A CASE STUDY OF STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE AT THE CO-OPERATIVE BANK OF KENYA LIMITED

BY

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A management research project submitted in partial fulfillment of the requirements for the degree of master of business administration school of business, University of Nairobi.

FEBRUARY 2008

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DECLARATION

This Management Research Project is my original work and has not been submitted for award of a degree in the University of Nairobi or any other University

Signed ...UiC^-•• \..............................Date. **JSlnloE**

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This management Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

To my mother, whose incalculable support sailed me throughout my education. To my father whose perseverance and humility motivated me, and to my workmates whose moral support has been insurmountable.

ACKNOWLEDGEMENT

I owe my supervisor Mr. Kagwe special thanks for his immeasurable support and guidance. His positive criticism greatly enhanced and enriched this study. His uncompromising stance on quality and detail greatly motivated me.

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Thanks also to my family, workmates, and well-wishers for the belief they have in me.

ABSTRACT

The changes in business environment brought about by globalization and liberalization has increased competition in the banking sector reducing market shares of most banks. Customers have become increasingly aware and demanding and the successful survival by any single bank depends on producing, packaging and delivering products and services which offer superior value than competitors' products. Creating and maintaining a competitive edge over rival firms requires embracing strategic management practices. Consequently, the Co - operative Bank of Kenya Limited has adopted strategic planning aimed at assisting the Bank to maintain its competitive position in the financial market.

The study was a case study of the Co - operative Bank of Kenya Limited and the objectives of the study were to determine the strategic management practices of the Bank and to evaluate the impact of strategic changes to the performance of the Bank. Data was collected by interviewing three general managers drawn from finance and administration, institutional banking and retail banking divisions. A semi - structured interview guide was used to collect data. Descriptive statistics was used to analyze quantitative data while content analysis was use in analyzing qualitative data.

The study found that strategic planning practices existed at the Bank. The Bank has a mission and vision and analysis of external and internal environment is done with the help of marketing research department. Analysis of the internal environment is poorly done raising the danger that the Bank may be ignoring its weaknesses. The results showed that the Bank uses cost leadership and retrenchment strategies to a large extent while market penetration was the least used strategy. Strategic management practices have impact on performance of the Bank as was depicted by notable improvements in sales and profit before tax over the last five years that the Bank adopted strategic planning. Return on equity has also increased following adoption of strategic planning. However, it was revealed that the strategic planning practices did not have significant impact on share capital and return on asset. It was recommended that managers acquaint themselves with basic research skills to enable them understand the quality of external and internal environmental analysis.

Analysis of the bank's internal environment should be improved. It was further recommended that the bank develop strategies aimed at increasing share capital; and given the importance of return on investment towards success of strategy, further research should be done to identify determinants of return on investment.

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CHAPTER ONE   INTRODUCTION

1.1 Background

The globalisation of world economies has resulted in high environmental volatility coming in unpredictable ways (Achrol, 1991). Environmental changes such as technology and innovation, competition, globalization, regulation and de-regulation and consumer behaviour have affected many organizations in that organizations have been forced to enhance their business processes in order to survive the environment, which has become increasingly competitive (Ansoff, 1987). Throughout most of modern business history, corporations have attempted to unlock value by matching their structures to the strategies (Kaplan & Norton, 2000). Organisations are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organization to that of the environment (Johnson & Scholes, 2002).

In order to cope with the external and internal pressures, organizations have been forced to become more innovative in ways of doing their things faster to meet customer demands and have more products that cut a profitable market niche. Organizations have to constantly be alert to anticipate change and implement it to the end (Mintzberg, 1987). The capacity to anticipate change and manage adaptation to it in a timely and acceptable way is one of the key success factors for competitiveness and wealth creation of organizations and economies as a whole. For organizations to remain truly competitive over time as the environment changes, Ross et al (1996) argue that they have to learn, adapt and reorient themselves to the changing environment. This process has to be deliberate and coordinated leading to gradual or radical systematic realignments between the environment and a firm's strategic orientation that results in improvement in performance and effectiveness.

Aosa (1992) observes that a mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates a strategic problem. A strategic problem requires a strategic response (Ansoff and MacDonnell,

1990). Additionally, Pierce and Robinson (1998) define strategic response as the set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objectives while Porter (1991) notes that organizations need to know the underlying sources of competitive pressure to develop an actionable agenda.

1.1.1 Strategy

Johnson and Scholes (1999) define strategy as the direction and scope of an industry over the long term, which achieves advantage for the industry through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholders' expectations. They assert that strategy making is a deliberate and conscious activity. Management concerned with strategy making may adopt an "umbrella" mode, setting out broad deliberate guidelines with emergent specifics, or adopt a process mode, where management concerns itself with setting up frameworks within which the strategy will become operational (design structure, staffing, procedure for managing high technology), but not the actual content of the strategy.

Ansoff and McDonnell (1990) reaffirm that strategy is a potentially very powerful tool for coping with the conditions of change, which surround the firm today. Strategic planning is a process that involves the review of market conditions, customer needs, competitive strengths and weaknesses, socio-political, legal and economic conditions, technological developments and the availability of resources that lead to the specific opportunities or threats facing the organization (Donelly et al, 1992). It plays a key role in achieving balance between the short term and the long term. This definition is further reinforced by Grant (1998) who states that the strategic planning process involves decision-making about long-term goals and strategies and therefore has a strong external orientation. Strategic planning practice involves processes that enhance informed decision making for the continued survival and relevant contribution at national level for any industry. Strategic planning therefore is not a matter of coming up with a detailed plan or program of instructions but it is a "unifying theme that gives coherence and direction to actions and decisions".

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Ansoff & MacDonnell (1990) assert that the study of strategic management emerged in the late 1950s and early 1960s, when firms invented a systematic approach to deciding "where and how the firm will do its future business". It was generally recognised that strategic management consisted of a critical dimension referred to as strategic formulation and a process by which managers would jointly formulate strategy being referred to as strategic planning. Because of its multi-faceted and complex nature, strategic planning practice, (particularly in areas of technology) requires two-way feedback between resources and product/ service- market. Ansoff & MacDonnell (1990) elaborate that strategic planning practice involves broad processes of identification of strategic resource area, strategic influence groups and availability of strategic information.

