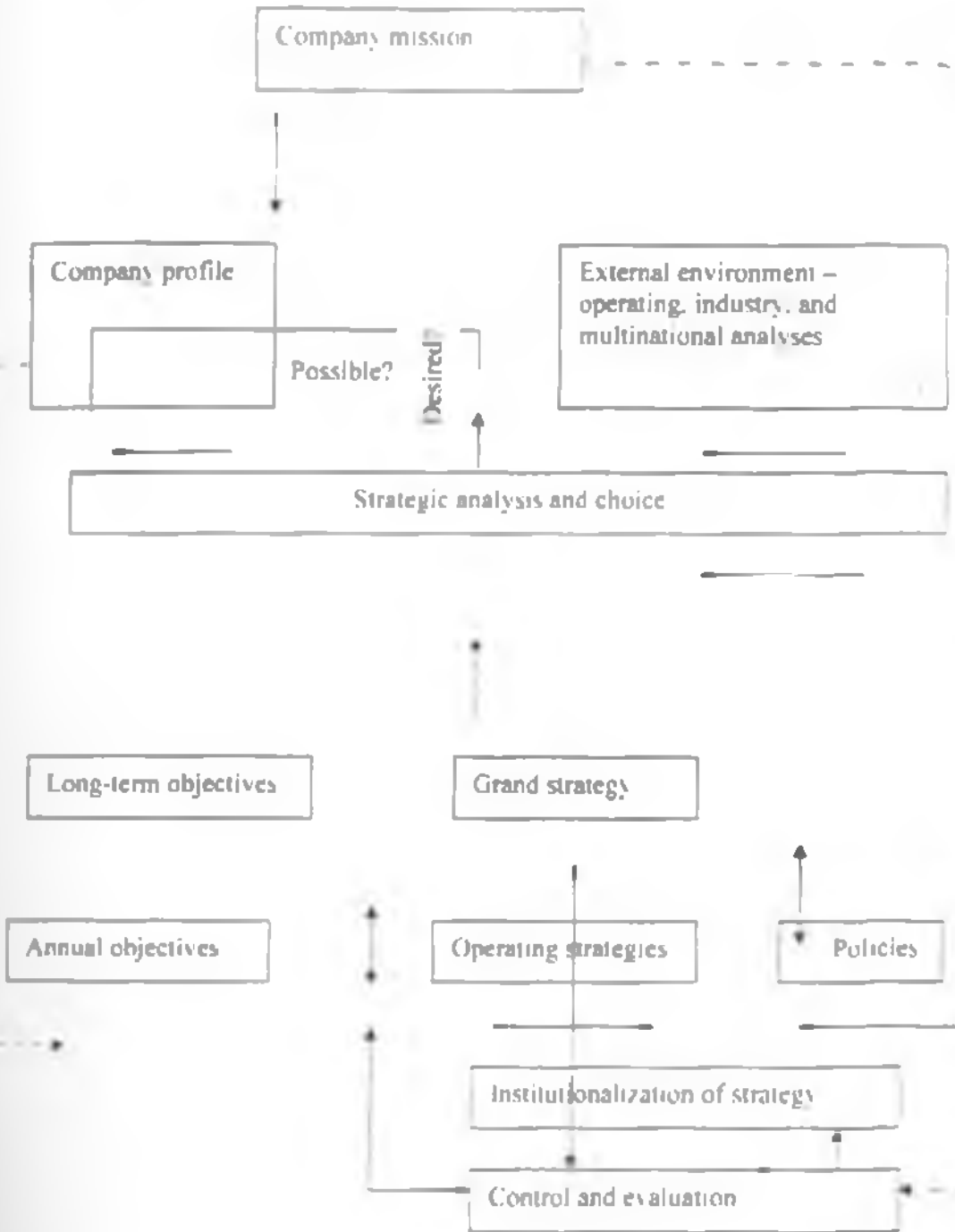
Businesses vary in the processes they use to formulate and direct their strategic management activities (Pearce and Robinson, 1991). Sophisticated planners have developed more defined processes than less formal planners of similar size. Small businesses that rely on the strategy formulation skills and limited time of an entrepreneur typically exhibit more basic planning concerns than those of larger firms in their industries. Understandably, firms with multiple products, markets, or technologies tend to use more complex strategic management systems. Despite differences in detail and the degree of formalization, the basic components of the models used to analyze strategic management operations are very similar.

Because of the similarity among the general models of the strategic management process, it is possible to develop an eclectic model representative of the foremost thought in the strategic management area. Such a model is shown in figure 1 below. The model depicts the sequence and the relationships of the major components of the strategic management process.

The mission of a company is the unique purpose that sets it apart from other companies of its type and identifies the scope of its operations. The company profile depicts the quantity and quality of the company's financial, human and physical resources. It also assesses the strengths and weakness of the company's management and organizational structure (Pearce and Robinson, 1991).

A firm's external environment consist of all the conditions and forces that affect its strategic options but are typically beyond its control. Simultaneous assessment of the external environment and the company profile enables a firm to identify a range of possibly attractive interactive opportunities. These opportunities are possible avenues for investment and must be screened through the criterion of the company mission to generate a set of possible and desired opportunities.

Figure 1: Strategic Management Model



Source: Pearce and Robinson (1991). *Strategic Management. Formulation, Implementation and Control*. Irwin McGraw-Hill, Boston, U.S.A.

The screening process is meant to provide the combination of long-term objectives and grand strategy that will optimally position the firm in its external environment to achieve the company mission. Whereas the results that an organization seeks over a multiyear period are its long-term objectives, the comprehensive, general plan of major actions through which a firm intends to achieve its long-term objectives in a dynamic environment is called the grand strategy. This statement of means indicates how the objectives are to be achieved.

The results that an organization seeks to achieve within one-year period are annual objectives or short-term objectives. Operating strategies are detailed statements of the means that will be used to achieve objectives in the following year. Likewise policies are broad statements that guide or substitute for repetitive managerial decision making. They guide the thinking, decisions, and actions of managers and their subordinates in implementing the organization's strategy. Policies provide guideline for establishing and controlling the ongoing operating process of the firm in a manner consistent with the firm's strategic objectives.

