STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF ISLAMIC BANKS IN KENYA: A CASE STUDY OF GULF AFRICAN BANK

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

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

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DEDICATION

I dedicate this work to my family especially my mother **Asiya Haji Adan** and friends Yahya Dahir, Mohamed Deko, Abdihakeem Haji Farah, Abdullahi Osman (Commissioner), Mahat Abdi, Osman Muktar and Deka Musa amongst others for their inspiration, encouragement and support in the course of undertaking this study

ABSTRACT

Strategic management is a level of managerial activity under setting goals and over tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of organization studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". There is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context. This study adapted a case study design that aims at exploring strategic management practices on the performance on the performance of Islamic Banks in Kenya with reference to Gulf African Bank. The research was qualitative in nature and relies on primary data obtained from the targeted staffs that work in Gulf African Bank who are mainly involved in the formulation and implementation of strategies. The data was obtained from the six management team members belonging to different departments; who will include the CEO, Head of cooperate, Head of finance, Head of Credit and director business. The study used content analysis for data presentation. The study finds that an organization’s strategy must be appropriate for its resources, circumstances and objectives. The process involved matching the companies' strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. In conclusion, it is evident although Islamic banks do not distribute returns to current account owners, the servicing of these accounts, despite their cost, not only increases the rate of profit, because the deposits are not subject to distribution as they are guaranteed, but these demand deposits also increase the multiplier of assets/equity rate which is reflected in the form even a greater increase in the rate of profit. It is recommended that organizations should employ strategic planning as a way of moving towards their desired future state. It is also recommended an organization’s strategy must be appropriate for its resources, circumstances and objectives. The process involved matching the companies' strategic advantages to the business environment the organization faces.

TABLE OF CONTENTS

DECLARATION .... **ii**

ACKNOWLEDGEMENTS .... **iii**

DEDICATION .... **iv**

ABSTRACT .... **v**

CHAPTER ONE: INTRODUCTION **1**

1.1 Background of the study 1

1.1.1 Strategic management practices 2

1.1.2 Performance of Islamic Banking 4

1.1.3 Islamic Banking in Kenya 6

1.1.4 Gulf African Bank 8

1.2 Research Problem 9

1.3 Research Objectives 11

1.4 Value of the study 11

CHAPTER TWO: LITERATURE REVIEW **13**

2.1 Introduction 13

2.2 Theoretical Foundation of the Study 13

2.3 Strategic Management Practices 14

2.3.1 Strategic Planning Practices 15

2.3.2 Strategy formulation 16

2.3.3 Strategy implementation 18

2.3.4 Strategy evaluation and control 21

2.4 Factors influencing Strategic Management Practices 22

CHAPTER THREE: RESEARCH METHODOLOGY **24**

3.1 Introduction 24

3.2 Research Design 24
3.3 Data Collection 25
3.4 Data Analysis 25

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION ... 26
4.1 Introduction 26
4.2 Strategy Formulation 26
4.2.1 Mission and Vision Statement of Gulf African Bank 26
4.2.2 Strategy Formulation of Policy Documents 27
4.2.3 Development of Mission and Vision Statements 28
4.2.4 Communication of Mission and Vision Statements to Employees 29
4.2.5 Process of Setting Objectives 30
4.2.6 Situational Analysis during the Planning Process 31
4.2.7 Internal and External Environment Impacts on Strategy Formulation 31
4.2.8 Development of Strategies for Operations 32
4.2.9 Challenges Faced while responding to Changes in Internal and External Environment 33
4.3 Strategic Implementation 34
4.3.1 Process of Implementing Strategies 34
4.3.2 Communication of Strategies to Employees 35
4.3.3 Employee Empowerment to Implement Strategies 35
4.3.4 Employee Recruitment and Retaining Measures 36
4.3.5 Challenges Encountered in Strategy Implementation 36
4.4 Strategy Evaluation 38
4.4.1 Monitoring of Strategic Plan Success 38
4.4.2 Continuous Review of Strategic Plans 39
4.4.3 Institutionalization of Corrective Measures and Procedures in the Strategic Management 39
4.4.4 Employee Empowerment to take Corrective Actions 40

4.4.5 Strategy Evaluation Involvement 41
4.4.6 Challenges Facing Strategy Evaluation 41
4.5 Discussion of the Study 42
4.5.1 Link to Theory 42
4.5.2 Link to Other Studies 42

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS 44
5.1 Introduction 44
5.2 Summary of Findings 44
5.3 Conclusion 45
5.4 Recommendations 46
5.5 Suggestions for further Research 46
REFERENCES 48

APPENDIX: INTERVIEW GUIDE 53

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Strategic management is a level of managerial activity under setting goals and over tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of organization studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". According to Arieu (2007) there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.

The scope of the strategic management process covers organization-wide issues in the context of a whole range of environment influences. The strategic management process involves organization, management and the environment as a whole. Thus, in understanding the strategic management process and how it works, a general knowledge of the organization, its internal and external environments and management is required. The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies Pearce and Robinson (2007). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves Kotler (2001).

This study focuses on the strategic management practices on performance of Islamic Banks in Kenya with reference to Gulf African Bank. Strategic management practice is critical for the success and survival of every organization. Strategic management allows the organization to be more proactive rather than reactive. It will also enhance the Islamic banks' ability to create new investments, liquidity management instruments and methods, and develop the existing ones. In addition, to increase its ability to take advantage of the openness Islamic Banks would need to expand its operations into new markets. He stated that for its survival and success, Islamic banks and financial institutions would need to work on some landmark strategies like institutional framework, Religious or Shar'iah framework, promotional framework as well as Research and studies.

1.1.1 Strategic management practices

Strategic management can be considered as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company or organization's objectives. It consists of the analysis of decisions and actions an organization undertakes in order to create and sustain competitive advantages. Thompson and Strickland (2007) opined that strategic management focuses on the total enterprise as well as the environment in which it operates, the direction management intends it to head, management's strategic plan for getting the enterprise moving in that direction and the managerial task of implementing and executing the chosen plan successfully.

Management practices involves a set of processes that are employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change (Mullins, 1999). Balancing strategic management's outward-, inward-, and forward-looking functions helps develop a vision and a strategy for where and how to move organization reform forward. Balancing these different perspectives is the essence of managing strategically (Kerzner, 1989).

