STRATEGIC FACTORS INFLUENCING THE IMPLEMENTATION OF CORE BANKING SYSTEM AMONG COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree or any other qualification in any other university.

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This study is dedicated to my family for their constant encouragement and for being patient enough to see me go through my academic struggle thus realizing my long cherished dream.

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ABSTRACT

Commercial banks in Kenya are seeking to upgrade their core banking systems to improve competitiveness, operational efficiency, and regulatory compliance but face challenges in implementing core banking system initiatives. None of the reviewed empirical studies focused on strategic factors that influence the implementation of core banking system among commercial banks in Kenya. Informed by this knowledge gap, this study sought to establish strategic factors that influence the implementation of core banking system among commercial banks in Kenya. This study adopted a descriptive cross-sectional survey research design. The population of this study was the 10 commercial banks in Kenya that have undertaken implementation of core banking system. The study adopted census-sampling technique to sample the 10 commercial banks. The sample size of the study was 60 respondents who were managerial employees in the operations and finance department from each commercial bank. The researcher used both primary and secondary data. Secondary data was obtained from the published annual reports spanning five years (2011-2015) for the commercial banks. Primary data was collected using a questionnaire. The study used descriptive and inferential statistical analysis in terms of regression analysis. The study used both primary data consisting of both quantitative and qualitative data. In analyzing the quantitative data, the researcher used descriptive statistics using SPSS, while qualitative data was analyzed using content analysis. The simple multiple regression model was used to determine the significance of study's independent variable (strategic factors) on implementation of core banking system. From the study findings, it is concluded that commercial banks in Kenya face a number of factors that determined the success of their strategy implementation efforts. The main factors influencing strategy implementation among commercial banks in Kenya include; communication, leadership, organization structure, resources, policies, politics, economic factors, social-cultural factors, competition, and change management respectively. The factors with the greatest influence on strategy implementation include; communication, leadership, organization structure and resources. The strategic factors that influence the implementation of core banking system among commercial banks the most included; staff involvement, end user involvement, bank-wide employee training, top management support, effective communication, vendor commitment, vendor knowledge transfer, supervision by the board, staff motivation and personal. From the simple regression analysis, it was established that strategic factors contribute significantly to the successful implementation of core banking system among commercial banks in Kenya. The strategic factors had a strong positive influence on implementation of core banking system among commercial banks in Kenya. The study recommends that the management of commercial Bank in Kenya should allocate adequate financial resources required for the monitoring of the new CBS and for its requisite upgrading with the ever-changing banking products being offered by respective commercial banks. The bottom-up and top-down communication should be enhanced to allow for feedback on the success of the CBS implementation as well as in identification and management of any gaps in CBS implementation. Finally, the banks management should continue to lender their support and guidance to the banks' staff during the whole process of new CBS implementation.

CHAPTER ONE: INTRODUCTION

1.1.1 Core Banking System

Core banking system is the platform where communication technology and information technology are amalgamated to meet core needs of banking such as handling deposits and lending (Chairlone and Ghosh, 2009). Abhate (1999) defined a core banking system as a back-end system that analyzes day-to-day banking dealings, and posts updates to accounts and other monetary records. Core banking systems normally comprise deposit, loan and credit-processing capabilities, with interfaces to general ledger systems and reporting tools. Strategic spending on these systems is founded on a grouping of service-oriented architecture and subsidiary technologies that generate extensible and responsive architectures (Chairlone and Ghosh, 2009). A majority of financial institutions depend on on some form of core banking systems to offer customers with retail and corporate banking products. Further, core banking systems convey enterprise-wide abilities such as general customer info, branch services, input for the general ledger, and data on credit limits, payments, and transfers (Clacssens and Luc, 2009).

As regulatory demands grow in intensity and financial institutions face a rival and puzzling environment, running a modem and effectual core banking system has become essential to continued success (Chairlone and Ghosh. 2009). New core banking systems are helping a growing number of banks attain a longtime goal, which is a complete view of their customers. The credit crisis, new supervisory necessities and snowballing demand for higher cross-sale revenue have all renewed banks' interest in enhancing their aptitude not only to see but also to have und use customer info in timely (Abbale, 1999). Some examples leading of core banking systems include; Misys Equation, Misys Midas, Flexcube, Equinox, Termenos T24, SAP banking services, Bankways, CSB, Digibank, CoreSoft, SAB/SCB, Systematics, Hogan, InsiteBankin system, Signature among others (Mysis, 2013).

1.1.2 Strategic Factors Affecting Implementation of Core Banking Systems.

Strategic factors are those things that an organization or business unit requires to get right in order to prosper with its key stakeholders that include; customers, suppliers, employees, owners and business partners. The competitiveness, profitability and sustainability of companies is determined by the extent to which the company strategies are aligned with the strategic factors affecting its operations (Porter, 2002). The ability to carry out a bank modernization program requires solid support from stakeholders and business sponsors. There are five strategic factors common to all the three core banking systems implementation phases. Out of the strategic factors related to pre-implementation, setting project objectives and expectations have been identified as the strategic factors. In relation to the implementation phase, vendor support and commitment have been identified as the key strategic factors and in relation to the post-implementation phase, excellent issue resolving mechanisms were identified as the strategic factor (Satchidananda *et al*, 2006).

According to Gartner's (2011) the following criteria were identified to impact most on core banking systems decisions; functionality, flexibility, cost, viability, operational performance, program management, partner management, customer references. The strategic factors relating to project running are timeline estimating, client contentment, alignment to strategic business objectives, cost/hours estimating, time and budget to date, and value. Most companies do not gather metrics that display the worth of a scheme to the organization. Ripened project administration methods should be utilized in place for the growth and the status of projects, which is not measured and checked thus as the project failure arises as a astonishment at the anticipated time of project conclusion.

Some of the strategic aspects impacting the implementation of a new basic banking system comprise: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of prospects, project champion, vendor support, vigilant package selection, data analysis and conversion, devoted resources, navigation committee, user training, education on new business processes, business process re-engineering, negligible customization, architecture choices, change organization, vendor partnership, vendor tools, usage of consultants (Somers and Nelson, 2001).

The implementation of a new core system among the banks is one of the strategic interventions that helps banks to compete effectively (Deloitte, Kenya, 2015). The strategic implementation of core banking system entails an overhaul of the existing core system and putting in its place a newer and better system to handle the core functions (Boot, 2009).