Annual objectives, functional strategies, and specific policies, by translating long-term intentions into short-term guides to action make a strategy operational. The overall strategy must also be institutionalized. Three organizational elements provide the fundamental, long-term means for institutionalizing the firm's strategy: namely structure, leadership and culture. Successful implementation requires effective management and integration of these three elements to ensure that the strategy takes hold in the daily life of the firm. An implemented strategy must be monitored to determine the extent to which its objectives are achieved. There is need for strategic managers to provide monitoring and controlling methods to ensure that the strategic plan is followed (Pearce and Robinson, 1991).

2.2 Strategy Implementation

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge. The notion of strategy implementation might seem quite straightforward; a strategy is formulated and then implemented. In the contrary, transforming strategies into action is a far more complex, difficult and challenging undertaking and therefore not as straightforward as one would assume (Aaltonen and Ikavalko, 2001). Because

implementation of strategies remains the greatest bottleneck. many organizations are not able to address their goals adequately (Machuki, 2005).

Strategy implementation is that process through which strategy is translated into action and results achieved. It involves acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results. Strategies and policies are translated by management into action through the development of programs, budgets, and procedures. Further the process might involve changes within the overall culture, structure and/or the management system of the organization (Pearce and Robinson, 1988).

To ensure success, a strategy must be translated into carefully implemented actions. This means that the strategy must be translated into guidelines for the daily activities of the firm's members. The strategy and the firm must become one – that is the strategy must be reflected in the way the firm organizes its activities and in the firm's values, beliefs and tone (Pearce and Robinson, 1991). In implementing the strategy, the firm's managers must direct and control actions and outcomes and adjust to change.

2.3 Challenges to Strategy Implementation

Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something, that is, strategy implementation, than to say you are going to do it, that is, strategy formulation (David, 1997).

In all but the smallest organizations, the transition from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. According to David (1997), implementation challenges can arise because of this shift in responsibility, especially if strategy - formulation decisions come as a surprise to middle and lower-level managers.

Challenges that occur during the implementation process of a strategy are an important area of research because even the best strategy would be ineffective if not implemented successfully. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies (Muthuiya, 2004). Al-Ghamdi (1998), claims that the overwhelming majority of the literature has been on the formulation side of the strategy and only lip service has been given to implementation side.

The most important problem experienced in strategy implementation in many cases is the lack of sufficient communication. Aaltonen and Ikavalko (2001) state that the amount of strategic communication in most of the organizations is large, both written and oral communication is used in form of top-down communications. However, a great amount of information does not guarantee understanding and there is still much to be done in the field of communicating strategies. According to Wang (2000), communication should be two-way so that it can provide information to improve understanding and responsibility, and to motivate staff.

Before any strategy can be implemented, it must be clearly understood. According to Bvers et al (1996), clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organization direction. Aaltonen and Ikavalko (2001), asserts that lack of understanding of a strategy is one of the obstacles of strategy implementation. They point out that many organizational members typically recognize strategic issues as important and also understand their context in generic terms. However, the problem in understanding arrives when it comes to applying strategic issues in the day-to-day decision making.

Al-Ghamdi (1998) identified barriers to strategy implementation which include: competing activities that distract attention from implementing the decision; changes in responsibilities of key employees not clearly defined; key formulators of the strategic decision not playing an active role in implementation; problems requiring top management involvement not communicated early enough; key implementation tasks and activities not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employees; uncontrollable factors in the external environment; surfacing of major problems which had not been identified earlier; advocates and supporters of the strategic decision leaving the organization during implementation; and implementation taking more time than originally allocated.

Meldrum and Atkinson (1998) identified two problems of implementation, a flawed vision of what it means to be in a strategic position within an organization; and a myopic view of what is needed for successful management of operational tasks and projects within a strategic brief. Studies of Okumus (2003) found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and poor planning activities.

Cultural impact underestimation is yet another challenge to strategy implementation. The implementation of a strategy often encounters rough going because of deep-rooted cultural biases. It causes resistance to implementation of new strategies especially in organizations with defender cultures. This is because they see change as threatening and tend to favor "continuity" and "security" (Wang, 2000). It is the strategy maker's responsibility to choose a strategy that is compatible with the "sacred" or unchangeable parts of prevailing corporate culture (Thompson and Strickland, 1989).

Creating an organizational culture, which is fully harmonized with strategic plan, offers a strong challenge to the strategy implementer's leadership abilities. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation, which can in turn frustrate the strategy implementation effort.

Organizational politics, unavoidable aspects, remains another key challenge in strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organization goals and change strategy and structure to further their own interests (Hill and Jones, 1999). Wang (2000), states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power.

Sterling (2003) identified reasons why strategies fail as: unanticipated market changes, lack of senior management support, effective competitor responses to strategy, application of insufficient resources, failure of buy-in, understanding and or communication, timeliness and distinctiveness, lack of focus, bad strategy and poorly conceived business models. Sometimes strategies fail because they are simply ill conceived. For example business models are flawed because of a misunderstanding of how demand would be met in the market.

Resource insufficiency is another common strategy implementation challenge. David (1997) argues that allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. This is because a number of factors commonly prohibit effective resource allocation. These include overprotection of resources, too great emphasis on short run financial criteria, organizational policies, vague strategy targets, reluctance to take risks, and lack of sufficient knowledge.

According to Aosa (1992), companies which maintain various links between strategy development and implementation are more successful in implementing strategy than those not maintaining such links. He further observes that companies experience various problems in implementing strategic decisions. The following problems are reported at relatively higher levels of severity: implementation taking more time than was originally allocated; uncontrollable factors in the external environment having adverse impact on implementation; major obstacles surfacing during implementation that had not been identified beforehand; competing activities and crisis distracting attention from implementing the strategic decision, key implementation tasks not being defined in enough detail; inadequate resources and ineffective coordination of implementation activities. These problems appeared to originate from both internal and external sources.