Strategic management therefore involves identifying of long-range targets, scanning of the organization's operating environments, evaluating the organization's structures and resources, matching these to the challenges the organization face, identifying stakeholders and building alliances, prioritizing and putting in place plan of actions, and making adjustments to fulfill performance objectives over time. Brinkerhoff (1994) characterizes strategic management practices as looking out, looking in, and looking ahead. "Looking out" means exploring beyond the boundaries of your organization to set feasible objectives, identify key stakeholders, and build constituencies for change. "Looking in" implies critically assessing and strengthening your systems and structures for managing personnel, finances, and other essential resources. Finally, "looking ahead" entails welding strategy with structures and resources to reach policy goals, while monitoring your progress and adjusting your approach as needed.

An organization's strategy must be appropriate for its resources, circumstances and objectives. The process involves matching the companies' strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole. Organizations employ strategic planning as a way of moving towards their desired future state. Strategic planning, more than anything else, is what gives direction to an organization (Mintzberg, Quinn & Ghoshal, 2009).

1.1.2 Performance of Islamic Banking

In order to actualize the greatest profit possible, there is a need to distinguish between the long-term and the short-term. A bank, whether Islamic or not, is concerned with making profit in the long-term without sacrificing the short-term perspectives. Long-term profit is influenced by the growth of deposits and other funds' resource elements that give the bank the opportunities to have profit-generating invested assets. Thus we must consider the rate of growth of the various forms of deposits (Siddiqi, 2006).

An Islamic bank normally has three types of deposits that determine its capacity to raise the rates of shareholders' return. These are current account deposits, unrestricted investment deposits in savings and *Mudharabah* accounts, and lastly, off-balance sheet deposits in investment funds and special or restricted investment accounts. It is erroneous to think of these deposits as independent of each other. According to Iqbal and Mirakhor (2011) numerous researches have proven the existence of usually positive links between them. This has also been confirmed by the reports of the 7 Islamic banks and therefore, in marketing and presenting any type of deposit to clients, its effect on other types of deposits should always be taken into account. In fact, Islamic banks must be able to measure this effect.

Although Islamic banks do not distribute returns to current account owners, the servicing of these accounts, despite their cost, not only increases the rate of profit, because the deposits are not subject to distribution as they are guaranteed, but these demand deposits also increase the multiplier of assets/equity rate which is reflected in the form even a greater increase in the rate of profit (Amin, 2008). On the other hand, off-balance sheet deposits are considered an attractive way to increase the number of clients in addition to being a very important vehicle to increase the rate of shareholders' returns, because it increases the earnings from the agency activities, keeping in mind that these earnings are less affected by investment risks to which other banking earnings are subjected.

It must be realized that maximization of profit is the objective of the highest priority for all investment institutions created by private individuals. Consequently, all private-sector financing institutions have one fundamental objective: to make as much profit as they can and Islamic banks are not any exception but require effective strategies that can ensure that they are as profitable as possible (Linbo, 2004). Though Some Islamic banks may pay little attention to the quality of services they offer to their clients especially if such banks enjoy a position where it can exercise some monopolistic power in the market. Many Islamic banks were once in this situation when they were acting alone in their Islamic financial services' markets (Mustafa, 2012). Today, however, the monopolistic position is weakening because of the multiplicity of Islamic banks in many countries and the entry of conventional banks into the Islamic finance markets through Shar'iah compliant windows as seen with Barclays Bank La- Riba sections, Standard Bank's Saddiq.

1.1.3 Islamic Banking in Kenya

Barclays Bank of Kenya was the first to test the water in 2005 and there are now eight financial institutions offering Shar'iah compliant products in Kenya. Among them are two fully fledged Islamic banks licensed by the Central Bank of Kenya (CBK) in 2007, First Community Bank and the Gulf African Bank, which opened for business in 2008. Unlike the Islamic windows of conventional banks, these two organizations offer retail banking services through a currently limited, but growing network of branches. By mid-2010 they controlled 0.8% and 1% of banking assets in Kenya according to the Central Bank of Kenya (Chijoriga and Kaijage ,2012).

The two Islamic banks have been experiencing a tremendous growth in the gross assets, deposits, capital base, and profits after tax and financing arrangements to customers. This can be attributed to the expansion of Kenya's banking sector over the last three to four years (accounts have tippled) and still a more room for growth. Islamic banks in Kenya have also had diversification strategy in the services they offer. New services can be reflected by the large number of accounts and financing these banks have; from salary, business, personal saving, foreign currency to term deposit accounts and financing of trade facilities, SME mortgage, construction, asset-based to working capital financing(Mustafa,2012)..

From the liquidity ratios of the first community banks in Kenya, increased loans and advances to customers as well as more investments in associates, subsidiaries, joint ventures and properties points at more financing arrangements to customers hence more credit risk due to the advances. The higher financing arrangements to customers have been enabled by the high growth in financing portfolio as result of rapid growth in customers' base and deposits (Mustafa, 2012).

Many players have been seen entering the market with Gulf African Bank that holds the prestigious position of being the first fully Shari'ah compliant Bank in Kenya perfoming exceptionally well. The bank started their operations in 2008 and now have 14 branches spread out in Nairobi, Mombasa, Malindi, Lamu and Garissa. Its operations, which are based on Islamic principles, have rapidly become a very attractive alternative to conventional banking. Islamic banking is driven by the increasing demand for ethical, transparent and fair banking. This provides an attractive alternative to both Muslims and Non Muslims.

In most Sharia based banks Shar'iah Supervisory Board are formed to ensure adherence to guidelines in their transactions. Normally the boards comprise of independent department comprising of renowned scholars with extensive experience in law, economics and finance as prescribed by Islamic Shar'iah. The Board supervises all transactions, supervise and approve investment and financing products, make recommendations on administrative issues, supervise training programs and prepare annual certification on the Bank's Shar'iah compliance.

Most Sharis banks including Gulf Bank focuses on exceptional service saw us recognized as the 2nd Best Bank in Kenya with the most satisfied customers in the 2009 Kenya Banking Survey which has seen it break even in their second year of operation as at end of September 2009. Gulf bank ranking among the commercial banks in Kenya leaped from the 43rd bank in December 2007 to position 19 as at December 2009 which is an indication of our growing deposits that shows the potential that Islamic banking has in this country and region. In addition the bank was recognized as 3rd best Tier II bank in Kenya as well being the second best in product innovation for our home mortgage product in the 2010 Kenya Banking Survey. This coupled with an unprecedented growth of the banks deposit book to Kshs. 8.2 Billion and an asset book worth Ksh 6.2 Billion at the end of 2010 underlines the strength of our bank.