System replacement with a modem core banking explanation includes such profits as greater efficiency, simpler access to information, and the ability to add new applications without fear of system failures. Among other benefits, growths in packaged remedies include a move away from dependencies on hardware platforms and operating systems (Boot. 2009). A core banking solution, once instigated, should be vigorous, accessible and future-proof and serve the business interest for at least 10 years. Banks need to pay attention to main factors, which make the core banking transformation a fruitful experience (Adamson et al, 2003).

1.1.3 Banking Industry in Kenya

As at 31st December 2015, the banking sector encompassed of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Deposit-Taking Microfinance (DTM), 2 credit reference bureaus (CRBs) and 101 forex bureaus. The 9 DTMs, 2CRBs and 101 forex bureaus are privately owned. The foreign owned financial institutions involve 10 locally unified foreign banks and 4 branches of foreign incorporated banks (CBK 2015).

The banking industry has been reserved as a crucial support to the attainment of vision 2030 (a long-term strategy to achieve maintainable growth by year 2030) through amplified savings, encouragement of Foreign Direct Investment (FDI), safeguarding the cheap from external shocks as well as pushing Kenya to become a leading financial centre in Eastern and Southern Africa. Within the Medium Term Plan (2008-2012) under vision 2030, some of the target areas comprise development of a safe and dependable payments system that will safeguard smooth transmission and payment of cash between customers and banks as well as between banks. Towards this end, the use of mobile phone networks, internet, payment cards, operational resilience and security will be followed in order to boost trust, integrity and assurance in the ICT based payment systems (Ngumi, 2013).

1.1.4 Commercial Banks in Kenya

In Kenya, commercial banks play a significant role in assembling financial resources for investment by extending credit to various businesses and investors. Lending represents the heart of the banking industry and loans are the central assets as they produce the bigger share of operational income. The biggest commercial banks in terms of market share by deposits as at 2015 are Kenya Commercial Bank, Barclays Bank, Co-operative Bank, Standard Chartered Bank, CFC Stanbic Bank and Equity Bank in that order (Central Bank of Kenya, 2014).

The commercial banks in Kenya that have changed their core banking systems include; Kenya Commercial Bank (KCB), Barclays bank of Kenya (BBK), Commercial Bank of Africa (CBA), CFC Stanbic Bank, Family Bank, Equity bank, Central Bank of Kenya (CBK), Chase Bank, Co-operative Bank, National Bank and NIC Bank (CBK, 2015). The replacement of CBS is critical for the survival, competitiveness and success of any financial institutions in Kenya. Therefore, successful survival and competitiveness of any financial institution depends on careful consideration of strategic factors affecting the implementation of a new core banking system among Commercial Banks in Kenya (CBK, 2013).

The problem is that local commercial banks in Kenya do not meet the desired objectives during agreed project scope, timeframe and budget from the CBS project implementation (CBK, 2015). Some of the leading domestic banks in Kenya, which hurriedly upgraded the existing system with new version of the existing CBS, without resolving the current issues, had to face manifold difficulties in managing the project. Such problems, ultimately had adverse effects on their business as they were not in a position to meet the expectations of the customers, on time (Mwangi, 2013).

1.2 Research Problem

According to Raps and Kauffman (2005) strategy execution is still an enigma in many companies as exemplified by the stumpy success rate (only 10 to 30 percent) of proposed strategies. Failure in implementing strategy is most likely during; launching new ventures, endorsing innovation and transformation, managing mergers and acquisitions and responding to new environmental pressures (Finkelstein, 2003). Since one or more of the circumstances highlighted by Finkelstein are prevalent in virtually all banking institutions in Kenya, it is desirable to mitigate and cope with factors influencing strategy implementation under any of those circumstances. The bank managers need to minimize these factors influencing strategy implementation for the success of strategy being implemented in specific banks.

Commercial banks in Kenya are looking forward to upgrade their core banking systems to advance attractiveness, operational competence, and regulatory compliance but face challenges in implementing core banking system initiatives (Mwangi, 2013). In a survey on the implementation of Basel II regulations it was revealed that that some Kenyan hanks had failed to implement the regulations due to challenges in their core banking systems (CBK, 2014). This is an indication that these systems require a change. The commercial banks have assumed core system replacement initiatives, often with less-than-hoped-for outcomes due to the challenges in managing the effects of strategic factors influencing the implementation of core banking system (Somers and Nelson, 2010). Such initiatives can be challenging for small and midsized banks for a variety of reasons. It would be very critical for the management of commercial banks in Kenya understand the strategic factors that influence the implementation of core banking system to ensure success of core banking system initiatives.

A number of local studies exist on factors influencing implementation of ICT and core banking systems. Ochieng (1998) focused on factors considered important in the successful implementation of information systems and found that commitment from top management, vendor capabilities and adequate training and change management were critical. Ngure (2004) researched on the factors influencing the choice of information systems changeover approaches used by 1CT consulting firms in Kenya. Findings from this study indicated that there are firm specific and environmental factors that influence choice of changeover approach including; size, financial capabilities, technology and product range. Musyoka (2006) did a survey of factors influencing choice of ICT systems for core banking activities in Kenya. The study established that the factors included; reliability, scalability and flexibility of ICT systems for core banking. Kiemo (2009) evaluated security of information systems in the Kenyan banking industry and established that security of information systems in banks is un overriding concern. However, none of the aforementioned studies focused on strategic factors that influence the implementation of core banking system among commercial banks in Kenya. Informed by this knowledge gap, this study sought to answer the research question: What are the strategic factors that influence the implementation of core banking system among commercial banks in Kenya?

1.3 Research Objectives

To establish strategic factors that affect the implementation of core banking system among commercial banks in Kenya.

1.4 Value of the Study

This study may provide information to policy developers to enable them to formulate, implement and evaluate relevant and viable policies with regard to replacement of CBS. It may provide information that the relevant Ministry in Kenya can use to assess and improve implementation of the legislation and regulation of the banking industry that is core towards achieving Vision 2030 in Kenya. The study may therefore provide insight into the policy making process. The findings of this study may also be highly relevant to management team of banks in Kenya. The findings may highlight the strategic factors to consider when implementing a new CBS. The findings of this study may be used by banks in Kenya when planning to invest on a CBS. In addition, the study may also be used for other information technology transfer projects in the Kenyan banking sector.

The study may contribute to the theory building in the sense that the gap concerning whether or not strategic factors affect the implementation of CBS may be narrowed down. The new developments in strategy implementation in areas of technology advancement have been very dynamic. The study findings offer new insights that need to be considered towards theoretical improvement. The study thus contributes to theory building because it asserts theoretical propositions under study.