Alexander (1985), in a study on implementing strategic decisions, reported that 50% of the companies studied experienced problems in implementing their strategies. He argued that successful implementation in part involves preventing implementation problems from occurring in the first place. If such problems do occur during implementation, then quick action should be taken to solve them. The faster corrective action is initiated during implementation, the more likely it is that problems will be resolved before they adversely impact the company. Reed and Buckley (1988) similarly argue for a problem avoidance approach to strategy implementation requirements of the strategic decisions they make.

At its simplest, strategy is all about managing change and resistance to change can be considered the single greatest threat to successful strategy implementation. Strategic change is the movement of an organization from its present state towards some desired future state to increase its competitive advantage (Hill & Jones, 1999). The behaviour of individuals ultimately determines the success or failure of organizational endeavours and top management concerned with strategy and its implementation must realize this (McCarthy et al, 1996). Change may result to conflict and resistance. People working in organizations sometime resist such proposals and make strategy difficult to implement (Lynch, 2000). This may be due to result of anxiety to fear of economic loss, inconvenience, uncertainty, and a break in normal social patterns (David, 2003)

2.4 Outcomes of Strategy Implementation

A strategy may be good, but if its implementation is poor, the strategy may not be achieved. There are several possible strategy implementation outcomes: poor strategy

implementation coupled with poor strategy formulation results into failure whereas poor strategy implementation coupled with good strategy formulation results into trouble.

On the other hand, good strategy implementation matched with poor strategy formulation results into a situation of gamble roulette. Only a good strategy which is well implemented contributes to the success of a firm. The outcomes of strategy implementation can be summarized by the model of strategy implementation outcomes presented in figure 2.

Figure 2: Outcomes of Strategy Implementation

		Strategy formulation	
		Good	Poor
Strategy Implementation	Good	Success	Roulette
	Poor	Trouble	Failure

Source: Ogutu M.(2007) *The Outcomes of Strategy Implementation* Unpublished Manuscript. University of Nairobi.

2.5 Addressing Challenges to Strategy Implementation by Organisations

Once strategies have been developed, they need to be implemented. Importantly, unless they are successfully implemented, the organization will not obtain desired results. This highlights the need for organizations to devise methods of overcoming the challenges of strategy implementation.

Successful strategy implementation involves empowering others to act on doing all the things needed to put the strategy into place and to execute it proficiently (Thompson & Strickland, 1998). Bryson (1995) states that the most important outcome that leaders, managers and planners should aim from successful strategy implementation is real value added through goal achievement and increased stakeholders satisfaction.

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More than ever before, organizations have realized that successful strategy implementation depends on various factors. Aosa (1992) observed that strategy implementation is likely to be successful when congruence is achieved between several elements. Of particular importance include: organizational structure, culture, resource allocation, systems and leadership. Achieving congruence among these elements is a useful way of addressing strategy implementation challenge.

Organizational structure influences the types of strategy used by an organization. An organization structure simply means the formal framework by which job tasks are divided, and coordinated (Robins and Coulter, 2002). The structure of an organization helps people pull together in their activities that promote effective strategy implementation

Organizational culture refers to the set of important assumptions (often unstated) that members of an organization share in common (Pearce and Robinson, 1991). Culture may obstruct the smooth implementation of strategy by creating resistance to change (Pearce and Robinson, 1988). Aosa (1992) stated that 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

Organizations have at least four types of resources that can be used to achieve desired objectives namely: financial resources, physical resources, human resources, and technological resources (David, 2003) The operating level must have the resources needed to

carry out each part of the strategic plan (Harvey, 1998). It should therefore be possible to implement a strategy which requires more resources that can be made available.

Systems means all procedures, formal and informal, that make the organization go day by day and year by year; capital budgeting systems, training systems, cost accounting procedures, and budgeting systems (Mintzberg and Quinn, 1991). These activities need to be carried out efficiently because they reinforce the implementation of strategy.

Leadership is needed for effective implementation of strategy, as this will ensure that the organization effort is united and directed towards achievements of its goals (Pearce and Robinson, 1988). The leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration. The management should cultivate team spirit and act as catalyst in the whole strategy implementation process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was conducted through a case study design. The study focused on strategy implementation at Equity Bank, interpreting in-depth details concerning the challenges to strategy implementation and how these challenges have been overcome by the bank. This research design has been successfully used by Mumbi (2005), Machuki (2005) and Abshirov (2004) among others.

The case study design gave an in-depth explanation of strategy implementation, and its challenges as experienced by Equity Bank and how these challenges have been overcome. The case study method had been selected because it was expected to enable the researcher to have an in-depth understanding of strategy implementation, its challenges, and how Equity bank has overcome these challenges.

3.2 Data Collection

To meet the objectives of this study, the researcher collected pertinent primary and secondary data. Secondary data included but was not limited to previous studies by other researchers and other literature on the bank that helped achieve the objectives of the study. Primary data from two senior management staff of Equity Bank comprising of Change and Corporate affairs Director and Corporate Strategy Director was collected by way of personal interviews guided by an interview guide.

The interview guide consisted of open ended questions covering issues on strategy implementation, the challenges of strategy implementation and ways of overcoming these challenges. This facilitated a more in-depth interaction with the respondents of the study.

3.3 Data Analysis

Content analysis was used to analyze the collected data. According to Mugenda (1999), content analysis is the systemic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the study.

Content analysis technique had been selected on the basis that subjecting the collected data to this kind of analysis would enable the researcher to achieve the objectives of the study. This analysis technique allowed the researcher to learn and understand the underlying issues to do

with strategy implementation, its challenges, and means of overcoming these challenges by Equity Bank.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Strategy Implementation at Equity Bank

Equity bank has been implementing various strategies since its inception. The study established that implementation of major strategic changes commenced in 1993 and are continuing to-date. Strategy implementation at Equity Bank can be categorised into four and have had effect on the staff morale and performance.

The first major category of strategy implementation was on the market and the clients focus. From the time Equity Bank started, it has changed its marketing strategies several times from a product-driven approach of servicing its customers. Equity bank focus on low-income clients and their needs started from when it opened its doors in 1984 as a Building Society, hence mobilising individual customers on a one-on-one basis. The study established that Equity Bank's strategy is geared towards making banking services accessible and affordable to the vast majority of Kenyans who presently do not consume banking services.