1.1.4 Gulf African Bank

The genesis of Gulf African Bank (GAB) can be traced back to 2005, when a group of motivated Kenyans envisioned establishing an Islamic bank as an alternative to conventional banking in the country. By conducting business on the principles of Shari'ah, the bank would provide an ethical and fair mode of banking for all.

Gulf African Bank is the first and largest Islamic Bank in Kenya and one of the fastest growing banks in the history of the banking sector of the country. The bank offers fully

Shari'ah compliant products and services that address the needs of not just Muslims, but everyone in the country including individuals, corporate companies, and institutions. The bank was incorporated on August 9th, 2006 and started operations as a commercial bank in January 8th 2008, in a historic event, where it was granted the country's first fully-fledged commercial banking license as a dedicated Islamic bank, by the Central Bank of Kenya.

1.2 Research Problem

Strategic management emphasizes formal techniques for setting an organization's long-term course, developing plans in the light of internal and external circumstances, and undertaking appropriate action to reach those goals (Goldsmith, 1997). Strategic management makes considerable contribution in recognizing and responding to market changes; new opportunities and threatening developments and also provides the rationale for management in evaluating competing requests for investment, capital and new staff thus giving an organization proactive rather than reactive posture.

Gulf bank though operating in a market with more opportunities has not been able to exhaustively tap on the benefits of the new financial market offered by Shariah based banking that target the Islamic Community despite the opportunities that the market provide. Therefore this study seeks to establish the strategic management practices put in place to improve the performance of Islamic Banking in Kenya.

Local studies done on strategic management practices are; Kathuku (2004) noted that more Kenyan organizations have responded to the changing environmental conditions; Kan'goro (1998) in a study concentrating on aspects of strategy formulation, as opposed to entire strategic management process, observed that strategic management is practiced in the British Curriculum Schools in Kenya but recommended that a study be conducted to document aspects of strategy implementation, evaluation and control in the sector. She further noted that regular studies be conducted to document the effects of environmental changes on strategic management in British Curriculum Schools of Kenya. Aosa (1992) indicated that an investigation of strategic management practices in public sectors organizations would increase the understanding of strategy processes in organizations in Kenya. The investigation and understanding of strategic management practices in the development institution s is crucial in view of the reforms the many financial institutions are undertaking in the sector, which include introduction of performance based management in institutions for effective service delivery. Aten'g (2007) also observed that strategic management is being practiced in the development institution s but suggested that there is need to undertake further research in strategy implementation in the sector in view of numerous well written strategic plans that are yet to be implemented. They did not focus much on how changes in management have been managed and the impact on the introduction of reforms and modernization in public corporations in order to ensure sustained success. This study therefore focused on t strategic management practices on performance of Islamic banks in Kenya a case of Gulf African Bank. The study therefore seeks to answer the following research questions:

What strategic management practices adopted by Gulf African Bank? What are the factors influencing strategic management practices at Gulf African Bank.?

1.3 Research Objectives

To establish the strategic management practices on performance of Islamic banks in Kenya a case of Gulf African Bank

1.4 Value of the study

The results of this study will be invaluable to researchers and scholars, as it will form a basic understanding of strategies management practices by Islamic financial institutions in Kenya to gain competitive advantage as a basis for further research. The students and academics will use this study as a basis for discussions on Islamic banking adoption of differentiation strategies. In particular it is hoped that the findings of this study will enable Islamic banking evaluate whether its own practices accord with what should be the function of an Islamic banking and its own mandate.

The government agencies and policy makers will make use of this study, since it will provide useful knowledge in formulation of policies and a regulatory framework for running campaigns of advocating strategies adopted by Islamic financial institutions in Kenya as well as new Shari'ah compliant products like the Capital Markets Authority in Islamic Bonds (Sukuk) and Insurance Regulatory Authority in Islamic Insurance (Takaful) respectively.

If Islamic Banks are going to attain high levels of performance then they need to put in place strategies that can ensure that they attract enough business to do that. Though Some Islamic banks may pay little attention to the quality of services they offer to their clients especially if such banks enjoy a position where it can exercise some monopolistic power in the market, the rising competition from conventional banks offering competitive products may intensify the levels of competition in the financial market and therefore the need for effective strategies to improve performance. It will also provide information on how the clients are benefiting from such system like those who are in conventional banking and how the banking sector is benefiting. Also the study will contribute to social and economic understanding on banking systems and help the clients and other citizens to make decisions on which system between conventional banking and Islamic banking is suitable for them to follow so as increase their incomes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section draws on literature in the area of business strategies in response to competitive environment. Secondary material such as books, journals, and articles which carry previous research work on the study topic are analyzed.

2.2 Theoretical Foundation of the Study

Strategy theory concerns the explanations of firm performance in a competitive environment (Porter, 1980). There are many strategy perspectives, and the strategy process perspective bases their views on what competitive advantage are and on what it are based influence of information technology on strategic management practices.. A business that engages its external accountant to provide advice which directly assists performance (strategic advice on growing revenue), or advice that has an indirect impact on performance, such as advice directed at improving management control (advice on regulatory compliance, risk, systems, performance reviews), finance structure (introducing sources of finance) or financial planning will lead to a competitive edge of the other. Strategic management required active information gathering and active problem solving. Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply-chain 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.

2.3 Strategic Management Practices

Strategic management practices involve the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. It is the formal process, or set of processes, used to determine the strategies (actions) for the organization. It focuses on many areas, including the integration of management; marketing; finance/accounting; production/operations; research and development; and computer information systems (McKernian, 2006).

Strategic management as a practice involves behaviors and actions that are determined by both individual human agency and structural/institutional forces. Individuals and groups who are embedded in social structures that are reproduced and shaped by individual and group actions make strategic choices (Jarzabkowski, Balogun & Seidl 2007). According to Vinzant and Vinzant (1996), strategic management is a process carried out at the top of the organization, which provides guidance, direction and boundaries for all aspects of operational management.