This study may inform the foundation upon which other related and replicated studies could be based upon by scholars who may wish to carry out further research. The scholars may use the study findings as a reference point.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter presents the theoretical foundation of the study on strategy implementation. It further presents empirical evidence on factors influencing strategy implementation and challenges of strategy implementation.

2.2 Theoretical Foundation

The study was anchored on agency theory as proposed by Stephen and Barry (1980) and innovation diffusion theory by Rogers (1983).

2.2.1 Agency Theory

Agency theory is as suggested by Stephen and Barry (1980) is concerned with resolving issues that can exist in agency relationships due to unmatched aims or different aversion levels to risk. The most common agency relationship in finance occurs between shareholders (principal) and company executives (agents). The parties expect a relationship will lead to an efficient division of labor. Performance of this service drives in the designation of some decision-making authority to the agent. This delegation of accountability by the principal and the resulting division of labor are helpful in boosting an efficient and productive economy. However, such designation also means that the principal requires to have trust in an agent to act in the principal's best interests (Walker, 2003).

The relationship between the principal and the agent is called the "agency," and the law of agency establishes guidelines for such a relationship. The formal terms of a specific principal-agent relationship are often described in a contract. The agent assumes an obligation of loyalty; that he will follow the principal's instructions and will neither intentionally nor negligently act improperly in the performance of the act. An agent cannot take personal advantage of the business opportunities the agency position uncovers. A principal, in turn, reposes trust and confidence in the agent. These obligations bring forth a fiduciary relationship of trust and confidence between Principal and Agent (Green, 2012).

An agent must obey the instructions given by the Principal and not do acts that have not been specifically or impliedly authorized by the Principal. The Agent must utilize reasonable care and skill in performing the responsibilities. Most importantly, the Agent must be loyal to the Principal. The Agent must refrain from putting himself in a position that would customarily inspire a clash between the agent's own interests and those of the principal. The Agent must keep the Principal informed as to all facts that materially affect the agency relationship (Schuler, 2002).

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents of the principals. The two problems that agency theory addresses; the problems that come up when the desires or aims of the principal and agent are in conflict, and the principal is incapable to verify (because it difficult and/or expensive to do so) what the agent is actually doing (Investopedia, 2012). Agency theory seeks to clarify the relationship in order to recommend the suitable inducements for both sides to behave the same way, or more exactly, for the agent to have the incentive to follow the principal's direction. Agency theory also seeks to reduce costs in disagreements between the two (Green, 2012).

Agency theory is relevant to this study because it appreciates the role of the agent in achieving a greater goal. According to the theory the delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. The delegation of responsibility in the context of this study is the outreach of financial services from the banking halls to where people live and work ensuring rise in financial inclusion.

2.2.2 Innovation diffusion theory

The innovation diffusion theory was put forward by Rogers (1983). According to Dillon and Morris (1996); Rogers (1983 & 2003), the strategic dynamics which affect the diffusion of an innovation comprise; relative advantage (the degree to which a technology offers changes over presently existing tools), compatibility (its steadiness with social practices and norms among its users), intricacy (its ease of use or learning), trialability (the opportunity to try an innovation before obligating to use it), and observability (the extent to which the technology's productivities and its advances are clear to see). These fundamentals are not reciprocally exclusive thus incapable to foresee either the degree or the rate of innovation dispersion. The innovation does not essentially have to be new in terms of discovery or discovery; it only has to be viewed as new by the organization (Zaltman, Duncan & Holbek, 1973).

Moore and Benbasat (1991) formed on the work of Roger (1983), amongst others Tornatsky and Klein (1982) and Brancheau and Wetherbe (1990) and extended the selection of innovation features to seven. Three of the seven innovation characteristics are directly borrowed from Rogers: relative benefit, compatibility, and trialability.

The fourth characteristic, simplicity of use, is a close relative to Rogers' complexity. Also, both relative advantage and ease of use are subjective characteristics since they can be cosidered differently in line with an individual's perceptions. Fishbein and Ajzen (1980) concur, attitudes towards an object and attitudes concerning a precise behaviour linking to that object can repeatedly vary. Moore and Benbasat (1991) also came up with three additional characteristics. While Rogers (1983) included image as an internal element of relative advantage, Moore and Benbasat (1991) found it to be an independent forecaster of adoption. Image is the self-perception that accepting an innovation may result in improved social eminence.

By analyzing Rogers (2003) diffusion of innovation theory through the lens of the Dubin framework, some gaps in the theory appear (Lundblad and Jennifer, 2003). Organizations are labeled as a social system, but within organizations, departments or teams can also serve as social schemes. Yet the unique matters and rudiments of departments or teams within a larger organizational setting are not addressed in terms of how these limits impact the acceptance of innovation. In addition, boundaries are not addressed for example when dispersion of innovation occurs across organizations (Lundblad and Jennifer, 2003).

For diffusion of innovation theory in organizations, the only system state illustrated by the theory is what type of decision-making process is in place for espousing and implementing innovations, recognized as optional, shared, authority, and liable innovation-decisions. Rogers' theory does not tell us whether the system states of organizations need to be in standard operating mode in order for the theory to apply, or whether the theory holds in all types of organizations or only in certain types (Lundblad and Jennifer, 2003).

2.3 Factors Influencing Strategy Implementation

Johnson (2002) revealed that the five major reasons why strategic plans fail are linked to motivation and personal ownership, communications, no plan supporting the idea, passive management, and leadership. Brannen (2005) found that in order to enhance implementation some issues have to be solved. These include insufficient or unavailable resources, ineffective communication of the strategy to the organization, ill-defined action plans, ill-defined responsibilities, and organizational obstacles. Failing to endow or give people freedom and power to execute was also a substantial factor. In most cases different people from those who formulated the strategy were forced to implement it. Abok (2012) indicated that management styles affect the effectiveness of strategy implementation of strategic plans. It also found out that key players including management boards influence the implementation of strategic plans have an influence on implementation of strategic plans.

Various factors in an organization affect strategy implementation including; leadership, structure, resource allocation, and communication. As stated by Kroon (1995), leadership as a human factor drives an institution towards achieving goals via voluntary cooperation of all the persons in the business. The implication of leadership to the tactical management process is accentuated by the fact the process encompasses design and institutionalizing of the new approach (Elsenbach, Pillai and Watson, 1999). Okumus (2003) viewed leadership as the genuine support and participation of the Chief Executive Officer (CEO) in the strategic obligation. Okumus recognized the following main subjects in the contribution of the CEO in the strategy expansion and execution process; degree of support and backing from the CEO to the new policy until it is accomplished, open and covert messages originating from the CEO on the project and its significance.