This study established that Equity Bank has implemented this strategy by availing a wide range of banking products and services such as cheque clearing, current account, overdraft, foreign currency dealing, and trade finance. The bank has also rolled out new products and services including money transfer. The bank also plans to develop new innovative products and services such as revised savings and loan products and insurance financing that will effectively serve the unexploited sections of the retail market segment and build competitive advantage.

The study found out that Equity Bank has achieved a customer base growth through a combination of increased number of traditional branches and new service delivery channels such as mobile banking, automated teller machines (ATMs), and point of sale outlets. The bank has also placed emphasis on customer service in order to attract significant numbers of new customers and attain high customer retention ratio. There was also a restructuring of the marketing department to perform market research. This restructuring of the marketing department resulted into extensive research through which Equity Bank was able to develop products and services that addressed the financial needs and seasonality patterns of the micro, small, and medium income earners and the un-banked population.

The second major category of strategy implementation was on ownership and governance. These resulted into several changes taking place which included incoming of additional board

members hence increasing the number to seven from two, and with the additional members bringing in more capital through share offers. The board comprises highly competent directors with a diverse set of skills and experience drawn from many business and economic sectors. The study found that membership to the Bank's board is based on skills, experience, commitment and value that board members have to offer to steer forward the vision and mission of the bank. There was also share offer to the bank's customers, staff and directors.

Ownership and governance changes also took place with several changes at board level especially the leadership style from the new managing director who was the finance director. The study established that Equity Bank has adopted the principles of good corporate governance as developed by the Private Sector Corporate Governance Trust. These principles covers the areas of authority and duties of members (shareholders); leadership; appointments to the board; strategy and values, structure and organization; corporate performance; viability and financial sustainability; corporate compliance, and corporate communication; accountability to members, and responsibility to stakeholders; internal control procedures, assessment of performance of the board; induction, development and strengthening of skills of board members; appointment and development of executive management; adoption of technology and skills; management of corporate risks; corporate culture; social and environmental responsibility; recognition and utilisation of professional skills and competences; recognition and protection of members rights and obligations.

The third category of strategy implementation was on management and measurement. The study established that the bank constituted seven board committees to guide the bank and govern its management. These committees include Audit, Credit risk management, Strategy and investment, Tendering and procurement, Governance, Board nomination, and Staff remuneration and board executive. All board members are vetted before appointment. Board appointments take into account professional qualification, integrity and track record.

There was a change in leadership by creation of new vision and mission with the ascent of finance director to managing director in 2002. The bank's new vision was to become the preferred microfinance service provider contributing to the economic prosperity of Africa. The new mission statement read "We mobilise resources and offer credit to maximize value and economically empower the microfinance clients and other stakeholders by offering customer focused quality financial services". The new managing director brought with him new attributes such as delegation of responsibilities to his subordinates. There was also a

management team changes. The study found that from the year 2002 Equity Bank has engaged in an aggressive recruitment program of quality personnel with requisite banking knowledge and experience to help steer business forward as the bank roll out new financial products and services. Recruiting senior managers from outside Equity Bank has assisted the bank to enhance on staff training and marketing by bringing new skills.

The fourth category of strategy implementation at Equity Bank had a focus on the staff. Changes as a result included but were not limited to long working hours as Equity Bank experienced fast growth, transfers of staff to new branches outside their comfort areas, new mission and vision, new ways of serving customers which included use of computers as opposed to the old manual systems. As part of the bank's employee motivation program, the study established that Equity bank has an Employee Share Ownership Plan (ESOP). The plan gives employees an opportunity to own part of the bank by buying shares through ESOP. The bank also scouts for talented, creative and innovative team players who are excited by the opportunity of pushing the frontiers of the ever evolving microfinance industry, growing its services, exciting customers and contributing to the community.

There was also a culture change within management and staff as Equity Bank changed its client service, vision and market focus. When the bank was faced with hard times, the management had to strive to foster a culture of client service, teamwork and staff dedication by revising, improving and entrenching it.

To realize its strategic objectives, the study established that Equity Bank identified eight critical success factors (CSFs). These are organizational culture that values people, enhances performances and supports the business; being market led, innovative and customer focused, quality, effective and efficient operations, growing a high quality asset portfolio; robust, effective and efficient systems and processes; value maximisation for stakeholders; execution of strategically planned expansion. The bank business plans set measurable targets on each of these critical success factors. These are monitored continuously to ensure that any variances between targets and outcomes are addressed promptly. The board review the implementation of the strategic plan on an ongoing basis.

4.2 Challenges to Strategy Implementation at Equity Bank

The nature of industry in which Equity Bank operates presents an environment that is very challenging. In addition, the study observed that the manner in which Equity Bank is organised has been dictated by the nature of the industry in which it operates. These two aspects make Equity Bank prone to enormous challenges as it endeavours to translate its strategy into action and then into acceptable results. It was the objective of this study to establish what these challenges are.

The study established that some aspects of organizational culture and structure, high degrees of staff turnover and resistance to change as the major challenges that are faced by Equity Bank while implementing strategies. Others include lack of infrastructural facilities, government decisions, inadequate resources, and indiscipline among some employees.

Organizational culture is the company's way of doing things. It constitutes norms, values and beliefs that are held overtime in the course of doing business. The match between strategy and culture is crucial for successful implementation of the strategy. The study aimed at establishing whether or not such a match exists, and if it does how challenging it is to effective strategy implementation.

Equity has been in existence for over twenty years and the way it does things has been established over time. There is a mix of values and beliefs that have been propagated over time by people who have held senior management positions for a considerably long period of time. These aspects have been instilled into the other organizational members and define "the way of doing things around here" hence the organizational culture. The study found that some aspects of culture promote negative attitude amongst some staff towards their development. For instance the culture of seeking approval on every other decision to be taken and rigid procedures followed stood out conspicuously. It was established that most of these aspects emanates from the company's organization structure. It is not the whole mix of values and beliefs that fully support successful strategy implementation. Some of them impede successful implementation of documented strategies.