According to Mintzberg (1978) there are three theoretical groupings or modes of strategy formulation: the planning mode that depicts the process as a highly ordered, neatly integrated one; Adaptive mode that depicts the process as one in which many decision makers with conflicting goals bargain among themselves to produce a stream of incremental, disjointed decisions and finally; Entrepreneurial mode where a powerful leader takes bold , risky decisions toward his vision of the organization's future.

2.3.1 Strategic Planning Practices

According to Bresser and Bishop (2003), strategic planning practice is the product of the best minds inside and outside the corporation. The process considers future implications of current decisions, adjusts plans to the emerging business environment, manages the business analytically, and links, directs, and controls complex enterprises through a practical, working management system. Strategic planning practice involves formulation of vision and mission statement, performance of situational analysis and finally strategy implementation and choice (Pearce and Robbinson, 2008).

The formality of strategic planning has been associated with the field of strategic planning from its earliest foundation. The early developments significantly include that of Andrews (Ansoff, 1965). According to Bresser and Bishop (2003), formalization is the degree to which the norms of the organization are explicitly defined. He further distinguished between "formalization", referring to whether these norms are written down in manuals and other documents. Formality in strategic planning requires explicit practices. The reason of having strategic planning written in detail is to ensure strategic planning process receives commitment from those who are affected by it and to allow an explicit evaluation and clearly specify objectives is part of the formal strategic planning (Armstrong, 1982).

Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of the functional areas in the organization and have a direct influence on the administrative and operational activities and are vitally important to the long term health of an organization (Shirley, 1982). Although strategic planning is important, what is more important is how it is practiced in different organizations. Many organizations keep on redefining their mission and vision statements, organize seminars and include consultants to formulate strategies so as to achieve competitive advantage and be able to deal with the unexpected environmental changes.

Every business must be regenerated again and again. Ian (2006) point out, strategy today is occurring at a rate that is difficult to sustain. Globalization of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today. Companies are quickly realizing that to thrive in today's competitive environment, they must rapidly deploy new technologies to support key business objectives.

2.3.2 Strategy formulation

Strategic formulation includes the setting of the mission, goals and objectives for the organization, the analysis of the external environment as it affects the organisation, together with its internal resources and the choice of strategic alternatives. Strategy formulation is the development of long-range plans for they effective management of environmental opportunities and threats, taking into consideration corporate strengths and weakness Johnson and Scholes (2002). It includes defining the corporate Vision, mission, specifying achievable objectives, developing strategies and setting policy guidelines Mintzberg (1991). Vision is a short, succinct and inspiring statement of what the organization intends to become and to achieve at some point in the future. Its often state in competitive terms Rosen (1995).

An organization’s mission is its purpose, or the reason for its existence. It states what it is providing to society Johnson and Scholes (2002). A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its types and identifies the scope of the company‘s operation in terms of products offered and markets served Thomson (1999). Objectives are the end results of planned activity; they state what is to be accomplished by when and should be quantified if possible Grant (2005). The achievement of corporate objectives should result in fulfillment of the corporation’s mission David (1989).

Mintzberg (1999) state that just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation. A corporation’s directional strategy is composed of three general orientations towards growth (sometimes called grant strategies): Growth strategy expands the company’s activities, Stability strategies make no change to the company’s current activities and Retrenchment strategies reduce the company’s level of activities. Assessment of stakeholder power and the impact of the organization’s culture on strategic decision-making are also important areas for analysis. Strategic choice is based on factors such as what is desirable for the organization, what it is feasible for it to achieve with the available resources and competences and what is the desirability of potential strategies.

2.3.3 Strategy implementation

Strategic implementation is concerned with affecting the chosen strategy for the organisation that is, putting the strategy into practice. Strategic implementation always involves a degree of change and the effective management of change can significantly affect the successful implementation of the desired strategy Alexander (1985). Strategy implementations amongst schools that are members of British Curriculum Schools of Kenya (BCSK) for instance involves summing the total of the activities and choices required for the execution of strategic plan by which strategies and policies are put into action through the development of programs , budgets and procedures Coulter (2005). Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management.

Thus strategy formulation and strategy implementation are the two sides of same coin. Depending on how the corporation is organized those who implements strategy will probably be a much more divorced group of people than those who formulate it. Most of the people in the organization who are crucial to successful strategy implementation probably had little to do with the development of corporate and even business strategy. Therefore they might be entirely ignorant of vast amount of data and work into formulation process. This is one reason why involving middle managers in the formulation as well as in the implementation of strategy tends to result in better organizational performance Johnson and Scholes (2002). The managers of divisions and functional areas worked with their fellow managers to develop programs, budgets and procedures for implementation of strategy Johnson and Scholes (2002). They also work to achieve synergy among the divisions and functional areas in order to establish and maintain a company's distinctive competence.

A program is a statement of the activities or steps needed to accomplish a single use plan. The purpose of program is to make a strategy action oriented. Budgets: A budget is a statement of corporation's program in monitory terms. After programs are developed, the budget process begins. Planning a budget is the last real check a corporation has on the feasibility of its selected strategy. An ideal strategy might found to be completely impractical only after specific implementation programs are costed in detail. Procedures: These are system of sequential steps or techniques that describe in detail how a particular task or job is to be done.

One of the goals to be achieved in strategy implementation is synergy between functions and business units, which is why corporations commonly reorganize after an acquisition King (2002). The acquisition or development of additional product lines is often justified on the basis of achieving some advantages of scale in one or more of company's functional areas. Implementation also involves leading, motivating people to use their abilities and skills most effectively and efficiently to achieve organizational objectives Slack (2002). Leading may take the form of management leadership communicated norms of behavior from the corporate culture or agreement among workers in autonomous work groups.

Company Manage Corporate Culture: Because an organization's culture can exert a powerful influence on the behavior of all employees, it can strongly affect a company's ability to shift its strategic direction Cagliano (2001). An optimal culture is one that best supports the mission and strategy of the company of which it is a part. This means that, like structure and staffing, corporate culture should follow strategy. A key job of management is therefore to evaluate; what a particular strategy change will mean to the corporate culture, whether a change in culture will be needed and whether an attempt to change the culture will be worth the likely costs Pearce and Robinson (2000).

Communication may be used to manage Culture. Communication is crucial to effectively managing change Pfeffer (1998). Companies in which major cultural changes have successfully taken place had the following characteristics in common; the Chief executive officer and other top managers had a strategic vision of what the company could become and communicated this vision to employees at all levels and the vision was translated into the key elements necessary to accomplish that vision. Deculturation involves the disintegration of one company's culture resulting from unwanted and extreme pressure from the other to impose its culture and practices (Pearce and Robinson 2000).