Lynch (1997) identifies purpose, plans and actions as giving rise to strategy. Strategic planning practices must comply with three conditions. First, they should be capable to leading to the achievement of goals of the organization in terms of profitability and growth. Second, they must be consistent with the present or likely future prospects of the business and thirdly, they must not transgress any of the constraints or internally generated responsibilities faced by the firm.

The purpose of strategic planning should take into consideration the elements of strategy content and value addition. Thompson et al (1998) maintain that planning ought to be focused on the factors within the firm's operating environment.

Strategy should be industry specific, functional, flexible, and technically superior to maximise return on investment. Organizations succeed when strategies adopted for the circumstances they face are feasible in respect to their resources, skills and capabilities and are desirable to the stakeholders. Organizations fail when their strategies fail to meet the expectations of these stakeholders or produce outcomes which are undesirable to them i.e. strategic dissonance.

Essentially, strategic management processes have a direct impact on organizational performance. Rue and Byars (1992) aver that organizational performance is measured in terms of results. The term performance generally carries with it an understanding of a degree of achievement of an operation or a set of connected operations, in so far as an organization's goals and objectives are concerned. These operations may have been formally put in place by the organization to evaluate and monitor the organization's capability to successfully meet its goals and access its employees and stakeholder responsiveness to what has been learned, through the adoption of efficient structures, systems and capital investments (Sita, 2003).

Objective performance indicators need to be put in place to monitor processes and criteria to evaluate organizational performance and change and to report any noted deviations from the organizational expectations. Through this, the cause of failure may be addressed and success enhanced within the organization. Performance measurement serves the purposes of control and oversight of progress, recognizing and rewarding performers and encouraging and improving non-performers.

1.1.2 The Co - operative bank of Kenya Limited

The banking industry occupies the key position in a financial system that supplies the credit needed for a country's economy. Working within the constraints established by the monetary authorities, commercial banking through its many credit decisions create the deposits that act as the effective money supply for carrying on business activity. While fulfilling this prime responsibility to provide for the financing requirements of business, (consumers and government), banks still carry the overriding responsibility for deposit safety (Baughn & Walker, 1997). According to Ford (1989), banks fulfill the role of a financial intermediary. This means that they act as vehicles for moving finance from those who have surplus money, however temporarily, to those who have a deficit In every day banking terms, the banks channel funds from depositors whose accounts are in credit to borrowers who are in debit (Ford, 1989).

Co - operative Bank of Kenya Limited was formed in 1965 by the Co- operative movement to serve the unique financial needs of the sector and it has remained to this founding principal of providing financial services to the Co - operative movement (Olali, 2006). The Annual Report and Financial statement (2006), states the facts that the Bank has a share capital of Kshs 4.8 billion, total assets of over Kshs 58 billion, customer deposits of Kshs 48 billion. It is the fourth largest Bank in Kenya and is the largest issuer of debit cards. Today Co - operatives continue to be the core clientele for the Bank and account for over 70% of the business turnover. It is the only indigenous private Bank fully owned by Kenyan shareholders. The Bank directors are elected through the delegates of the Co- operative movement and they represent all the eight provinces of Kenya (Olati, 2006). The Bank currently has a total employee establishment of over 1400. With liberalization of the economy and globalization of the businesses, the Bank embraced the new challenges by becoming a fully - fledged Bank in 1994. The change of Chief Executive Officer and the management at Co -operative bank in early 2001 ushered a new era where new ideas are adopted and managers reclaiming managerial responsibilities. The main objective then was to come up with innovative business strategies that would ensure the Bank served its core customers, the Co - operative Societies and non Co - operative customers effectively.

The Bank embarked on reviewing its five year corporate strategic plan which builds on the existing strengths of the bank specifically addressing growth and development, information technology and business management, enhanced service delivery, profitability and capital growth. The strategic plan for the Bank has been drawn up with the theme 'Managing for Value'. The strategies are based on four perspectives: First, People; Secondly, Customers; thirdly, Financial performance and Risk; and finally, Control. The goal of the plan is to ensure that the Bank meets the shareholders' expectations, provides the Bank with a common language and clearly understood objectives, guarantee satisfaction to its chosen customer segments and business partners. A focus on these four perspectives would result in customer satisfaction, efficient and effective processes, and motivated and prepared staff.

1.2 Statement of the problem

According to Lynch (2000), corporate strategy is concerned with an organization's basic direction for the future; its purpose, ambitions, resources and how it uses them to interact with the world in which it operates. A well-formulated and implemented strategy offers many benefits to an organization. It helps provide long-term direction for the firm, helps companies cope with change and enables companies to focus their resources and efforts (Pierce & Robinson, 1998). Strategy assists a company to develop competitive advantage in the market. This in turn helps the company outperform the competition (Porter, 1980). Strategy also helps in achieving an effective and efficient organization.

No matter the industry, management's approach to strategic change practices and performances must be dynamic, flexible and innovative particularly when confronted with discontinuities and turbulence in its operating environment. Performance indicators may also be used to establish an objective mode of evaluation and monitoring critical success factors against previously accepted levels of achievement, for setting performance standards and to create benchmarks against accepted industry performance.

The environment in which Kenya's public sector organizations exist and with which they interact is increasing in complexity and the rate of change is accelerating (Kangoro, 1998). There is increasing pressure to perform from the government, public and donors. With this pressure, public sector managers must have capacity to adopt and restructure the organization to challenge constraints. However, she states that public corporations lack commitment and hence poor strategic management practices.

Koske (2003) indicates that Co - operative Bank of Kenya Limited formulated and documented its strategies in 1999. The organization formed a multi-disciplinary committee to formulate strategies documented as a Master plan for the next 15 years (2000- 2015). The Master Plan contains long-term objectives, grand strategies, functional strategies, annual objectives, policies, targets and milestones, action plans on implementation of strategies. The report further details grand strategies such as product development, market development, turn-around and joint venture strategies. To facilitate the achievement of grand strategies, functional strategies namely marketing, operations, organizational and management, and financial strategies are also detailed in the Master plan.