Organizational design defines the roles, responsibilities, boundaries, processes and procedures, and relationship of the various positions. These define the organizational structure and it was the intention of the study to establish how the company's structural design accelerates or impedes successful strategy implementation. Equity bank has a

functional structure and it was pointed out that this structural design is largely a dictate of the nature of the business it is engaged in, hence inevitable but necessary and appropriate

The study established that some aspects of this structure impede successful strategy implementation. The structure defines reporting procedure, which, prove to be unnecessarily long and time consuming hence slowing down decision making process. The structure also breeds a lack of line authority where decisions to be made by one or few office holders are constrained yet it is perceived that such decisions ought to originate from such offices. Such lack of line authority has led to some line managers deviate from their functions and as a result stumble on other areas. All these structural design issues stand on the way of successful strategy implementation.

Implementation of strategies requires not only adequate staff but also competent staff for success to be realized. At one stage, high degree of staff turnover was identified as a challenging phenomenon in Equity's strategy implementation efforts. This was attributed to intense poaching of employees in the industry. Even though Equity Bank does the poaching also, it proves very costly to reward the poached personnel and or in the recruitment, selection, training and development of the new staff to fill the positions left vacant.

Developments in the environment require that a company change its strategic direction so as to exploit any eminent opportunities and also counter the resultant threats. The internal readjustments would entail the reassessment of the company's weaknesses and strengths so as to establish the capability gap and do something on its core and distinctive competences. All these moves require management to throw its weight fully behind their realization. It was the aim of the study to determine the management's supports towards this end. It was established that such management support was hardly granted. Suggestions put forward to introduce new programs and effect changes in some policies get resistance from management. For instance there is lack of appreciation that some training programs are necessary yet these will go a long way in developing organizational capabilities in implementing strategies. They are instead perceived as costly and time wasting activities rather than value adding moves. The need for human resource policies that are comprehensive and strategy supportive has been met with resistance from management

In ensuring that financial strategies are effectively implemented, the study sought to establish whether such efforts face any challenges. The research identified a number of challenges that impede such efforts. Some staff are lazy and don't perform up to expectations. The study also

found out that the economic factors such as inflation, exchange rates, interest rates and economic performance in general impacts on strategy implementation. All these factors will act as sources of challenges when they are unstable and the economy poorly performing

It was established that common across the functional areas include such challenges as severe competition in the market, implementation taking longer time than originally allocated, and major obstacles surfacing during implementation. Rivalry among the existing players in the industry is a phenomenon that the researcher noted to pose enormous challenges to the organization as it strives to attain its objectives and goals.

A match between strategy and policies, processes and procedures makes strategy a success. The company has laid down broad policy guidelines and the procedures and processes to be followed in undertaking any action. However, it was found that some policies, processes and procedures are an impediment to successful strategy implementation. They are archaic and rigid. The phenomenon was attributed to the bureaucratic culture of handling of issues that involves long processes and procedures in the light of outdated policies resulting into actions, even urgent ones taking long to be executed. As a result, the study established that too much paper work arose from such processes making it too tedious and cumbersome to handle them.

Resources, both financial and non-financial are a very crucial component of any organization's strengths that contributes to successful strategy implementation. The resources range from financial to materials to human resources. The study revealed that Equity Bank does everything possible to mobilise its financial resources to ensure successful execution of its plans and achieves the set of objectives and goals. However, it was established that at times some functions claim unavailability of both financial and human resources needed to effectively execute plans.

The study established that politics in the organization, though not explicitly manifested, poses challenges to strategy implementation. At times managerial issues raised are perceived as personal and thrown out of proportion. This constrains the effort required to implement strategy. Such issues as request for finances become constrained because of the requirement to justify expenditure even when it speaks for itself.

The study established that in addition to challenges that are as a result of aspects of organizational structure, culture, uncontrollable factors in the external environment and resource availability, other challenges emanate from capabilities of employees involved in

implementation, competing activities that distract attention from implementing what has been planned, information systems to monitor implementation, major obstacles surfacing during implementation that were not foreseen beforehand, staff motivation, advocates and supporters of strategic decisions leaving during implementation, and resistance

The research also aimed at looking into competing activities that distract the attention of strategy implementers. It established that in some departments competing activities existed. Leaving of some employees by way of being laid off for some other reason, more especially when he or she is most needed makes normal operations get distracted. Some seniors also introduce some controls during the process of implementing another system. Some controls would mean a complete overhaul of the current system which had not been fully implemented, and because it is a boss's order one has to abandon any other on-going operation to attend to the new one.

Successful implementation of strategies requires an adequate information system to monitor such implementation process in order to ensure that plans get carried out as planned. It was established that all that is at their disposal is a telephone. Computers that they have are for ordinary purposes. Thus the challenging aspect in monitoring the ongoing implementation process is making sure that one is physically present. The progress report obtained from the employees has to be confirmed physically. The absence of adequate information system to monitor implementation activities without necessarily establishing physical presence means that monitoring suffers drawbacks.

The study further established that major obstacles surface during implementations that were not foreseen beforehand. It identified systems, computer breakdowns, stronger controls, lack of adequate staff as major obstacles that come on the limelight during implementation. The system breakdown is attributed to the inadequacy of the solutions provider. Stronger controls introduced during the process inhibit flexibility and takes time to be incorporated into the current system. Lack of enough staff is due to an imbalance between the activities to be carried out and the available staff and some staff having personal commitments that forces absenteeism. All these make implementation challenging and will obviously lead to more time being taken to carry out the plans that were originally allocated.

The advocates and supporters of strategic decision play a pivotal role in ensuring successful execution of the strategic decisions more especially those they initiate. The study set forth to establish whether such people leave Equity Bank during time when they are most needed.

that is, during implementation phase. It was pointed out that this has been very rare at equity bank.

The environment in which strategy implementation takes place is not static as changes in the environment are ever continuous. This calls for some adjustments in the strategy in order to accommodate such changes. It is the people on the ground that will notice such changes and suggest appropriate changes in the policy and/or strategy. The study noted that the juniors have the feel of what happens on the ground and could be a source of suggestions to the improvement of the implementation process. The study aimed at establishing whether or not such suggestions from juniors are welcomed by the seniors. It was established that top managers will always seek suggestions but upon receiving them, they ignore them. A plan could be followed in one way or another and will require some revisions. Where the suggested revisions or changes affect the top managers, they are highly resisted than those affecting those down the line.