2.3.4 Strategy evaluation and control

Strategic evaluation is perhaps the less-researched part of the strategy process but it is vital in assessing the level of success of the chosen strategy. It is not only concerned with performance and performance measures but also helps to signal when the strategy requires adjustment in the light of experience and in the context of a rapidly changing external environment, as strategy is a continuous process rather than a single event that involves four basic elements. This includes determining whether deadlines have been met, the implementation steps and processes are working correctly and whether the expected results have been achieved. If a shortcoming is discovered against the mentioned outlined expected results, then the strategy can be modified or reformulated Johnson and Scholes (2002).

The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as manager's contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

Taking Corrective Action - Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

2.4 Factors influencing Strategic Management Practices

According to Aosa (1992) the main factors influencing strategic management practices are social, economic, political and infrastructural factors, while Mazzarol (1999) submit that strategic management practice is partly a function of contextual/environmental factors. However, Watson (1998) have submitted that a multitude of factors can influence the business tendencies of organizations functions. Moreover, British Curriculum Schools of Kenya (BCSK), therefore, includes decisions regarding the flow of financial and other resources to and from a company’s product lines and business units. Though a series of coordinating devices, a company transfers skills and capabilities developed in a one unit to other units that need such resources. In this way, it attempts to obtain synergies among numerous product lines and business units so that the corporate whole is greater than the sum of its individual business unit parts.

Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. In Barney (1991) firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

In this study, a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. Furthermore, a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy Barney (1991). He further argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: (a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (b) it must be rare among a firm's current and potential competition; (c) it must be imperfectly imitable; and (d) there cannot be strategically equivalent substitutes for this resource.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a description of the methodology used in the study to find answers to the research question. In this chapter, the research methodology is presented in the following order, research design, target population, sampling procedure, data collection methods, instruments of data collection and finally the data analysis. The following sections provide a detailed description of the methodology utilized in the study.

3.2 Research Design

This study adapted a case study design that aims at exploring strategic management practices on the performance on the performance of Islamic Banks in Kenya with reference to Gulf African Bank. According to Denvir and Millet (2003), research design provides the glue that holds the research project together. A structure is used to restructure the research, to show how all the major parts of the project, which include samples or groups, measures, treatments or programs, and methods of assignment that work together to try to address the central research questions.

The research was qualitative in nature and relies on primary data obtained from the targeted staffs that work in Gulf African Bank who are mainly involved in the formulation and implementation of strategies. The research used qualitative research approach that involved the analysis of the content of information collected from the interviews through focused group. Qualitative method provided in-depth explanation of the study weighing both sides of the argument.

3.3 Data Collection

The researcher used an interview guide for data collection instrument. The interview guide is considered appropriate because it provides the participants with a chance to present an in depth information on the strategic management practices on the performance on the performance of Islamic Banks in Kenya.

The data was obtained from the six management team members belonging to different departments; who included the CEO, Head of cooperate, Head of finance, Head of Credit and director business. The management team was compared against each other in order to get more revelation on business strategy used by Gulf bank of Kenya in response to changing competitive environment in Kenya. Analysis of data collected was compared with the theoretical approaches and documentations cited in the literature review.

3.4 Data Analysis

The study used content analysis for data presentation. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, presentation and interpretation. The objective of this study was to establish the strategic management practices on performance of Islamic banks in Kenya a case of Gulf African Bank.

The study targeted six management team members belonging to different departments; who included the CEO, Head of cooperate, Head of finance, Head of Credit and director business. All the interviews were conducted successfully. The compiled and filled interview guides were edited in order to ensure completeness and consistency. Content analysis was applied with the aim of making general statements based on how categories and themes of data are related. Mugenda (2003) defines content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

4.2 Strategy Formulation

4.2.1 Mission and Vision Statement of Gulf African Bank

The interviewees stated that the bank has a mission and vision statement. One of the respondent stated that the company's vision is to be the leading Shari'ah Compliant financial services provider in our market. He also added by stating by the company's mission is to provide innovative and competitive financial services solutions professionally through principles of fairness and integrity while enhancing the wellbeing of our customers, staff and the community.

Other than the mission and vision statements, the interviewees also stated that the company operations are governed by core values. The core values are based on

- Integrity - The principles of Shari'ah compliance guide all that we do
- Teamwork - Our relationships with each other is why we succeed
- Professionalism - To global standards, and to meet the needs of our customers

4.2.2 Strategy Formulation of Policy Documents

The interviewees stated that basic strategic planning is comprised of several components that build upon the previous piece of the plan, and operates much like a flow chart. However, prior to embarking on this process, it is important to consider the players involved. There must be a commitment from the highest office in the organizational hierarchy. Without buy-in from the head of a company, it is unlikely that other members will be supportive in the planning and eventual implementation process, thereby dooming the plan before it ever takes shape. Commitment and support of the strategic-planning initiative must spread from the president and/or CEO all the way down through the ranks to the line worker on the factory floor.

The interviewees also stated that just as importantly, the strategic-planning team should be composed of top-level managers who are capable of representing the interests, concerns, and opinions of all members of the organization. As well, organizational theory dictates that there should be no more than twelve members of the team. This allows group dynamics to function at their optimal level. The components of the strategic-planning process read much like a laundry list, with one exception: each piece of the process must be kept in its sequential order since each part builds upon the previous one. This is where the similarity to a flow chart is most evident, as can be seen in the following illustration. The only exceptions to this are environmental scanning and continuous implementation, which are continuous processes throughout. This article will now focus on the discussion of each component of the formulation process: environmental scanning, continuous implementation, values assessment, vision and mission formulation, strategy design, performance audit analysis, gap analysis, action-plan development, contingency planning, and final implementation. After that, this article will discuss a Japanese variation to Strategy Formulation, Hoshin Planning, which has become very popular.

4.2.3 Development of Mission and Vision Statements

The interviewees stated that the mission statement should is a concise statement of business strategy and developed from the customer's perspective and it should fit with the vision for the business.

The interviewees also stated that mission statements will have multiple customer groups that purchase for different reasons. In these cases, one mission statement can be written to answer each of the three questions for each customer group or multiple mission statements can be developed. Also, as a final thought, remember that your vision and mission statements are meant to help guide the business, not to lock you into a particular direction. As your company grows and as the competitive environment changes, your mission may require change to include additional or different needs fulfilled, delivery systems, or customer groups. With this in mind, your vision and mission should be revisited periodically to determine whether modifications are desirable.