The study reports that the first 4 years of the plan's implementation, the execution of its strategies has been average. It attributes a myriad of stumbling blocks to successful implementation of the strategies including; government interference, poor leadership, limited IT capacity, lack of funds and a supporting corporate culture as the main challenges. A study on the Bank by Olali (2006) revealed that strategic plan is in place and implementation challenges were well controlled by heads of departments.

Cross-sectional research has been undertaken on strategic planning practices for various industries. Karemu (1993) conducted a study on the retailing sector, Wanjohi (2002) on the insurance industry and Yemo (2006) on the civil engineering sector. Although various studies have been carried out on the Bank, such as Kandie (2001) and Koske (2003), none of these attempted to evaluate the link between strategic management practices and performance. Indeed, Kokse (2003) recommended further research on the effectiveness of strategy implementation at the Bank.

The current study therefore sought responses to the following research questions:

i. What strategic management practices have Co - operative Bank of Kenya Limited effected?
ii. What has been the impact of these strategic management practices on the Bank's performance?

1.3 Objectives of the study

i. Determine the strategic management practices of Co - operative Bank of Kenya Limited.
ii. Evaluate the impact of these strategic changes to the performance of the Bank.

1.4 Significance of the study

This study will be beneficial to the following groups of people:

1. Co - operative Bank of Kenya management: The findings of this study will help the top management of the Bank to evaluate the effectiveness of their strategies on performance.
2. Industry players: They will identify critical success factors in the industry as well as serve as a benchmark for the financial industry.
3. Academicians: To serve as a stimulus to carry out further research in the same and related industries so as to increase to the existing body of knowledge.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

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 pre - arranged rates of interest (Olali, 2006). There are 46 banks in Kenya which essentially take deposits to invest on behalf of individual and institutional investors. Banks have adopted strategies such as mergers to strengthen their capital bases and improve their competitive position in the financial market. This occurred especially after the Central Bank of Kenya issued new requirements on capital base for banks' operation, where under statutory requirements in order for a bank's balance sheet to grow, it had to take in more deposits to enable more lending to take place.

The word and concept of strategy can be traced to the military, influenced by the Greek word 'strategos' which means general welfare. In military theory, strategies are defined as a way to take care of a country's forces, in order to obtain security and victory (Mintzberg, 1987). The word strategy has taken its place in business due to competition and challenges faced by firms in the market. According to Mintzberg et al. (1998) there is no single universally accepted definition of strategy. However, there are different perspectives put forward by strategy authors through which the concept of strategy can be understood. Chandler (1962) defines strategy as the establishment of long term goals and objectives of an organization, including the undertaking of actions and allocation of resources for achieving these goals. Quinn (1980) suggests that strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole.

Mintzberg (1987) defines strategic management as the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. He describes strategic management as the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level

of managerial activity, usually formulated by the Board of Directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction to the enterprise. Lamb (1984) defines strategic management as an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment.

In line with the strategic management perspective that incorporates the business environment, (Miles and Snow, 1978) define strategy by the way an organization's products or service are placed in the environment. Hill and Jones (2004) argue that the primary objective of strategy is to achieve a competitive advantage. Thus, strategy is the driver of competitive advantage and profitability. According to Porter (1980), strategy is a deliberate search for a plan of action that will develop a business' competitive advantage and compound it. Generic strategies provide two ways of developing competitive advantage in a changing environment: either through value added to customers, who pay a premium to cover high costs, or cost based leadership, offering products and services at lowest cost (Porter, 1980). Hill and Jones (2004) further emphasize the need for an organization to 'fit' its internal capabilities and resources to the external environment. Quinn (1980) asserts that a well formulated strategy helps to marshal and allocate an organization's unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

Within an organization, there are different sub - types of strategy (Johnson and Scholes, 1999). Corporate strategy is concerned with the types of business to operate and how resources should be focused to achieve competitive advantage. Business strategies are linked with the various individual business units that comprise the overall corporate organization. Operational strategies relate to the contribution of various functional areas, within individual business units, to overall corporate and business strategies.

2.2 Strategic Management Practices

Johnson & Scholes (1994) outline strategic management as a combination of three main processes namely; strategy formulation, strategy implementation and strategy evaluation. Each phase has a variety of elements associated with it. In practice, business managers usually divide the three phases into the following sub - phases: defining the vision and mission, situational analysis, strategic analysis and choice, strategy implementation and strategy evaluation. Owing to the nature in which the various activities from the different phases overlap ,each other, the strategic management process is not linear (Judson, 1996). The activities and events do not follow each other in a logical sequence. For example, strategic analysis is essentially an ongoing activity and does not stop when other phases take place. The strategic management process is continuous and iterative (Certo and Peter, 1991).

Strategic management techniques can be viewed as bottom-up, top - down or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organization. This is often accomplished by a capital budgeting process. Proposals are assessed using financial criteria such as return on investment or cost-benefit analysis. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect. The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take. Some organizations are starting to experiment with collaborative strategic planning techniques that recognize the emergent nature of strategic decisions.

2.2.1 Definition of vision and mission

One of the central elements of managing a business today is vision. Bakunda (2002) argues that the entrepreneur, chief executive or manager must have a clear vision. A vision is an orientation point that guides a company's movement in a specific direction. It is a picture of the desired state of the business enterprise that the entrepreneur or manager constructs in his mind. According to Bakunda (2002) when a vision is put into concrete terms, it becomes a corporate philosophy, the ideological creed of the entrepreneurs or

top managers. If the vision is of a competitive nature and stated in competitive terms to outwit rivals, it may become the strategic intent of the company. Hill and Jones (2004) observe that the first component of the strategic management process is Grafting the organization's mission statement. A mission statement is a description or declaration of why a company is in operation, which provides a framework or context within which strategies are formulated. Bakunda (2002) asserts that the mission is a fundamental unique aim or purpose that sets an organization apart from others of its kind. It justifies what the firm has been established to do. However, it more than illuminates the business of the firm, and guides the formulation of the company's strategic objectives and goals as well as the strategy to achieve them.

It is usually stated in terms of the firm's products, markets, technologies and position of the firm in the industry. It sets the boundaries of the business and limits the possible alternatives in designing a strategy. A strategic mission consists of a long term vision of what kind of organization the company intends to become and where it wants to be. It defines the major competitive scopes within which the company is to operate. It should be motivating and stress major policies where employees need to act consistently to achieve organizational goals (Bakunda, 2002).