4.3 Addressing Strategy Implementation Challenges by Equity Bank

In as much as managers' approaches need to be tailor-made for each situation, there are certain bases that have to be covered no matter what the organization's circumstances. These includes building an organization capable to carry out the strategy successfully, developing budgets to steer adequate resources into those value chain activities critical to strategic success, establishing strategy supportive policies and procedures, instituting best practices and pushing for continuous improvements and how value chain activities are performed, installing information, communication and operating systems that enable company personnel to carry out their strategic roles successfully day in day out. Also important is tying rewards and incentives to the achievement of performance objectives and good strategy execution, creating a strategy supportive work environment and corporate culture, and establishing the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed.

Strategy implementation is about managing change and resistance to change can be considered the greatest threat to successful strategy implementation by organizations. Equity Bank ensured that employees were involved in the entire strategy formulation and implementation process. The change initiators at Equity Bank communicated the intended changes through training, monitoring, message boards and various bulletins. The study established that customers were also informed of the need for change in advance through

organised forums by the bank's management. Management and employees forums were conducted in the head office in Nairobi and in branches country-wide, while customers and director's forums were conducted in hotels. The facilitators of these sessions were mainly the finance director, now the chief executive officer and the head of business growth and development that performed the presentations.

The managerial skills challenge was resolved by two-person consultant team of the financial systems specialist and the human resources specialist, who were hired to conduct a needs assessment and provide the management with a strategy for meeting the identified needs. The two-person team provided invaluable training and technical assistance in streamlining systems and procedures, and in defining and popularising a mission and vision for Equity Bank. A change agent was also hired to assist in strategy implementation. Staff capability building was also performed through leadership training for managers, problem solving teams training for managers and officers and quality management training for all second level managers and officers.

The study established that Equity Bank's management performed needs assessment in order to understand the staff's and customer's point of view and the needed requirements for strategy implementation. The managing director and chief executive officer then illustrated the current status in terms of business, competition, financial and customer issues to all stakeholders during various forums in order to create the desired understanding as to the current state of affairs and the intended desired future that the organization envisioned.

The communication was performed during various forums with the staff, customers and the directors of the bank. During these forums, the consequences of not implementing formulated strategies and the future benefits of the intended changes were communicated. For instance, the customers, staff and other stakeholders were reminded of the fact the bank needed to change in order to achieve its goals and objectives. Employees were provided with information on the customer desire and preferences and how other banks had responded to them. The need to remain competitive in the market was also communicated to the participants. This enabled the staff, customers and stakeholders share the vision with the management hence they were able to support the change and participate in the strategy implementation process.

The study also established that Equity Bank performed training sessions on the new products and services. The training also included customer relationship management where skills such

as problem solving, customer care, business management, interpersonal skills, teams dynamics, sales and marketing were provided. After the training sessions, employees were assisted in utilising the learnt skills in the real working situations. This was performed, and is still being performed, by the bank's officers and supervisors.

The study found that during the strategy implementation process over the years, employees were encouraged to brainstorm, share new ideas, and to own the strategy implementation process. The critical success factors they come up with during brainstorming sessions were used as their job descriptions. These brainstorming sessions described the bank as "Equity Bank is a work in progress bank. We cannot have typical job descriptions as this will pipe people's minds hence stagnation of the strategy implementation process."

The study established that the leadership style of delegating responsibility, creating incremental challenges and rewarding performance enhanced the morale of senior managers and branch managers in implementing strategies. Lower level staffs were also not left behind as they were also rewarded for good performance, dedication and long service. This ensured that there was personal recognition and appreciation for work done by each staff member. From the findings of the study, it was evident that Equity Bank endeavours to change continuously hence the importance of effective strategy implementation.

During the first fifteen years, Equity relied entirely on its own resources and had no assistance from any international partner. In order to address financial constraint challenge that inhibited on strategy implementation, Equity started getting assistance from international organizations. These included organizations like European Union-Micro Enterprise support Programme (EU-MESP), United Nations Development Programme (UNDP), Britain's Department For International Development's (DFID's) Financial Deepening Challenge Fund (FDCF) and Africap. This supported the launch of mobile banking program.

The social cultural processes within organizations are of major importance as they help in delivering successful strategies. They are particularly important in organizations facing complex and dynamic environments because the fostering of innovation is crucial to survive and succeed in these circumstances. The study established that Equity Bank recognises the importance of such processes hence the development of core guiding values. The core guiding values for the bank are Professionalism, Integrity, Creativity and Innovation, Teamwork, Unity of purpose, Respect and dedication to customer care, and Effective corporate governance. These stand for the word PICTURE.

CHAPTER FIVE: SUMMARY, CONCLUSION, RECOMMENDATIONS, LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

5.1 Summary

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge. Strategy implementation is concerned with both planning how the choice of strategy is put into effect, and managing the change required. In this process, it is laden with complexity and challenges. The objectives of this study were to obtain an overview of strategy implementation at Equity Bank, determine the challenges encountered while implementing challenges and to establish how Equity Bank address these challenges.

5.1.1 Overview of Strategy Implementation at Equity Bank

The first objective of the study was to obtain an overview of strategy implementation at Equity Bank. The study revealed that the bank has implemented various strategies since inception. Implementation of major strategies is continuing up to date and can be categorised into four phases.

The first major category of strategy implementation was on the market and client focus. From the time Equity Bank started, it has changed its marketing strategies several times from a product-driven approach of serving its customers

The second major category of strategy implementation was on ownership and governance. This category of strategy implementation was characterised by the incoming of additional board members hence increasing the number from two to seven, and with the additional members bringing in more capital through share offers. Shares were also issued to the bank's customers, staff and directors. There has also been ownership and governance changes overtime.

The third category of strategy implementation was on management and measurement. There was a change in leadership by creation of new vision and mission with the ascent of financial director to managing director. The new managing director is credited with bringing with him new attributes such as delegation of responsibilities to his subordinates. There has also been a management team changes by recruiting senior managers from outside Equity Bank with a view to injecting fresh blood into the organization.