There must be a fit between the organization structure and the strategy (Ghoshal and Bartlett, 1995). According to David (2001), alterations in strategy every so often necessitate variations in the way the organization is designed. The structural set-up for developing aims and policies can influence all other strategy implementation activities. Baker (2007) emphasized that organizational model can help or obstruct, support or hinder strategic transformation. An effective fit-for- drive structure will enable transformation, constant or discontinuous, minor or huge, to be made successfully and competently.

Okumus (2003) viewed resource allocation as the process of ensuring that all necessary time, financial resources, skills, and knowledge are made available. It is closely linked with operational planning and has a great deal of impact on communicating and providing training and incentives. Key issues to be considered are procedures of securing and allocating financial resources for the new strategy, information, and knowledge requirements for the process of strategy implementation, time available to complete the implementation process, political and cultural issues within the company and their impact on resource allocation.

Alexander (1991), states that strategy execution explores the issue of how to put a framed strategy into effect within a distinct time, budget, human resources, and its capabilities. This means that budgeting should be an important part of any action planning, specifically where capital-intensive approaches are concerned. Without an executable plan and resources to implement that plan, even the most advanced strategy is simply words on paper (Wery and Waco, 2004).

Communication is the method of bring into line the degree and range of transformation and the methods of execution with the values and values stated in the related policy manuscript (Jones, 2008). All policies are formulated and established with inter-departmental discussion depending on whether it is established to center upon a precise topic, area or nature of the organization, which in itself is communication. As stated by Peng and Littleljohn (2001) communication is a significant prerequisite for real strategy communication. Organization communication plays a significant part in preparation, knowledge diffusion and learning in the process of strategy application. Thus, viable communication must evidently clarify the new tasks, and duties that will be done by specific workers. The management ought to guarantee every staff member comprehends the tactical vision, the strategic subjects and what their obligation will be in accomplishing the strategic vision. It is vital that all workers are conscious of prospects. How are they anticipated to change? What and how are they projected to deliver? Each individual must recognize their tasks within the strategy, the estimated outcomes and how they will be assessed.

To become a fruitful strategy implementer and executor, the management staff should plainly communicate to all stakeholders and operative personnel what the new strategic decision is all about (Alexander, 1985). Any interruption instigated through inefficient communication or coordination could generate clash between parties and have an influence on business and relationships. In their findings, Aaltonen and Ikavalko (2002) stress the role of the middle managers' in communicating tactics. They are accountable for the perpetuation of the flow of strategic info through informal communication between bosses and subordinates. Rapert and Wren (1998) found out that organizations where employees have access to management throughout open and supportive communication climates tend to outperform those with more restrictive communication environments.

According to Jones (2008), the implementers must state what they want to accomplish and how they intend to go about it. By doing this, they get individuals inspired and remove the obstacles, entrenched within the culture of the organization that may encumber success. Kogut et al (2006) pointed out that brilliant communications and transparency between parties, as well as plainly defined performance dynamics, play a significant role to generate trust in the application and implementation phase.

2.4 Challenges of Strategy Implementation

Eisenstat (1993) stated that most companies trying to create new organization abilities blunder over these mutual organizational hurdles: capability, coordination, and commitment. There are a number of glitches in strategy execution including; feeble management roles in execution, a deficiency of communication, lacking a commitment to the strategy, unfamiliarity or misunderstanding of the strategy, unaligned organizational structures and resources, inadequate coordination and sharing of tasks, inadequate capabilities, opposing activities, and uncontrollable environmental factors (Galpin, 1998; Beer and Eisenstat, 2000).

McGrath et al. (1994) established that the political turmoil may well be the sole most vital issue facing any execution process. Due to fall outs in political camps, campaigners and supporters of the strategic resolution left the organization during the implementation process. Sandelands (1994) contended that people underrate the commitment, time, emotion, and energy required to defeat inertia in their organization and interpret plans into action. The stakeholders appreciated that the implementation took more time than initially allotted. Feurer at al. (1995) recognized absence of communication amongst the strategy creators and staff and management of the organization. This can either be absence of communication or ineffective communication.

Kim and Mauborgne (2005) identified; failure to overcoming the four organizational hurdles, which are cognitive, motivational, resource and political hurdles, failure to understand the customer, incapability to forecast environmental response, overestimation of reserve ability, failure to organize, lack of senior management commitment, inability to get employee commitment, underestimation of time requirements, failure to follow the plan, failure to manage change and poor communication as major challenges of strategy implementation.

Jooste and Fourie (2009) stated that there are numerous organizations which have several strategies but the deficiency of commitments of the policy creators and absence of strategic management these strategies do not produce the productive outcomes. Also, reasons for the failure of strategy are absence of attention and effective control to implement. Mapeter et al (2012) quantified that the motives which cause failure of the strategies and notwithstanding having the finest tactics, they could not bring out outcomes in Zimbabwe was only on account of undesirable leadership conduct which demonstrates the strategy decision-making people were not accountable, they were not dedicated to the strategy. Deficiency of ingenious strategic vision in the organization they could not inspire and boot up ethics of staff to get the strong-minded purposes, communication among the mid-level administration and high level management in organization stayed very low.

Schaap (2006) indicated that top administration and leadership conduct impact the success of execution of the strategy. Manager's insufficient understanding of company policies and future outlook, as well as insufficient devotion and support of managers and other influencing persons in the organization in implementation of business strategies deter the effective implementation of strategies.

According to Kaplan and Norton (2004), the chief causes of inefficient strategy execution are; vision and strategies that are not attainable, not connected to departmental, team and discrete aims, long and short term resource distribution and feedbacks that are tactical but not strategic. They do not mention leadership style as a barrier. Beer and Eisenstat (2000) state that leadership influences strategy implementation. Galpin (1998) points out that what makes the difference between effective and ineffective strategy execution is the way management inspires and educates its people. Kaplan and Norton (2004), claim that the most important driver of success in strategy is top management leadership method, and not the tool itself, that leadership style has a larger impact than the analytical and physical strength of the tool. They denote to the knowledge of leaders that have managed a fruitful strategy implementation and highlight communication as the major challenge. Koske (2003) observed that there are numerous organizational characteristics that oblige strategy execution. They are linking strategy formulation to implementation, resource allocation, match between strategy and structure, linking performance and pay to policies and making strategy supportive culture. According to Freeman (2003) there are a number of strategy execution pitfalls which include isolation, lack of stakeholder commitment, strategic drift, dilution, and isolation, failure to understand progress, initiative fatigue, impatience and not celebrating success.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology that the researcher used to conduct this study. The research methodology is presented in the following order; research design, target population of the study, data collection and data analysis.