2.2.2 Situational analysis

Situational analysis involves an evaluation of the firm's external environment to identify opportunities and threats and the analysis of internal environment to establish the firm's strengths and weaknesses. The essential purpose of external analysis is to identify strategic opportunities and threats in the organization's operating environment that will affect how it pursues its mission. Hill and Jones (2004) argue that three interrelated environments should be examined at this stage: the immediate or industry environment in which the organization operates the country or national environment, and the wider socioeconomic or macro environment. Internal analysis, the third component of the strategic management process, serves to pinpoint the strengths and weaknesses of the organization. Building and sustaining a competitive advantage requires a company to achieve superior efficiency, quality, innovation, and responsiveness to its customers. Company strengths lead to superior performance in these areas, whereas company weaknesses translate into inferior performance.

2.2.3 Strategy analysis and choice

Strategic choice is the decision of selecting from among alternatives the strategy that will best meet the enterprises objectives. The decision process involves filtering by eliminating strategy options and focusing on a few, considering the selection factors or criteria, evaluating the few alternatives against the criteria and making the final choice of a strategy or strategies to go ahead and implement (Bakunda, 2002). He further argues that because of the possible strategies will always be many, it is usually important to undertake the process of strategy choice more scientifically and against well - defined criteria so that the organization is sure that the option finally taken was the best choice.

2.2.4 Strategy implementation

Having chosen a set of strategies to achieve a competitive advantage and increase performance, managers must put that strategy into action (Hill and Jones, 2004). Bakunda (2002) observes that selection of a strategy does not mean the enterprise will follow the decision. He further argues that a good strategy is not a sufficient condition for success; its effective implementation is equally important. Many good strategies fail to achieve the results because of poor implementation. Implementation is necessary to detail more precisely how the strategic choice will come to be. Implementation consists of processes of transforming a plan into action and ensuring that the intended outcomes do result.

The strategy implementation process depends on whether a firm is Grafting a completely new strategy or re - formulating and or modifying an existing strategy. It also depends on whether a firm is new in a new market or whether it is an existing firm in an existing market. Implementation involves communication of measurable corporate objectives and corporate strategy; determination of key managerial tasks that need to be performed; assigning tasks to various departments of the organization and delegating authority (Bakunda, 2002). It further involves budgeting and allocation of resources; formulation of policies and procedures; clarification of goals for managers; operationalization; installing reward system to motivate staff; staff development; ascertaining adequacy of control mechanisms; and evaluation of performance.

2.2.5 Strategy evaluation

Evaluation of strategy is that phase of the strategic management process in which the manager tries to assure that the strategy is properly implemented and is meeting the objectives of the company (Bakunda, 2002). At this stage, the following should be put in place; a plan to implement the chosen strategy, activities have been assigned to the organization, necessary resources have been mobilized and provided to do the tasks, policies have been developed and communicated, and a leadership and system and style has been formed to create a climate appropriate for the strategy and plans. Then a control and evaluation system should be put in place to follow through on strategy.

2.3 The Strategy Hierarchy

In most large corporations there are several levels of strategy. Pearce & Robinson (1997) identified the following broad levels of strategic management; Corporate, Functional and Operational levels. The Corporate level is the highest in the sense that it is the broadest, applying to all parts of the firm. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies.

Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies.

Many companies feel that a functional organizational structure is not an efficient way to organize activities so they have re-engineered according to processes or strategic business units (SBUs). A strategic business unit is a semi-autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters. Each SBU is responsible for developing its business strategies, strategies that must be in tune with broader corporate strategies.

The "lowest" level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Drucker (1954) in his theory of management by objectives (MBO). Operational level strategies are informed by business level strategies, which, in turn, are informed by corporate level strategies. Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arenas.

Corporate strategy, then, refers to the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?" Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process.

2.4 Strategic Planning Implementation

Kaplan and Norton (2004) assert that strategic planning is a step-by-step process with definite objectives and end products that can be implemented and evaluated. Very simply, it is a process by which we look into the future, paint a picture based on current trends and influence the forces that will affect us. Strategic planning looks three to five years ahead. It charts a definite course based on strong indicators of what the business environment will be in those years. Drucker (2006), states that companies that enjoy enduring success have core values and a core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world. The dynamism of preserving the core while stimulating progress is the reason for companies to renew themselves and achieve long-term performance.

Kaplan and Norton (2006), state that once strategies have been developed, they need to be implemented. Without successful implementation, the organization will not attain the results that were intended. This would imply that targets for say revenue growth if not well articulated on the mode of achieving them, may not be realized and thus cause a back tracking in the ultimate target set. A well-developed strategy will have to be executed well if we expect to obtain success in operations.

While implementing of strategy is such an important activity, it is not easy. Many excellent strategies fail when attempts to implement them are made. It is of critical importance that a company's daily activities and work efforts directly relate to accomplishing the strategy plan. It will be impossible to implement strategy if this link is not made. In order to achieve this link, it is necessary that the organization's strategy be in line with several components in the organization. Such components include structure, leadership, culture, resources and support systems. It is also necessary that the strategy be made operational. The strategy has to be recast and translated into shorter time frames appropriate for implementation. Resources need to be allocated in accordance to the priorities identified in the strategic plan. There is also need to develop policies that will support the strategy's implementation. It is important that the company's energies and efforts flow in the direction of the strategy execution. The more this is the case, the more the strategy implementation stays on track (Ansoff, 1984).

Mintzberg et al (1998), contend that since effective implementation can make a sound strategic decision ineffective or a debatable choice successful, it is important to examine the process of implementation as to weigh the advantages of available strategic alternatives. The implementation of strategy is comprised of a series of sub-activities, which are primarily administrative. If the purpose is determined, then the resources of a company can be mobilised to accomplish it. An organizational structure appropriate for the efficient performance of the required tasks must be effective by information systems and relationships permitting coordination of subdivide activities.

The organizational processes of performance measurement, compensation and management development - all of them enmeshed in systems of incentives and controls - must be directed towards the kind of behaviour required by the organization's purpose.