The fourth category of strategy implementation had a focus on staff. Changes as a result of this included long working hours as Equity Bank experienced fast growth, transfers of staff to new branches outside their comfort areas, new mission and vision, and new ways of serving customers by use of computers. There was also a cultural change within management and staff as Equity Bank changed its client service, vision, and market focus.

5.1.2 Challenges to Strategy Implementation at Equity Bank

The second objective of the study was to determine the challenges encountered by Equity Bank while implementing strategies. The findings of the study show that the major challenges encountered by the company included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and indiscipline among some employees.

The study further established that there is a mix of values and beliefs that have been propagated overtime by people who have held senior management positions for a considerably long period of time. These aspects have been instilled into the other organizational members and define "the way of doing things here" hence the organizational culture. Some aspects of the resulting culture promote negative attitude amongst some staff towards their development.

Equity bank has a functional structure and it was pointed out that this structural design is largely a dictate of the nature of the business it is engaged in. The structure defines the reporting procedure, which proves to be unnecessarily long and time consuming hence slowing down decision making process. At a point in time high degree of staff turnover was identified as a challenging phenomenon in Equity's strategy implementation efforts.

5.1.3 Addressing Strategy Implementation Challenges by Equity Bank

The third objective of the study was to establish how Equity bank address the challenges it encounters while implementing strategies. Strategy implementation is about managing change and resistance to change can be considered the greatest threat to successful strategy implementation. The study found out that Equity Bank involved all employees and other stakeholders in its strategy implementation process. This is in order to minimise resistance to change. Changes were communicated to all those affected. There were also efforts by the

bank to prepare staff members for changes to be effected in the future. The bank also hired consultants to resolve managerial skills challenge.

Equity bank offered training to employees on new products and services. The training also covered customer relationship management. After the training sessions, employees were assisted in utilising the learnt skills in the real working situations. The study also found that the bank encouraged employees to brainstorm, share new ideas, and to own the strategy implementation process. The leadership style of delegating responsibilities, creating incremental challenges and rewarding performance enhanced the morale of senior managers and branch managers in implementing strategies. Lower level employees were also rewarded for good performance, dedication and long service.

In order to address financial constraints challenge that inhibited on strategy implementation, the bank started getting assistance from international organizations. The bank also acknowledged the importance of social cultural processes in successful strategy implementation hence the formulation of its core guiding values aimed at assisting in strategy implementation.

5.2 Conclusion

Equity Bank has implemented various strategies since its inception. The implementation of major strategies were categorised into four phases. The first major category of strategy implementation was on the market and the client focus while the second category was on ownership and governance. The third category of strategy implementation was on management and the fourth category focused on the staff.

The major challenges encountered by Equity Bank while implementing strategies included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and indiscipline among some employees.

As a way of dealing with the challenges encountered, Equity Bank involved all employees and other stakeholders in its strategy implementation process. There was also communication to all parties to be affected by the changes as a result of new strategies implemented. Other initiatives adopted included training of employees, encouraging employees to brainstorm, share new ideas, and own the strategy implementation process, change in leadership style, rewarding the performance of senior managers as well as lower level managers and

employees. In order to address the challenges of financial constraints, Equity Bank started getting assistance from international organizations. The bank also recognised the importance of social cultural processes in successful strategy implementation hence its development and adoption of core guiding values.

5.3 Recommendations

For Equity Bank to continue implementing its strategies effectively, it is recommended that the organization looks at its failures and challenges and then address the same. Although the bank has attempted to address some of the challenges it faces while implementing strategies, there is a need to do more. The organization should always strive to be proactive while addressing challenges to strategy implementation other than waiting for some challenges to arise and then put efforts address the same

Equity Bank has to consider reducing on the bureaucracy and recognize the fact that the necessary tools for successful strategy implementation are managers and workers empowered to act on their own judgements, reengineered work process and procedures, self directed work teams and rapid incorporation of information technologies to improve existing organizational capabilities.

On cultural aspects, and resistance to change, Equity Bank should recognise the fact that when a company's culture is out of place with what is needed for strategic success, the culture has to be changed as rapidly as possible. Successful cultural changes have to be led by top management. What organizations leaders say and do plants the seeds of cultural change. Only top management has the power and organizational influence to bring about major change in a company's culture.

5.4 Limitations of the Study

The study was based on Equity Bank Limited and it could not therefore give a general picture of strategy implementation, its challenges and how these challenges are addressed by other banks operating in Kenya. Thus the study cannot be taken as the actual representative of the situation within the entire banking industry in Kenya as the findings of this study are organization specific and apply to Equity Bank only

The study focused only on the strategy implementation aspect of the strategic management process. Thus it did not focus on the other aspects of the strategic management process which

includes formulation as well as the control, monitoring and evaluation aspects. These are important component parts of the strategic management process and should therefore not be ignored.

5.5 Suggestions for Further Research

There is a need to carry out further studies on strategy implementation, implementation challenges, and how these challenges are overcome in other banks operating in Kenya. A replication of this study should also be done after some time to find out if there are any changes that have taken place and comparison with the findings of this study done

One may also wish to carry out a study on the bank but focusing on the other aspects of the strategic management process apart from strategy implementation. A similar study may also be carried out on a foreign bank operating in Kenya and a comparison of the results of the study be made with the results of this study. Such a comparison will help establish whether a foreign bank operating in Kenya face similar strategy implementation challenges as an indigenous bank and whether the two type of bank adopt similar methods in addressing the challenges.

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APPENDICES

APPENDIX 1: REQUEST FOR RESEARCH STUDY AT EQUITY BANK LIMITED

KIBE CHARLES NJAGI
P.O. BOX 64248-00620
NAIROBI

August, 2008

THE MANAGING DIRECTOR & CEO
EQUITY BANK LIMITED
P.O.BOX, 75104-00200
NAIROBI

Dear Sir,

RE: REQUEST FOR RESEARCH STUDY AT EQUITY BANK

I am a post graduate student studying at the University of Nairobi, School of Business. I'm conducting a management research project in partial fulfilment of the requirement for the Master of Business Administration degree. My topic of research is "Strategy Implementation at Equity Bank Limited."