3.2 Research Design

This study adopted a descriptive cross-sectional survey research design. The design was suitable since it helped the researcher to describe the state of affairs as they existed without manipulation of variables (Kothari, 2004). The design allowed the use of quantitative methodologies that collected quantitative data which was ready to be analysed, enable the researcher establish relationships between variables as well as make predictions on the variables. It also used qualitative methodologies which allowed collection of in depth information as the respondents explained their responses. The use of the two methodologies was complementing. The design was also point in time, time saving, and cost effective.

3.3 Population of the study

The population of this study was the commercial banks in Kenya that have undertaken implementation of core banking system. According to Kenya Bankers Association (2015) and CBK (2015), currently there are 10 commercial banks that have undertaken implementation of core banking system including; Kenya Commercial Bank (KCB), Barclays bank of Kenya (BBK), Commercial Bank of Africa (CBA), CFC Stanbic Bank, Family Bank, Equity bank, Chase Bank, Co-operative Bank, National Bank and NIC Bank which was the target population of the study. The study adopted census sampling technique to sample the 10 commercial banks. This was because the target population was small and accessible. The study focused on managerial employees in the operations and finance department from each commercial bank as they were in charge of strategic direction of their banks. From each department, the study sampled 3 management staff to participate in the study. In total 60 respondents were sought in this study through purposive sampling technique.

3.4 Data Collection

For the purpose of this study, the researcher used both primary and secondary data. Secondary data was obtained from the published annual reports spanning five years (2011-2015) for the commercial banks. Secondary data was used because it is factual and could be verified from the published reports. Primary data was collected using a questionnaire. The study collected primary data to collaborate with the secondary data. Primary data also allowed in depth information to be collected as the respondents had the space to give details.

The questionnaire contained both open and closed ended questions developed to obtain information from the respondents based on the study objectives. The questionnaire had two main parts. The section A gathered general business information of the commercial banks as well as the demographic information of the respondents. The section B contained questions on strategic factors that influence the implementation of core banking system among commercial banks.

Three respondents from the top management level in operations and finance departments were selected to participate in the study through purposive sampling technique. This was because they were the persons implementing core banking system and therefore rich in information on the strategic factors that influence the implementation of core banking system. Thus a total of 60 questionnaires were distributed. The researcher administered the questionnaire to the respondents through the drop and pick method. Respondents were given one week to fill the questionnaire to increase the response rate as the respondents were busy with their work schedules.

3.5 Data Analysis

Once the questionnaires were received back, they were checked for completeness and consistency where poorly filled in questionnaires were not used for the study. Data cleaning, editing and coding followed after which data entry was undertaken for all the questionnaires in a database. SPSS (version 21) was the software that the researcher employed to manipulate the data to achieve the study objectives. The study used descriptive and inferential statistical analysis in terms of regression analysis. The study used both primary data consisting of both quantitative and qualitative data. In analysing the quantitative data, the researcher used descriptive statistics using SPSS in terms of frequency, percentages, means and standard deviations. Tables and other graphs were used as appropriate to present the data findings while explanations were presented in prose. Qualitative data was analysed using content analysis, through developing a thematic framework from the key issues, concepts and themes emanating from the open ended questions (Nsubuga, 2006).

The multiple regression model was used to determine the significance of study's independent variable (strategic factors) on implementation of core banking system. The significance of each independent variable was determined by the t-test (Kothari 2004). The multiple regression analysis model specification is as follows;

$Y=\alpha+\beta_1X_1 + \beta_2X_2+ \varepsilon$ where

Y= implementation of core banking system among commercial banks;

X_1= strategic factors, X_2= control Variable (government regulations)

ε= error term; β=coefficient of independent variables; α= constant

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results, interpretation of findings and discussion. This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on the strategic factors that influence the implementation of core banking system among commercial banks. The chapter covers the respondent's background information, and the findings based on the study objectives.

4.1.1 Response Rate

The study targeted 60 top management employees from operations and finance department in commercial bank of Kenya to whom questionnaires were administered to. From the 60 respondents, only 50 of them responded to the questionnaires contributing to a response rate of 83.3%. The good response rate was achieved as a result of the researcher creating rapport with the respondents. The good rapport created encouraged the respondents to respond to the questionnaires given despite their busy work schedules.

The researcher also sought permission from the respective commercial banks before embarking on administration of questionnaires. This also helped in creating respondents' confidence in participating in the study as the respondents. The response rate was sufficient and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good while a response rate of 70% and over is excellent.

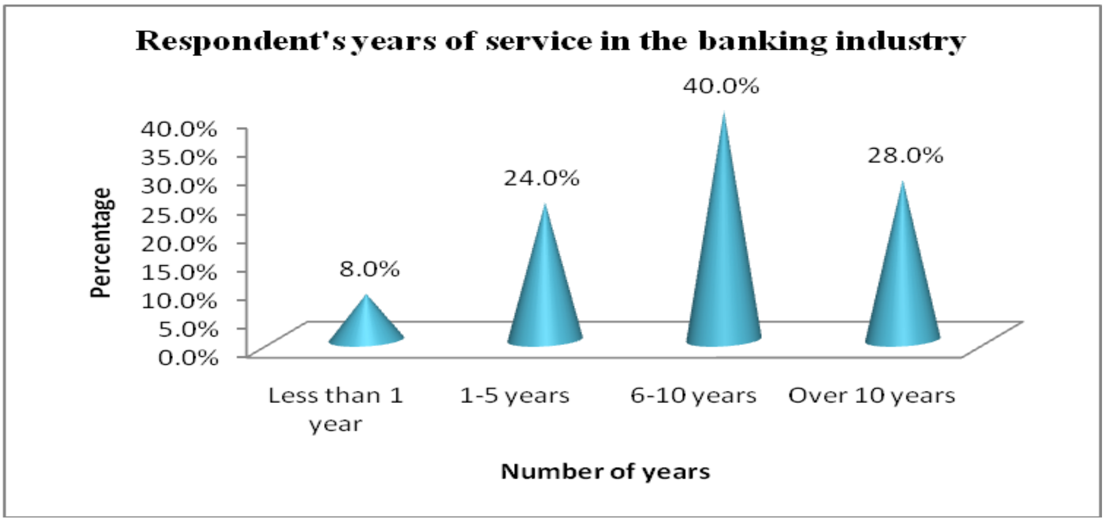
4.2 Background Information

In order to capture the background information of the respondents, issues such years of service in the organization and position of the respondent in the company were addressed in the first section of the questionnaire. This was important because it enhanced reliability of the information given and gave the basic understanding of the respondents.