2.5 Tools for Successful Strategy Implementation

Alexander (1985) outlines the following tools for successful strategy implementation; annual objectives, policies and functional strategies. He defines annual objectives as guidelines for action, directing and channeling efforts and activities of organizational members. They provide a source of legitimacy in an enterprise by justifying activities to stakeholders. They also serve as a standard of performance and give incentives for all to perform. According to David (1997), they are essential because they represent a basis of allocating resources, primary mechanism for evaluating managers, major instrument for monitoring progress towards achieving long-term objectives and establish divisional and departmental priorities. They translate long-run aspirations into this year's targets. If well-developed, they provide clarity, powerful motivator and facilitate strategic implementation (Pierce & Robinson, 1994).

Secondly, organisations policies should be formulated to provide specific guidelines, methods, procedures, rules, forms and administrative practices to support work stated goals (David, 1997). According to Galbraith and Nathanson (1978), they are broad, precedent-setting decisions that guide managerial decision-making and therefore are directives designed to guide the thinking, decisions and actions of managers and subordinates in implementing the organization's strategy. They set boundaries, constraints and limits on the kinds of administrative actions that can be taken to reward and sanction behaviour. They clarify what can and cannot be done in pursuit of an organization's objectives. Policies let both employees and management know what is expected of them, thereby increasing the likelihood that strategies will be implemented successfully. They also serve as a mechanism for implementing strategies and obtaining objectives. They represent the means for carrying-out strategic decisions and writing (Hussey, 1988).

Another tool for strategic implementation is functional strategies. Pearce and Robinson (1994) describe functional strategies as short-term activities that each functional area within an organization must undertake in order to implement its broad strategy. They argue that it must be consistent with long-term objectives. Aosa (1992) avers that functional level strategies mainly focus on achieving maximum use of resources. Each department of the organization faces its own set of problems and has developed distinctive traditions. It is therefore very important to have close linkages between corporate strategies and actions of department managers.

Further to this, Peter & Waterman (1982) came up with the 7 S McKinsey framework that suggests that after strategy has been developed, management should focus on six components namely; structure, systems, shared values, skills, style and staff. Aosa (1992) asserts that strategic planning can only succeed when congruence is achieved between these components.

2.6 Strategy and Performance

Organizational performance is measured in terms of results (Rue and Byars, 1992). The term performance generally carries with it an understanding of a degree of achievement of an operation or a set of connected operations, in so far as an organization's goals and objectives are concerned. These operations may have been formally put in place by the organization to evaluate and monitor the organization's capability to successfully meet its goals and access its employees and stakeholder responsiveness to what has been learned, through the adoption of efficient structures, systems and capital investments (Sita, 2003).

Objective performance indicators need to be put in place to monitor processes and criteria to evaluate organizational performance and change and to report any noted deviations from the organizational expectations. Through this, the cause of failure may be addressed and success enhanced within the organization. Performance measurement serves the purposes of control and oversight of progress, recognizing and rewarding performers and encouraging and improving non-performers (Ittner & Larcker, 2003).

Several performance measurement systems are in use today, and each has its own group of supporters. For example, the Balanced Scorecard (Kaplan and Norton, 1993, 1996, 2001), Performance Prism (Neely, 2002), and the Cambridge Performance Measurement Process (Neely, 1996) are designed for business-wide implementation; and the approaches of the TPM Process (Jones and Schilling, 2000), 7 - step TPM Process (Zigon, 1999), and Total Measurement Development Method (TMDM) (Tarkenton Productivity Group, 2000) are specific for team-based structures. With continued research efforts and the test of time, the best-of-breed theories that help organizations' structure and implement its performance measurement system should emerge.

Although the Balanced Scorecard has become very popular, there is no single version of the model that has been universally accepted. The diversity and unique requirements of different enterprises suggest that no one - size - fits - all approach will ever do the job.

2.6.1 Performance Measurement Guidelines

Researchers have revealed a number of guidelines when implementing a performance measurement system. First, organizations need to constantly focus on the critical goals that can bring visible progress and enhancement. Otherwise, there is a tendency for busy employees to lose sight of the ultimate objective of performance measurement, and treat its implementation as a mere data collection exercise for management. In addition, to remain competitive and relevant, the measures need to be continually reviewed and revised as the environment and economy changes (Meyer, 1994).

Second, employee involvement is critical when designing a measurement system, as they know best what sort of measurement it needs to align with the organisation's strategy. This empowerment should not be limited to management level or the finance department, but be extended to every single individual in the organisation. This ensures that everyone contributes and owns the Performance Measurement system.

Thirdly, the system must be reportable. There is no value for measurements that cannot be put into a simple and clear report. Measurements must focus on most the critical items

and not sacrifice quality for quantity. Too much measurement may mean that teams end up spending too much time collecting data, monitoring their activities, and not enough time managing the project outcome.

Fourth, the system must be forward looking. A good Performance Measurement system should capture its relevance to the organisation vision, validate its strategies and chart new directions. It should not dwell in the past but focus on measurements that impact future deliverables.

The measures agreed by the employer and employee have to be ambitious and challenging, and at the same time, be realistic and attainable. Too little means employees fall into complacency; too much and they start to rebel or leave. This requires a careful balance and is the manager's call and responsibility if there are disagreements.

Finally, management commitment is identified as absolutely vital to its success. Senior managers need to buy-in to the change management philosophy and adopt the performance-based management principles. There must be management endorsement at company wide level to ensure consistency with other existing initiatives such as cross-functional integration, customer-supplier partnership, continuous improvement, and team, rather than individual accountability.

The focus should be on strategy and vision, and not day-to-day operational controls. Managers should dictate strategic goals, ensure that each team understands how its job fits into the strategy, and provide training so that the team can devise its own measures. The ownership and accountability for performance remains with the teams, and managers should allow the teams to decide which measures will best help them perform their jobs.