The choice of your organization as the focus of the study is based on the reasons that Equity Bank Limited is the leading Microfinance Bank in Kenya and has continued to cause a revolution in the Kenyan banking industry. The organization has also undergone strategic changes since 1999 in terms of culture turnaround, new vision, capital, restructuring, computerization among others. While implementing new strategies, the organization, just like any other is expected to have experienced strategy implementation challenges.

I kindly therefore request your approval in conducting this research in your organization. The information gathered will not be used for any other purpose other than for this research. Any

Reports or Journals, Strategic Plan, Annual Reports and any other material that you may have that are relevant to this study may be availed to me at your discretion.

A copy of the final report will be availed to your organization upon request. Your kind assistance in facilitating the same will be highly appreciated.

Yours Sincerely,

Kibe Charles N.

(MBA Student)

APPENDIX II: LETTER OF INTRODUCTION

August, 2018

Dear Respondent,

This interview guide is designed to gather information on strategy implementation, and implementation challenges at Equity Bank Limited and how these challenges have been overcome. The study is being carried for a management project paper as a requirement in partial fulfilment of the degree of Master of Business Administration Faculty of commerce, of the University of Nairobi.

The information gathered will be treated with confidentiality and in no instance will your name be mentioned in this research. Also, the information will not be used for any other purpose other than for this research

Your assistance in facilitating the same will be highly appreciated. A copy of this research paper will be made available to you upon request

Thank you in advance

Yours Sincerely,

Kibe Charles N.

(MBA Student)

APPENDIX III: INTERVIEW GUIDE

(a) To the Corporate Strategy Director

Section A: Details of the Respondent.

1. Respondent Name
2. Position held
3. Number of years in the position
4. Department

Section B: Strategy Implementation.

Being guided by the factors listed below, how would you describe strategy implementation at Equity Bank?

5. The management staffs have the skills that enable successful strategy implementation.
6. The current organizational structure supports strategy implementation.
7. Equity Bank has an annual work plan to support strategy implementation
8. The senior management team of Equity Bank has been in the forefront in providing leadership to enable strategy implementation
9. The current policies adequately support strategy implementation.
10. Any other comment regarding strategy implementation at Equity Bank

Section C: The challenges of Strategy Implementation.

Organizations face various challenges in their pursuit to implement strategies. Bearing this in mind, what is the experience of Equity Bank with the following challenges as far as its strategy implementation process is concerned.

11. Monitoring, Planning, Coordination, and sharing of responsibilities was not well defined.

12. Implementation took more time than was originally allocated
13. There was inadequate communication of the strategy to the staff
14. Slow acceptability of the strategy by Equity Bank stakeholders.
15. Resources made available were inadequate.
16. Competing activities and crises distracted attention from implementing the strategy.
17. Leadership and direction provided by managers were not adequate
18. Information systems used to monitor implementation were not adequate.
19. Key formulators of the strategic decisions did not play an active role in implementation.
20. Advocates and supporters of the strategic decisions left during implementation.
21. What other strategy implementation challenges could have Equity Bank faced?
22. Please explain in detail how Equity Bank has overcome (responded) to the challenges identified above to ensure success in strategy implementation
23. In evaluating the overall success of the strategy implementation effort at Equity Bank, what comments can you make regarding the entire process?
The implementation efforts,
 - i. Achieved the intended outcomes.
 - ii. Achieved the financial results expected.
 - iii. Was carried out within the resources initially budgeted for.
24. Please give any other comment you may have regarding the subject of this research

Thank you.

APPENDIX III: INTERVIEW GUIDE

(b) To the Change and Corporate Affairs Director

Section A: Details of the Respondent.

1. Respondent name
2. Position held
3. Number of years in the position
4. Department

Section B: Strategy Implementation.

Being guided by the factors listed below, how would you describe strategy implementation at Equity Bank?

5. The current organizational structure support strategy implementation.
6. The current policies adequately support strategy implementation.
7. The senior management team of Equity Bank has been in the forefront in providing leadership to enable strategy implementation.
8. Equity Bank has an annual work plan to support strategy implementation.
9. The management staffs have the skills that enable successful strategy implementation.

Section C: The challenges of Strategy Implementation.

Organizations face various challenges in their pursuit to implement strategies. Bearing this in mind, what is the experience of Equity Bank with the following challenges as far as its strategy implementation process is concerned

10. Uncontrollable factors in the external environment had adverse impact on implementation

APPENDIX III: INTERVIEW GUIDE

(b) To the Change and Corporate Affairs Director

Section A: Details of the Respondent.

1. Respondent name
2. Position held
3. Number of years in the position
4. Department

Section B: Strategy Implementation.

Being guided by the factors listed below, how would you describe strategy implementation at Equity Bank?

5. The current organizational structure support strategy implementation
6. The current policies adequately support strategy implementation.
7. The senior management team of Equity Bank has been in the forefront in providing leadership to enable strategy implementation.
8. Equity Bank has an annual work plan to support strategy implementation
9. The management staffs have the skills that enable successful strategy implementation.

Section C: The challenges of Strategy Implementation.

Organizations face various challenges in their pursuit to implement strategies. Bearing this in mind, what is the experience of Equity Bank with the following challenges as far as its strategy implementation process is concerned.

10. Uncontrollable factors in the external environment had adverse impact on implementation

11. There was resistance to change during strategy implementation.
12. Lack of a proactive approach towards managing resistance
13. Advocates and supporters of the strategic decisions left during implementation
14. Wrong organizational structure.
15. There was unfavourable organizational politics towards strategy implementation.
16. Key formulators of the strategic decisions did not play an active role in implementation
17. Information systems used to monitor implementation were not adequate
18. Leadership and direction provided by managers were not adequate.
19. Coordination of implementation activities was not effective enough
20. Unsupportive organizational culture
21. What other Strategy implementation Challenges has Equity Bank faced?
22. Please explain in detail how Equity Bank has overcome (responded) to the challenges identified above to ensure success in strategy implementation.
23. Please give any other comment you may have regarding the subject of this research.

Thank you.