4.2.1 Years of Service in the banking industry

The study sought to establish the length of time that the respondents had worked in the banking industry. The findings are as shown in Figure 4.1.

Figure 4.1 Distribution of the respondents based on their length of working



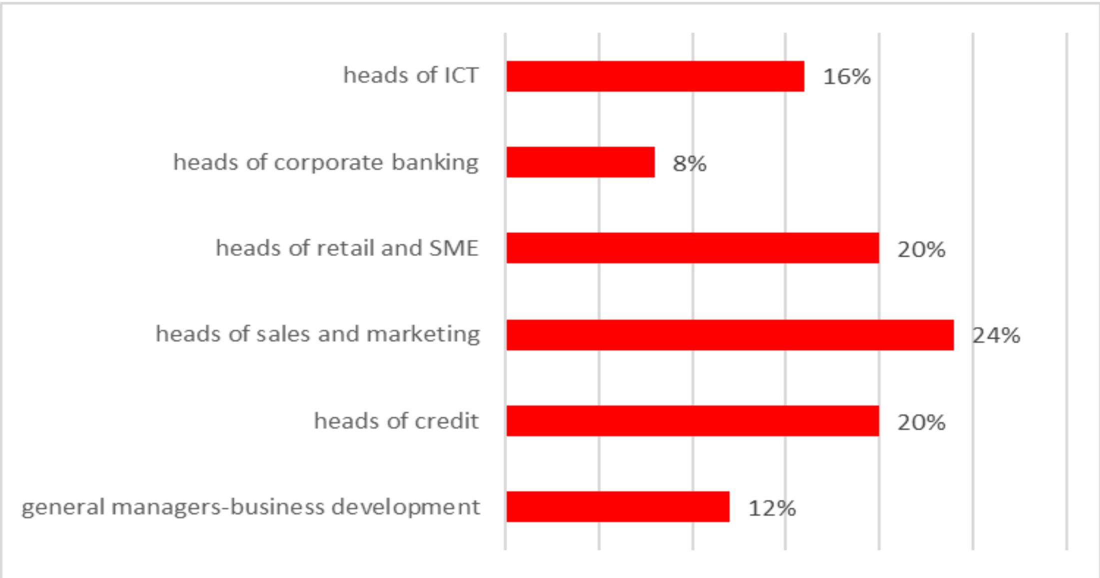
Source: (Field Data, 2016)

The study established that 40% of the respondents had worked in the banking industry for 6-10 years, 28% had worked for over 10 years, 24% had worked for 1-5 years while 8% of the respondents had worked in the banking industry for less than one year. This implied that majority of the respondents had worked in the banking industry for long enough to be able to provide reliable information relating to strategic factors that influence the implementation of core banking system among commercial banks.

4.2.2 The position of the respondents in the bank

The study sought to establish the position that the respondents held in the bank that they worked for and the results are as shown in Figure 4.2.

Figure 4.2 The position of the respondents in the bank



Source: (Field Data, 2016)

The study found that 24% of the respondents were heads of sales and marketing, 20% were heads of retail and SMEs or heads of credit, 16% were heads of ICT, 12% were general managers-business development while 8% were the heads of corporate banking in their bank. This implied that the study respondents held key positions in the commercial banks and as such were capable of providing reliable information relating to the strategic factors that influence the implementation of core banking system among commercial banks. Further, it implied that the respondents had acquired immense knowledge and experience on matters of implementation of core banking system given the nature of the positions that they held in the banks.

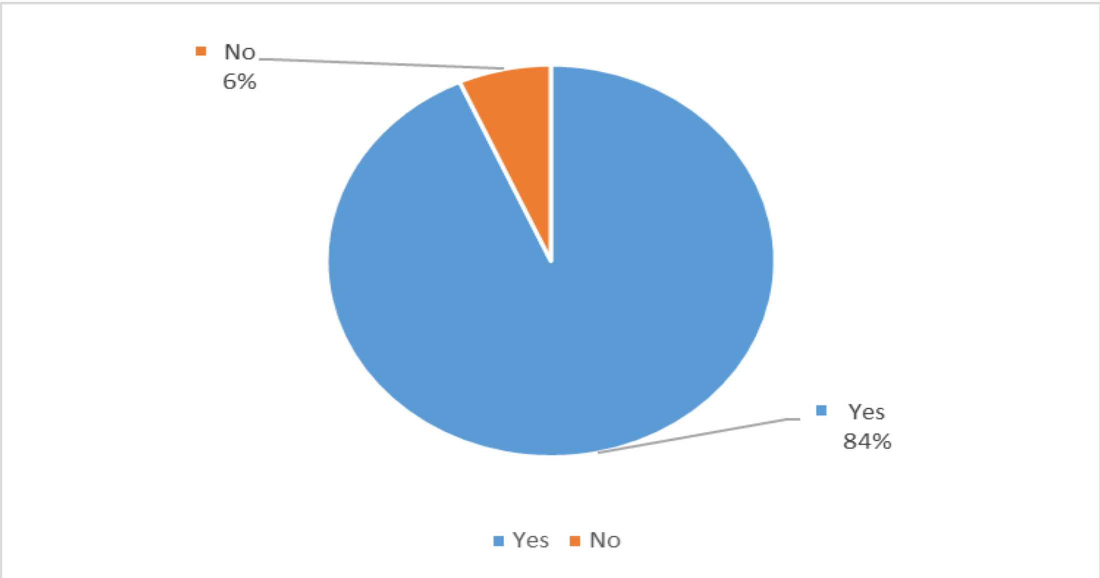
4.3 Factors influencing Strategy Implementation

The study investigated on the factors influencing strategy implementation among commercial banks in Kenya. The findings are as discussed in the subsequent areas under section 4.3.

4.3.1 Factors influencing strategy implementation

The study sought to establish whether there were factors that influenced strategy implementation among the commercial banks.

Figure 4.3 Factors influencing strategy implementation



Source: (Field Data, 2016)

According to the majority of the respondents (84%) there were factors that influenced strategy implementation among the commercial banks. This implies that commercial banks in Kenya faced a number of factors that determined the success of their strategy implementation efforts.