2.6.2 Challenges in Performance Measurement

Implementing performance measurement systems is faced with a lot of challenges. The traditional control-oriented performance measurement system in the industrial era is losing its relevance in today's fast changing environment where organizations' are re-shaped into flat multi-functional hierarchies. Performance measurement will get tougher

with globalization and increasing complexity of organizations' business models, teams' roles and responsibilities. Diversity of organizations and professionals also presents a challenge to measuring performance. A huge variety of organizations exist today. For example, there are government, education, financial services, manufacturing, retail, non-profit, food and beverage. Then, there are sub-industries. In financial services, we can break down into the banks, insurance, exchange and so on. If the bank for example has 10,000 staff, are we going to have 10,000 different performance measurements? It will be a challenge for an organization to keep track of the huge diversity of skilled professionals and ensure alignment to its mission and values.

Traditionally, accountants play a major role in measuring an organization's success. Unfortunately, annual reports do not allow managers to monitor the progress to build capabilities and acquire the intangible assets needed for future growth. Non-financial measurements will be required to link a company's long-term strategy with its short-term actions.

Unlike financial measurements which are straightforward and certain, non-financial measurements will require more judgment and justification. For instance, when two private bankers achieved the same sales revenue, how will the manager measure who is more motivated, hardworking, responsible or trustworthy? Furthermore, unlike financial measurements which are governed by accounting standards and principles, non-financial measures will be more susceptible to misuse and manipulation. There are no direct answers because not everything can be measured objectively.

Resistance to change has also been identified as a stumbling block. As with any other organizational change management program, implementing a performance measurement system will encounter resistance especially in large bureaucratic organizations. First of all, nobody likes to be measured. Self-serving managers who are experts in their field may have the freedom to choose and manipulate measures for own benefit. Further in large, global organizations, consistency in implementation across departments may be a problem if communication and coordination is not executed well. Lastly, inexperienced managers may not know what they want to find out, and starts to collect data and statistics everywhere. This will cause frustrations and unnecessary effort for staff at the working level to prepare additional data and reports, which add no value.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Research Design

The research problem posed was best studied using the case study method. This method was considered based on its ability to give the in-depth account of the effect of strategic management practices on the performance of the Bank. The results were expected to provide an insight to understand how companies should measure the impact of strategies on performance as they strive to achieve their objectives.

3.2 Data Collection

The instrument of primary data collection was a semi - structured questionnaire. Targeted respondents were General Managers of Finance and Administration, Corporate and Institutional Banking and Retail Banking. The design of the questionnaire was based on the literature pertinent to this study. The questionnaire was administered through personal interviews with sampled respondents to provide specific data in their departments.

3.3 Data Analysis

The aim of data analysis was to test for validity, completeness and consistency with the statement of the problem. To this end, the data collected was analyzed using descriptive statistics such as frequencies, percentages, mean scores and standard deviations with the help of statistical packages on social sciences (SPSS).

CHAPTER FOUR RESULTS AND DATA ANALYSIS

4.1 Introduction

This chapter presents results and analysis of data. Detailed analysis have been presented in the following sections in line with the stated objectives in Chapter one. Results have been presented in three main sections namely general information, strategic management practices and performance of the Bank.

4.2 General Information

Results indicate that the Bank has six main divisions each headed by a general manager. All the six general managers are males and have at least University degree level of education. The study found that most managers had several years of work experience within Co - operative Bank of Kenya Limited. The manager with longest work experience with the Bank had accumulated work experience of twenty seven years while the manager with low work experience within the bank had worked for eight years with the Bank. On average, managers had thirteen years of work experience with Co - Operative Bank of Kenya Limited.

The study revealed that the Bank has one thousand seven hundred permanent employees. Until the date of data collection for this project, Co - operative Bank of Kenya Limited had forty branches and one hundred and forty six Automated Teller Machines (ATM) all over the country. The forty branches exclude mobile banking services by the Bank.

4.3 Strategic Management Practices

A strategic plan starts with a clearly defined business mission. A mission defines the organization's basic function in society, in terms of the products and services it produces for its customers. To this end, the Co - operative Bank's mission statement is stated as "To offer value added financial services to our chosen market segments with special emphasis on the co - operative movement through effective network of service points, excellent customer service and highly motivated team of qualified personnel". The mission statement has three key requirements of a good mission statement. These requirements include the product/ service, market and technology.

The inclusion of these three major pillars of mission statement provides an opportunity to focus on the right market with the right product and using the right technology.

The corporate objectives of the Bank were identified as to continuously improve the bank's results and efficiency, enhance the quality of services offered, and give customers the range of financial services they have every right to expect. The study found that each business unit had specific objectives clearly cut out from the broad corporate objectives. This practice is a clear manifestation of the strategic planning within the Bank.

4.3.1 Analyzing the environment

The external environment is that part of the environment over which the firm has no control and which require firms to adapt accordingly in order to survive in the market. The external environment poses both opportunities and threats and its analysis is important in assisting firms to develop proactive strategies that enhance their competitive position in the market. The internal environment on the other hand represents that environment over which the firm have control. An analysis of the internal environment offers both strengths and weaknesses.

Findings from the study indicate that the Bank considers growth, gearing ratios, liquidity ratios and profitability trends when analyzing the industry. However, details of these key parameters were scanty. It was further found that the Bank has a Marketing Research department and analysis of the external environment is done after every three calendar months (quarterly). The factors considered when analyzing the external environment were identified as competition, political changes, technology, economic changes and customer needs and demands. It was revealed that market data collected through interview process is used to analyze external environment.

The internal environment is analyzed continuously and the key aspects of the organization considered in the analysis include growth trends in customer numbers, customer and staff responses. Unlike external environmental analysis, Marketing Information System (MIS) reports, customer feedback reports and monthly staff responses are employed in the analyzing internal environment.

4.3.2 Strategies

Strategies are inevitable for any firm's success particularly in a competitive market such as the banking sector. The study found that building on their past successes, the Bank have lined up strategies which will ensure sustained growth for the coming years. Growth strategies singled out by the Bank include innovative service delivery to customers, broadening of the products range and services, and direct sales marketing. The managers believe that these strategies shall make it easier for the Bank to achieve differentiation and an unassailable competitive advantage over their competitors.