The interviewees in regards to the vision statement stated that the vision statement spells out goals at a high level and should coincide with the founder's goals for the business. Simply put, the vision should state what the founder ultimately envisions the business to be, in terms of growth, values, employees, contributions to society, and the like; therefore, self-reflection by the founder is a vital activity if a meaningful vision is to be developed. As a founder, once you have defined your vision, you can begin to develop strategies for moving the organization toward that vision. Part of this includes the development of a company mission.

4.2.4 Communication of Mission and Vision Statements to Employees

The interviewees stated that the mission and vision statements are communicated to employees through the preparation of a visual aid. PowerPoint presentations, slide shows and other methods of communication should incorporate the items on the list. Company colors and slogans can enforce the company's solidarity throughout all offices. The mission and vision statement are also presented at meetings. This enables the message to remain positive and actionable.

The interviewees also stated that the mission and vision statement are communicated through scheduled meetings. In this case, a venue large enough to hold every employee at the local level is reserved. The company CEO unveils the new mission and vision statements.

4.2.5 Process of Setting Objectives

The interviewees stated that in a planning consultation, the necessary qualifications and competencies are first identified for an employee and then concrete objectives and required performance levels are agreed. For example, sales targets could be defined and the employee could agree to take on specific tasks in a project, and so on. These aspects can be defined by the manager, by the employee or both. The employee’s personal training and development requirements are discussed and entered in the objective setting agreement.

The respondents also stated that during the review, the objectives agreed with the employee during the planning phase are checked and adjusted to reflect the current situation. The manager and employee discuss the possible need for support, establish whether the objectives defined in the planning phase are still relevant, and add further objectives or decide to delete obsolete ones. Furthermore, the manager can make comparisons between the objectives set previously and the employee’s current performance.

The respondents also stated that setting standards, they need to be enforceable and teachable. It is important that employees understand the standards they are required to meet, and what will happen if they fail to live up to these expectations. If this isn't done, then the standards will be meaningless and the organization will not have a basis for its organization and quality control processes.

4.2.6 Situational Analysis during the Planning Process

The interviewees stated that situational analysis during the planning process is carried out using SWOT analysis. One of the interviewees stated that SWOT Analysis is a useful technique for understanding your Strengths and Weaknesses, and for identifying both the Opportunities open to you and the Threats you face.

The interviewees also stated that SWOT Analysis is a simple but useful framework for analyzing your organization's strengths and weaknesses, and the opportunities and threats that you face. It helps you focus on your strengths, minimize threats, and take the greatest possible advantage of opportunities available to you.SWOT Analysis can be used to "kick off" strategy formulation, or in a more sophisticated way as a serious strategy tool. You can also use it to get an understanding of your competitors, which can give you the insights you need to craft a coherent and successful competitive position.

4.2.7 Internal and External Environment Impacts on Strategy Formulation

The interviewees stated that identification of strategic factors requires systematic analysis of both external and internal environment of the firm. External environment analysis comprises of micro, and macro analysis of the business environment.' PESTEL' analysis is macro analysis. This will determine the strategic factors that indicate opportunity and threat in the business environment. The internal environment of the firm is created by the interaction of people, process and technology in the prevailing organization culture. Strategic factors of firm's strength and weakness are identifiable in all the functional areas of the firm. Say, market share, profitability, skill, productivity etc. Firm's mission leads to objectives. The integration of strategic factors, result in realization of objectives. Policies, plans and programs are required to be worked out for achievement of objectives through proper allocation of organizational resources.

The interviewees also stated that creating an effective liaison between strategy formulators and strategy implementers is a major factor that impacts strategy formulation. They also mentioned that the existing leadership style and behavior leads to set up organizational culture which in turn is considered fundamental in both strategy formulation and implementation. Strategy implementation is even more sensitive to the culture and the manner that the organization deals with resistance to change.

4.2.8 Development of Strategies for Operations

One of the interviewees stated that Operations strategy is the total pattern of decisions which shape the long-term capabilities of any type of operations and their contribution to the overall strategy, through the reconciliation of market requirements with operations resources.

The interviewees stated that they use tows matrix as a tool for developing the strategies for their operations. By analyzing the external environment (threats and opportunities), and your internal environment (weaknesses and strengths), you can use these techniques to think about the strategy of your whole organization, a department or a team. You can also use them to think about a process, a marketing campaign, or even your own skills and experience.

4.2.9 Challenges Faced while responding to Changes in Internal and External Environment

The interviewees stated that it is difficult for even the best decision makers to monitor their business environment and then respond appropriately to changes as and when they occur. In competitive industries, where organizations continually face challenges posed by a volatile external environment, decision makers have to be particularly ready to respond. This involves making strategic changes that bring the organization's internal structure and operation into line with the changed external environment.

One of the interviewees also stated that Organizational change is ineffective without strong leadership. Managing change requires a strong and unwavering commitment from the CEO or change leader, and the team that drives and supports the change effort, to create buy-in and gain the commitment of all stakeholders. It has been argued that change cannot be managed, but rather one should be preparing for, leading, and responding to change. It is a fact that change is constant and unavoidable, and organizational survival is dependent on developing the ability to adapt to and embrace change proactively.

4.3 Strategic Implementation

4.3.1 Process of Implementing Strategies

One of the interviewees stated that the process involves clarifying the strategy. All too often, strategies are expressed as high-level statements that resonate with board and executive levels but fall flat with mid-level and frontline personnel. Unfortunately, if people don't understand the strategy, they are unable to connect with it. So the first step is to clarify your strategy in a way that people in your organization can rally to support its implementation. Done well, this strategy will tie together your goals and objectives and clearly explain what you intend to do.

The interviewees agreed that implementing strategies involved communicating it. One of the respondents claimed that they have never encountered an organization where I heard from people that we communicate too often or with plenty of clarity. So then, communication is the second C. Powerfully communicating the essence of your strategy at every level of the organization using multiple mediums is the key here.

The interviewees stated that the final process in implementing strategies involves Cascade the strategy. One of the interviewees stated that if strategy is "what" you do then tactics are "how" you do it. And if you want your strategy implemented well, you need to cascade it throughout the organization and get to the practical and tactical components of people's jobs every day.