4.3.2 Strategy Implementation Factors

The study sought to establish the extent to which a number of factors influenced strategy implementation among commercial banks. The responses were rated on a five point Likert scale where: 5-To a very great extent, 4-To a great extent, 3-To a moderate extent, 2-To a little extent, and 1-To no extent. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.1 below. The scale of 1-5 should be interpreted as follow; 1 mean no significance; 2 mean limited significance; 3 mean medium significance; 4 mean high significance; 5 very high significance.

Table 4.1 Strategy Implementation Factors

	Mean	**Std dev**
communication	4.7655	0.82558
leadership	4.5379	0.75394
organization structure	4.5241	1.15166
resources	4.3655	0.48936
policies	4.2207	6.91223
staff motivation	4.1379	0.79472

economic factors	4.0500	0.22361
timing	4.0010	1.16416
competition	3.9005	0.85814
change management	3.8362	0.50019
simultaneous strategies	3.6500	0.82176
coordination	3.6000	0.81197
social-cultural factors	3.4500	0.81720
politics	3.2500	0.84009

Source: (Field Data, 2016)

Based on the findings as shown in Table 4.1 above, the majority of the respondents agreed to great extent as indicated by the grand mean of 4.0206 that the factors influencing strategy implementation among commercial banks included; communication (mean=4.7655), leadership (mean=4.5379), organization structure (mean=4.5241), resources (mean=4.3655), policies (mean=4.2207), politics (mean=4.1379), economic factors (mean=4.0500), social-cultural factors (mean=4.0010), competition (mean=3.9005), change management (mean=3.8362), simultaneous strategies (mean=3.6500), coordination (mean=3.6000), timing (mean=3.4500), staff motivation (mean=3.2500) respectively.

This implies that the commercial banks in Kenya are greatly influenced by the factors listed in the table 4.1 when they are implementing strategies. The factors with the greatest influence on strategy implementation from the sampled units were reported to be communication, leadership, organization structure and resources. The factors with least influence were; social-cultural factors with a mean score of 3.4500 and politics with a mean score of 3.2500.

4.4 Strategic factors influencing core banking system implementation

The study objective was to establish the strategic factors that influence the implementation of core banking system among commercial banks. The findings are presented in the subsequent sections.

4.4.1 Strategic factors critical in the implementation of the new core banking system

The respondents categorized by their designations were requested to indicate the strategic factors that their banks considered critical in the implementation of the new core banking system. The respondents' categories used in the study included the following; the general managers-business development, heads of credit, head of sales and marketing, heads of retail and SME, heads of corporate banking and heads of ICT.

According to the findings, the general managers, business development explained that end user involvement from the start of the project to the post implementation review was most critical. The bank ensured that the project was a bottom-up approach to not only encourage buy-in but to also help identify the gaps by the users. This activity was handled by the change manager who was tasked with coordinating the work with the branch and departmental champions who had been selected by the respective teams. The end result was a system requirements specification that fully captured most gaps in the old BankMaster system that would be taken care of by the New Intellect CBS. The users were involved in the testing and the implementation phases.

The heads of corporate banking indicated that effective communication was also key in the implementation. This was done on a regular basis with the top management coming up with a newsletter that updated all employees of the developments. This newsletter was prepared by the project champions and not the top management. They further emphasized on the new system's ability to provide a platform that enhanced the customer service and consequently the turnaround time of customer services. The head of corporate pointed out that the inclusion of the opinions and suggestions from the customer feedback helped shape the requirements they raised as a team. The Corporate team handles high net worth clients who had varying demands and products that the old system could not handle. He pointed out the automation of charges and reduced paperwork as being crucial to the measurement of the success of the implementation of the new CBS. He further pointed out that the engagement by the management with the users especially the Business team as being a strategic pillar to the successful implementation of the new CBS

The Heads of ICT also explained that consultants with vast knowledge of the old and new CBS played a critical role as they gave priceless guidance on how to implement the Intellect CBS as efficiently as possible. He also said that the support of the board of directors as well as the top management was very important in the implementation of the new CBS. The board of directors and top management not only gave guidance but owned the process especially since there was no substantive CEO (The General Manager, Business Development was the acting CEO). Being the office in charge of the system he was quick to point out the vendor commitment as being one of the main strategic factors in his opinion. The vendor worked very well with the consultants and was very willing to not only implement the new CBS but also did a great job at pass the knowledge to the users to ensure continued development and self-reliance.

The Heads of Credit was quick to point that vendor commitment was also a strategic factor in the implementation of the new core banking system. The respondent explained that the vendor, Polaris India, was greatly committed to the project. They brought to Kenya a very experienced team who worked as a team with the unit in Chenai, India. The vendor conducted training locally and even hosted top management as well as 6 of the branch champions in India to view how the Intellect CBS was working in banks in India. Post implementation review and monitoring was well managed with a warranty period being given for free changes or amendments to the system. The Credit section of the bank is one of the major users of the system and their demands were quite a number. The vendor was greatly committed and showed patience as well as friendliness in the implementation process. There were times the Credit team worked late to test some areas and, all along, the vendor team was available for consultation.

The Heads of Retail and SME and the head of sales and marketing also pointed out that vendor knowledge transfer was also a strategic factor. The two respondents pointed out that the vendors conducted very engaging trainings among all the bank staff to ensure that they were fully empowered in utilizing the new CBS.

In addition, the Heads of Finance indicated that the availability of financial resources and its timely disbursement was strategic in the implementation of a new core banking system. His answers were quite short and were mainly directed to the money aspect of the project. He pointed out that the cooperation of the whole bank from the bottom to the top played a major role in having the system implemented in a timely and cost efficient manner. The Head of Finance doubled up as the Project Manager which ensured that the project ran seamlessly and, definitely, within the budget.

The findings infer that the strategic factors affecting the implementation of a new core banking system among commercial banks in Kenya were; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board.

Therefore the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

4.4.3 Strategic factors influencing implementation of core banking system

The respondents were requested to indicate the strategic factors that influence the implementation of core banking system among commercial banks. The responses were rated on a five point Likert scale where: 5-To a very great extent, 4-To a great extent, 3-To a moderate extent, 2-To a little extent, and 1-To no extent. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.2 below. The scale of 1-5 should be interpreted as follow; 1 mean no significance; 2 mean limited significance; 3 mean medium significance; 4 mean high significance; 5 very high significance.