Table 1: The extent to which Co - operative Bank of Kenya employs various strategies

	N	Mean	Std. Deviation
extent to which co - op bank uses cost leadership	3	4.6667	.57735
extent to which co - op bank uses focus	3	1.6667	.57735
extent to which co - op bank uses differentiation	3	2.3333	.57735
extent to which co - op bank uses retrenchment	3	3.6667	.57735
extent to which co - op bank uses divestiture	3	3.0000	.00000
extent to which co - op bank uses market Consolidation	3	1.6667	.57735
extent to which co - op bank uses market Penetration	3	1.3333	.57735

Source: Research Data

A five point Likert scale was used to assess managers' opinion about the extent to which Co - operative Bank employs various strategies. The scale ranged froml - 5 where 0-1.5 represented very small extent; 1.6 - 2.5 represented small extent; 2.6 -3.5 represented moderate extent; 3.6 - 4.5 represented large extent; while 4.6 - 5.0 represented very large extent. The results shown on table 1 above indicate that cost leadership is the most used strategy (mean = 4.7) followed by retrenchment (mean = 3.7). The least employed strategies were market penetration (mean - 1.3), consolidation (mean = 1.7) and focus (mean = 1.7).

The study found that the bank uses only simple strategic planning tools. The Boston Consultancy Group (BCG) mode is used by Co - operative Bank of Kenya to classify their markets and products and to devise appropriate strategy for each group of products and markets. Despite being aware that the model oversimplifies a complex set of decisions, the bank has continued to use the BCG model for strategic planning.

Table 2: The extent to which various criteria is used by Co - operative Bank of Kenya when making strategic choices

Criteria	Mean	Std. Deviation
sustainable competitive advantage use criteria when making strategic choices	4.0000	1 .00000
corporate objectives use criteria when making strategic choices	2.0000	1.00000
organization policies and culture use criteria when making strategic choices	1 .0000	.00000
ability to overcome weaknesses use criteria when making strategic choices	1.3333	.57735
costs of strategy failure use criteria when	2.0000	.00000
making feasibility use criteria when making strategic choices	2.6667	.57735
stakeholder reactions use criteria when making strategic choices	1.3333	.57735

Source: Research Data

An evaluation of criteria used by the Bank when making strategic choices revealed that sustainable competitive advantage was used by the bank to a large extent (mean = 4.0). Organization policies and culture was the least used criteria when making strategic choices by the Bank. Other least used criteria included the ability to overcome weaknesses (mean = 1.3) and stakeholder reactions (mean = 1.3). It is worth noting that despite high costs incurred by organizations when a strategy fails, the Bank attached less value to cost of strategy failure as a criterion when making strategic decisions.

It emerged that control is very important for the Bank in the strategic planning process. Organization policies and procedures were reported to support strategic control. Specifically, the Bank used financial reports, staff evaluation reports and customer complaints to control strategy. It was further revealed that the Bank embraced strategic planning for the first time in the year 2002. This clearly indicates that the concept of strategic planning practices is still new at the Bank.

4.4 Strategy and financial performance

Strategy aims at assisting the firm to gain a competitive advantage in the market. Strategy can influence financial performance of a bank through development of superior products which are positioned to target the right segments of the market and which deliver superior value to customers as compared with competitors' offer. Financial performance provides key indicators of the success of a given strategy. The financial performance of the Bank is shown in table 3 below.

Results shown on table 3 below indicate that financial performance has been improving over the last five years. Sales, and profit before tax has been improving. Strategies in place are likely to have impact on sales and profits. These results concur with findings in earlier sections which pointed that Co - operative Bank of Kenya Limited has adopted innovative service delivery to customers, broadening of the products range and direct sales. These strategies have direct influence on the bank's sales and revenue generation. On the other hand, share capital growth has been slow implying that existing strategies have little influence on share capital growth. The growth in return on assets has equally been low as indicated in table 3 below.

Table 3: Financial Performance of Co - operative Bank of Kenya Limited in the last 5 years.

Measure	2006	2005	2004	2003	2002	Mean
Sales (Ksh)	6,916,962,000	5, 298,783,000	4,213,298,000	3,144,050,000	2,922,811,000	4,299,280,250
Profit before tax (Ksh)	1,256,000,000	714,001,000	356,297,000	180,521,000	103,544,000	522,072,600
Dividends (Ksh)	133,018,000	130,949,000	91,402,000	36,347,000	0	78,343,200
Share capital (Ksh)	2,660,363,000	2,616,977,000	2,285,048,000	1,211,566,000	1,210,931,000	1,996,977,000
Return on assets (%}	2.18	1.38	0.76	0.56	0.35	1.05
Return on equity (%)	25.98	17.56	10.43	8.61	3.97	13.31

Source: Research data

CHAPTER FIVE DISCUSSIONS, SUMMARY AND CONCLUSIONS

5.1 Introduction

This chapter presents discussion of the results, summary of the findings of the study as well as conclusion gathered from analysis of the data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn and recommendations given. The study was a case study of Strategic management practices and performance at Co — operative Bank of Kenya Limited. It was aimed at determining and evaluating the impact of strategic changes to the performance of the Bank.

5.2 Discussions

The general management positions at the Bank are dominated by male employees. This may suggest that more male employees have several years of work experience and advanced training as compared to female employees. It may also imply that there is gender discrimination in promotion of employees at the bank or absence of affirmative action. The presence of marketing department and subsequent analysis of external environment on quarterly basis insinuate the importance of strategic planning process at the Bank. The study further revealed that strategic planning process was adopted by the Bank for the first time in the year 2002. Despite the existence of strategic planning at the Bank, it was revealed that General Managers did not have details about key parameters considered in analyzing industry environment raising the danger that they may be loosely in touch with the research department

The study found that while undertaking strategic planning process, analysis of the internal environment was poorly done. For example, profitability, sales and market share were not analyzed. This may result in poorly framed picture of the Bank's strengths and weaknesses. As a result, the weaknesses of this internal analysis may adversely affect choice of strategies and can further weaken the Bank's competitive position in the financial industry.

The use of cost leadership strategy by the Bank may be explained by their large customer base and widely distributed network of branches. Moreover, the use of cost leadership strategy to a large extent followed by retrenchment is logical and congruent with economic principles since retrenchment contributes to cost cutting. The least use of market penetration strategy by Co - operative Bank of Kenya illustrate that the Bank may be missing out niche markets which have higher returns than mass market. The use of Boston Consultancy Group (BCG) model may suggest that the bank is not versed with better planning models such as Generic Electric Model or Computer Aided Planning Tools.