4.3.2 Communication of Strategies to Employees

The interviewees agreed that the same procedure applied in communicating the mission and vision statement is applied in communicating the strategies. The strategies communication begins with the preparation of a visual aid. PowerPoint presentations, slide shows and other methods of communication should incorporate the items on the list. The strategies are also communicated at meetings. This enables the message to remain positive and actionable.

4.3.3 Employee Empowerment to Implement Strategies

The interviewees stated that the employees are empowered to implement strategies through Open Dialogue. One of the interviewees stated that this involves creating a system for open dialogue between employees and management, setting up a drop box for suggestions, rewarding employees who offer ideas that save the company time or money, and meeting with department managers to learn how to make workers under them feel more empowered.

The interviewees also stated that the employees are empowered through decision making opportunities. They stated that employees should be allowed to make important decisions for items directly impacting their own job. However, one of the interviewees cautioned that without a reward system, employees might be too frightened to try new things for fear of losing their jobs.

4.3.4 Employee Recruitment and Retaining Measures

One of the interviewees stated that the recruitment process poses as an issued in the organization. However, While there's no guarantee that putting your employees first, maximizing your best workers, staying involved and assessing emotional intelligence during the hiring process will fill every open position in the company.

The interviewees agreed that the best way to hire and keep top talent is to create a company culture where the best employees want to work, a culture in which people are treated with respect and consideration at all times. One of the interviewees stated that although you may not be able to fill every position in your company even if you have a strong corporate culture, researchers say that one sure way to maximize your best employees is to place them in positions of great influence.

4.3.5 Challenges Encountered in Strategy Implementation

The interviewees stated that some of the challenges encountered in strategy implementation include insufficient leadership attention. one of the interviewees mentioned that too often, law firm leaders view the strategy development process as a linear or finite initiative. After undergoing a resource intensive strategic planning process, the firm's Managing Partner and Executive Committee members may find themselves jumping back into billable work or immersing themselves in other firm matters, mistakenly believing that writing the plan was the majority of the work involved. Within weeks of finalizing the plan, strategies start to collect dust, partners lose interest, and eventually, months pass with little or no reference to the plan or real action from firm leaders to move forward with implementation.

The interviewees also stated that ineffective leadership poses as a challenge. Leading strategy implementation requires a balancing act - the ability to work closely with partners in order to build cohesion and support for the firm's strategy, while maintaining the objectivity required in order making difficult decisions. Strategy implementation frequently fails due to weak leadership, evidenced by firm leaders unable or unwilling to carry out the difficult decisions agreed upon in the plan. To compound the problem, partners within the firm often fail to hold leaders accountable for driving implementation, which ultimately leads to a loss of both the firm's investment in the strategy development process as well as the opportunities associated with establishing differentiation in the market and gaining a competitive advantage.

The interviewees also stated that having a weak or inappropriate strategy is also a problem. During the course of strategic planning, the lack of a realistic and honest assessment of the firm will lead to the development of a weak, inappropriate or potentially unachievable strategy. A weak strategy may also result from overly aspirational or unrealistic firm leaders or partners who adopt an ill-fitting strategy with respect to the firm's current position or market competition. Without a viable strategy, firms struggle to take actions to effectively implement the plan identified.

The interviewees stated resistance to change is the major challenge faced. They stated that the difficulty of driving significant change in an industry rooted in autonomy and individual lawyer behaviors is not to be underestimated. More often than not, executing on strategy requires adopting a change in approach and new ways of doing things. In the context of law firms, this translates to convincing members of the firm, and in particular partners, that change is needed and that the chosen approach is the right one.

4.4 Strategy Evaluation

4.4.1 Monitoring of Strategic Plan Success

The interviewees agreed that the Board and senior staff agree on how best to regularly monitor implementation. The staffs are also given the freedom to proceed with day-to-day implementation; however, the Board should regularly monitor progress so that additional support on a task-by-task basis can be provided if progress slows. Success is about implementing the changes sought; not just developing the plan, and the Board and senior staff should own the successful implementation. Most high-success nonprofits specifically discuss their on-going implementation efforts 3-4 times per year, and many have “dashboards” with key metrics to assist in monitoring implementation and results.

One of the interviewees also stated that the strategic plans are measured by monitoring progress against the key priorities that it identifies. They agreed that they are also measured by identifying strengths and weaknesses that may arise in the organization. One of the interviewees added that in order to monitor the success of the strategic plan, the right people must be ready to assist you with their unique skills and abilities.

4.4.2 Continuous Review of Strategic Plans

The interviewees stated that Gulf African Bank is involved in continuous review of its strategic plans. They agreed that the company has a clear sense of the decision making. This ensures that all strategies are subject to constant modifications as the internal and external factors influencing a strategy change constantly.

One of the interviewees stated that continuous review involves identifying critical issues. They claimed that this involves issues that may arise from the identified strengths, weaknesses, opportunities and threats. Additionally, they stated that continuous review also involves identifying opportunities and threats. This is in relation to identifying the outside influences over which you have little control; political/legal, economic, social/cultural and technological factors.

4.4.3 Institutionalization of Corrective Measures and Procedures in the Strategic Management

The interviewees stated that corrective measures and procedures in the strategic management are institutionalized. The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

One of the respondents stated that it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

4.4.4 Employee Empowerment to take Corrective Actions

The interviewees stated that a primary goal of employee empowerment is to give workers a greater voice in decisions about work-related matters. Their decision-making authority can range from offering suggestions to exercising veto power over management decisions. Although the range of decisions that employees may be involved in depends on the organization, possible areas include: how jobs are to be performed, working conditions, company policies, work hours, peer review, and how supervisors are evaluated.

One of the interviewees added that sometimes, employees are not motivated because of the way their jobs are designed. For example, consider the job of an assembly-line worker who does nothing but place a screw in a hole as the product passes by on the production line. Such a job provides little opportunity for workers to gain intrinsic rewards. Job enrichment aims to redesign jobs to be more intrinsically rewarding. Certain job characteristics help managers to build enrichment into jobs.

4.4.5 Strategy Evaluation Involvement

The interviewees stated that every individual involved with the company is involved in the evaluation of strategies. They claimed that they schedule meetings to discuss progress reports. Present the list on the strategic evaluation. This enables all company employees to be knowledgeable.