The Bank uses to a very small extent the ability to overcome weaknesses criteria when making strategic decisions implying that there are chances that the bank may be ignoring their weaknesses. This arises from weaker analysis of the bank's internal environment depicted in earlier sections of the discussion. This is very detrimental to the Bank since competing banks may quickly take advantage of Co - operative Bank's weaknesses resulting to lose of market share.

Analysis of financial performance indicated that sales and profits have been improving. This can be attributed to strategic planning practices adopted by the Bank over the last five years. Even though it may be foolhardy to assume that improvement in profits and sales are solely resulting from strategic management practices, it is true that strategies have greatly contributed to better financial performance of the Bank. The general improvements in the economic, technological and political environment have also contributed to better financial performance by the Bank. However, it is important to note that the improvement in the macro - environment alone without good strategies to take advantage of opportunities and reduce threats may not result to better financial performance of the Bank. Analysis revealed that share capital has not significantly changed showing that strategies in place are not geared towards capital generation. The return on assets has been low over five years suggesting that it may be influenced by other factors apart from strategy. On the other hand, an increase in return on equity over the five years shows that strategies in place have improved business performance which in turn resulted to higher return on equity.

5.3 Summary

Results of the study indicate that Co - operative Bank of Kenya Limited embraces strategic planning practices. An analysis of external and internal environment is done quarterly and continuously respectively with the help of the marketing research department. The Bank has lined up strategies which will ensure sustained growth for the coming years. It was revealed that cost leadership and retrenchment are the most used strategies. An evaluation of criteria used by the Bank when making strategic choices revealed that sustainable competitive advantage was used by the bank to a large extent. Despite the enormous resources which accompany implementation of strategy, it was found that the Bank attached less value to cost of strategy failure. Since the Bank embraced strategic planning practices, financial performance has been improving over the last five years. The study revealed that strategies have direct impact on sales but, less influence on share capital growth.

5.4 Conclusion

From the findings and discussion, it is evident that strategic planning practices have been embraced by the Co - operative Bank of Kenya Limited. Strategic changes influence financial performance of the Bank. Strategic planning directly contributes to growth in sales and profits. On the other hand, strategic planning practices have little influence on share capital growth and return on asset.

5.5 Recommendations

From the results of the study and subsequent discussion, it is important that managers acquaint themselves with basic research skills to enable them understand the quality of external and internal environmental analysis. Since a good analysis of the firm's internal environment is crucial in identifying strengths and weaknesses, it would be important that the research department work on ways of improving or conducting better analysis of the internal environment. It has emerged that share capital is important towards the success of strategy and since strategies in place are not geared towards increasing share capital, it would advisable that the bank develop strategies aimed at increasing share capital. From findings of the study, return on investment cannot be ignored in considering the success of strategies. It is therefore recommended that further research be done to identify determinants of return on investment.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi,
School of Business,
P.O. Box 30197,
Nairobi.

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student in the above mentioned University undertaking a Management Research Project on **"Strategic Management Practices".**

You have been selected for purposes of this study. You are kindly requested to assist in data collection by responding to the questions in the accompanying questionnaire. The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence.

Your cooperation is highly appreciated.

Yours faithfully,

Caroline Riungu.

APPENDIX II: INTERVIEW GUIDE

SECTION A: GENERAL INFORMATION

1. What is your position at the bank?
2. Department
3. Highest level of education

   (a) Diploma (b) Degree (c) Masters (d) PhD
4. How long have you worked for Cooperative Bank?
5. Number of permanent employees at the bank
6. Number of branches of the bank
7. Number of ATMs installed by the bank
8. When did the bank start mobile banking

SECTION B: STRATEGIC MANAGEMENT PRACTICES

9. What is the mission statement of the bank?

10. What are corporate objectives of the bank?

11. List the specific objectives of your department

12. Which trend do you look at when analyzing the industry (give details)

13. Do you have a marketing research department?

14. How often do you analyze your external environment?

15. Which key factors do you consider when analyzing the external environment?

16. Which tools do you use for analyzing the external environment?

17. How often do you analyze the bank's internal environment?

18. Which key aspects of the organization do you consider when analyzing internal environment?

19. Which tools do you use in analyzing internal environment?

20. Which are the growth strategies used by your bank?

21. To what extent does the bank employ the following strategies *(For each strategy tick only one box where 1 = Very small extent, 2 = Small extent, 3 = Moderate extent, 4 = Large extent, 5 = Very large extent)*

Strategy	**1**	**2**	**3**	**4**	**5**
Cost leadership					
Differentiation					
Focus					
Retrenchment					
Divestiture					
Market consolidation					
Market penetration					

22. Which strategic planning tools are employed by your bank (give the advantages and disadvantages of each tool).

23. To which extent are the following criteria used in the bank when making strategic choices *(For each strategy tick only one box where 1 = Very small extent, 2 = Small extent, 3 = Moderate extent, 4 = Large extent, 5 = Very large extent)*

Criteria	**1**	**2**	**3**	**4**	**5**
Sustainable competitive advantage					
Corporate objectives					
Organization policies and culture					
Ability to overcome weaknesses					
Cost of strategy failure					
Feasibility					
Stakeholder reactions					

24. Explain strategy implementation process at the bank (give details of each step of the implementation process)

25. Which tools are used for the control purposes at the bank?

SECTION C: PERFORMANCE OF CO-OP BANK

26. When did the bank embrace strategic planning for the first time?

27. Performance in the last 5 years

Measure	2006	2005	2004	2003	2002
Sales (Kshs)					
Profit before tax (Kshs)					
Dividends (Kshs)					
Stock price (average price)					
Capital					
Return on assets (%)					
Return on equity (%)					
Earning per share (Kshs)					

28. To what extent do you attribute the success of the strategy on the following measures of performance

(For each strategy tick only one box where 1 = Very small extent, 2 = Small extent, 3 = Moderate extent, 4 = Large extent, 5 = Very large extent)

Measure	1	2	3	4	5
Sales					
Profit					
Dividends					
Growth (branch expansion)					
Stock price					
Capital					
Cash flow					
Return on asset					
Return on capital					
Return on investment					