One of the interviewees added that strategic implementation is critical to a company's success. This is based on the fact that it focuses on the whole organization. The interviewees also agreed that political, economic, social, technological, legal and environmental landscape are external factors that have the ability of impacting the strategy evaluation in the organization.

4.4.6 Challenges Facing Strategy Evaluation

The interviewees stated that the challenges experienced in strategic plans are attributable to failures in the evaluation process. One of the interviewees stated that the senior management team must come together to review, discuss, challenge, and finally agree on the strategic direction and key components of the plan.

One of the employees added that the greatest mistake is not developing ownership in the evaluation process. Additionally, lack of communication also poses as a challenge in the evaluation process. They concluded by stating that the company management must be communicative and open, with scheduled meetings for updates in relation to the strategic evaluations.

4.5 Discussion of the Study

The discussion of the study is divided into the following two sections

4.5.1 Link to Theory

The strategic management process involves organization, management and the environment as a whole. Thus, in understanding the strategic management process and how it works, a general knowledge of the organization, its internal and external environments and management is required. The environment in which organizations operate is constantly changing with different factors influencing the organizations.

4.5.2 Link to Other Studies

According to Slack (2002), Strategic management can be considered as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company or organization’s objectives. It consists of the analysis of decisions and actions an organization undertakes in order to create and sustain competitive advantages.

Gulf African Bank strategy concentrates on business unit strategy that is concerned more with how a business competes successfully in a particular market. Operational Strategy is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc.

The findings of this research identify that, Management practices involves a set of processes that are employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change. It was also found that Gulf African Banks strategy is all about identifying stakeholders and building alliances, prioritizing and putting in place plan of actions, and making adjustments to fulfill performance objectives over time. In conclusion, it can be stated that in order for strategy to achieve its purpose there is the need for a deep thinking. To outsmart competitors is not an ordinary task. An organization's strategy must be appropriate for its resources, circumstances and objectives.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study findings, conclusions and recommendations. The findings are summarized in line with the objective of the study which was to establish the strategic management practices on performance of Islamic banks in Kenya a case of Gulf African Bank.

5.2 Summary of Findings

Strategic management practice is critical for the success and survival of every organization. Strategic management allows the organization to be more proactive rather than reactive. It will also enhance the Islamic banks' ability to create new investments, liquidity management instruments and methods, and develop the existing ones. In addition, to increase its ability to take advantage of the openness Islamic Banks would need to expand its operations into new markets. He stated that for its survival and success, Islamic banks and financial institutions would need to work on some landmark strategies like institutional framework, Religious or Shar'iah framework, promotional framework as well as Research and studies.

The study finds that an organization's strategy must be appropriate for its resources, circumstances and objectives. The process involves matching the companies' strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole. Organizations employ strategic planning as a way of moving towards their desired future state. Strategic planning, more than anything else, is what gives direction to an organization.

5.3 Conclusion

In conclusion, it is evident although Islamic banks do not distribute returns to current account owners, the servicing of these accounts, despite their cost, not only increases the rate of profit, because the deposits are not subject to distribution as they are guaranteed, but these demand deposits also increase the multiplier of assets/equity rate which is reflected in the form even a greater increase in the rate of profit. On the other hand, off-balance sheet deposits are considered an attractive way to increase the number of clients in addition to being a very important vehicle to increase the rate of shareholders' returns, because it increases the earnings from the agency activities, keeping in mind that these earnings are less affected by investment risks to which other banking earnings are subjected.

It can also be concluded that that maximization of profit is the objective of the highest priority for all investment institutions created by private individuals. Consequently, all private-sector financing institutions have one fundamental objective: to make as much profit as they can and Islamic banks are not any exception but require effective strategies that can ensure that they are as profitable as possible.

5.4 Recommendations

It is recommended that organizations should employ strategic planning as a way of moving towards their desired future state. Strategic planning, more than anything else, is what gives direction to an organization. It must be realized that maximization of profit is the objective of the highest priority for all investment institutions created by private individuals.

It is also recommended an organization's strategy must be appropriate for its resources, circumstances and objectives. The process involves matching the companies' strategic advantages to the business environment the organization faces. Companies must also deploy new technologies to support key business objectives. This is because globalization of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today.

5.5 Suggestions for further Research

The study suggests further research on the establishment of the strategic management practices on performance of Islamic banks in Kenya a case of Gulf African Bank. The study will supplement the findings of this study by providing information on the strength and weaknesses of experienced in the implementation strategic change management practices. This research therefore should be replicated in other Islamic banks in order to establish whether there is consistency among them on strategic change management practices.

Additionally, further studies should be carried out in order to determine performance of Gulf African Bank. This is in relation to identifying other outside influences over which they have little control; political/legal, economic, social/cultural and technological factors. This may also include new government policies, fragmented markets, changing lifestyles, activities of competitors and explore how these will relate to your mission.

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APPENDIX: INTERVIEW GUIDE

STRATEGIC MANAGEMENT PRACTICES AT GULF AFRICAN BANK

STRATEGY FORMULATION

1) Does Gulf African Bank have vision and mission statements?
2) What are the policy documents for strategy formulation?
3) Describe the process of developing the vision and mission statements
4) Describe how vision and mission is communicated to employees
5) Describe the process of setting objectives in your organization?
6) Do you carry out situational analysis during the planning process? If yes, which tool and techniques do you use?
7) Which factors in the internal and external environment have had an impact on strategy formulation in the organization?
8) How do you develop strategies for operations? What tools and techniques do you use?
9) What challenges does Gulf African Bank face while responding to changes internal and external environment?

STRATEGY IMPLEMENTATION

10) What is the process of implementing strategies at Gulf African Bank?
11) How are the strategies communicated to employees?
12) In which ways are the employees empowered to implement chosen strategies?
13) What measures are in place to recruit and retain best employees?
14) What challenges have been encountered in implementation of strategies at Gulf African Bank and how have they been dealt with?

STRATEGY EVALUATION

15) How do you monitor success of Gulf African Bank strategic plan?

16) Is Gulf African Bank involved in continuous review of its strategic plan?

17) What influences review of the strategic plan and how often do you review the strategic plan?

18) Are corrective measures and procedures in the strategic management process institutionalized? If yes, which measures and procedures are in place?

19) Are employees empowered to take corrective actions?

20) Who is involved in strategy evaluation?

21) What are the challenges facing strategy evaluation?