Table 4.2 strategic factors influencing implementation of core banking system

	Mean	**Std dev**
staff involvement	4.6966	1.17900
end user involvement	4.669	0.74458
bank-wide employee training	4.5241	0.88760
top management support	4.2897	0.81720
effective communication	4.1034	0.74837
vendor commitment	4.0759	0.60156
vendor knowledge transfer	4.0500	1.15166
supervision by the board	4.0000	0.79472
staff motivation and personal ownership	3.9500	0.22361
timely implementation	3.8000	0.48936
implementing the CBS project within the budget	3.6500	0.75394
engagement of change managers	3.6000	0.82558
reduction of complexity of operation	3.4500	0.82558

Source: (Field Data, 2016)

From the findings, the majority of the respondents agreed to great extent that the strategic factors that influence the implementation of core banking system among commercial banks included; staff involvement (mean=4.6966), end user involvement (mean=4.669), bank-wide employee training (mean=4.5241), top management support (mean=4.2897), effective communication (mean=4.1034), vendor commitment (mean=4.0759), vendor knowledge transfer (mean=4.0500), supervision by the board (mean=4.0000), staff motivation and personal ownership (mean=3.9500), timely implementation (mean=3.8000), implementing the CBS project within the budget (mean=3.6500), engagement of change managers (mean=3.6000), reduction of complexity of operation (mean=3.4500) respectively.

This implies that the strategic factors that influence the implementation of core banking system among commercial banks the most included; staff involvement, end user involvement, bank-wide employee training, top management support, effective communication, vendor commitment, vendor knowledge transfer, supervision by the board, staff motivation and personal ownership as they had a mean of above 4.0.

4.5 Multiple Regression

$Y=\alpha+\beta_1X_1 + \beta_2X_2+ \varepsilon$ where

Y= implementation of core banking system among commercial banks;

X_1= strategic factors, X_2= control Variable (government regulations)

4.10 Inferential Statistics

Simple regressions analysis was used to determine the significance of strategic factors in influencing implementation of core banking system among commercial banks in Kenya.

4.10.1 Regression Analysis

The researcher conducted a simple regression analysis so as to test relationship between independent variables (strategic factors) and the dependent variable (implementation of core banking system among commercial banks in Kenya). The researcher applied the statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variable or the percentage of variation in the dependent variable (implementation of core banking system among commercial banks) that is explained by all the independent variable (strategic factors).

4.10.2 Model Summary

The model summary findings are as shown in Table 4.3 below.

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.855	0.731	0.642	0.6273

The strategic factors that were studied, explain only 73.1% of the successful implementation of core banking system among commercial banks in Kenya as represented by the R^2. This therefore means that other strategic factors not studied in this research contribute 26.9% of the successful implementation of core banking system among commercial banks in Kenya. Therefore, further research should be conducted to investigate the other strategic factors (26.9%) that influence successful implementation of core banking system among commercial banks in Kenya.

4.10.3 ANOVA Results

The study ANOVA results are as shown in Table 4.4 below.

Table 4.4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.534	22	1.267	9.475	.0179[a]
	Residual	9.307	77	2.327		
	Total	**3.465**	**99**			

The significance value is 0.0179 which is less than 0.05 thus the model is statistically significant in predicting how strategic factors influence implementation of core banking system among commercial banks in Kenya. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant.

4.10.4 Coefficient of Determination

Simple regression analysis was conducted as to determine the relationship between implementation of core banking system among commercial banks in Kenya and the studied strategic factors. As per the SPSS generated Table 4.5 below, the equation:

$$Y=\alpha+\beta_1X_1 + \beta_2X_2+ \varepsilon \text{ becomes: } Y= 4.432+ 0.752X_1+ 0.487X_2+\varepsilon$$

Table 4.5 Coefficient of Determination

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
	(Constant)	4.432	.826		3.61	.000
	strategic factors	0.752	0.1032	0.152	4.223	.0192
	government regulations	0.487	0.3425	0.054	3.724	.0269

According to the regression equation above, taking all strategic factors to be constant at zero, implementation of core banking system among commercial banks in Kenya will be 4.432. The data findings analyzed also shows that, a unit increase in strategic factors will lead to a 0.752 increase in implementation of core banking system among commercial banks in Kenya while a unit increase in government regulations as the study control variable will lead to a 0.487 increase in implementation of core banking system among commercial banks in Kenya. This infers that strategic factors studied contribute significantly to the successful implementation of core banking system among commercial banks in Kenya.

At 5% level of significance and 95% level of confidence, strategic factors had a 0.0192 level of significance, while government regulations showed a 0.0454 level of significance, hence the strategic factors had a strong positive influence on implementation of core banking system among commercial banks in Kenya.

4.6 Discussion of Findings

The study revealed that vendor support and commitment was a key strategic factors affecting the implementation of a new core banking system in Kenyan banks. The findings are similar to Satchidananda *et al,* (2006) who indicated that in relation to the implementation phase of a new CBS, vendor support and commitment has been identified as the key strategic factors.

The study established that the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

The findings are similar to Somers and Nelson (2001) who established that the strategic factors affecting the implementation of a new core banking system include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants (Somers and Nelson, 2001).

The study established that the implementation of a new CBS was necessitated by banks' technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business.

The findings are similar to Rono (2012) who established that there are various factors that lead banks to replace their cores. These include their technologies being outdated, to reduce cost and improve efficiency, to enable adoption of new customer centric strategies, to enhance business banking and personalized service and to incorporate new and increased business (Rono, 2012).

The study established that the strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

These findings are consistent with the innovation diffusion theory which indicates that the strategic factors which influence the diffusion of an innovation include; relative advantage (the extent to which a technology offers improvements over currently available tools), compatibility (its consistency with social practices and norms among its users), complexity (its ease of use or learning), trialability (the opportunity to try an innovation before committing to use it), and observability (the extent to which the technology's outputs and its gains are clear to see) (Dillon and Morris, 1996; Rogers (2003).

According to the agency theory the delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. The delegation of responsibility in the context of this study is the outreach of financial services from the banking halls to where people live and work ensuring rise in financial inclusion (Green, 2012).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary, conclusion and recommendations based on the study objectives. The study limitations and areas for further studies are also presented.

5.2 Summary

The study established that a number of factors influenced strategy implementation among the commercial banks. The commercial banks in Kenya faced a number of factors that determined the success of their strategy implementation efforts.

From the findings, it is evident that the factors influencing strategy implementation among commercial banks included; communication (mean=4.7655), leadership (mean=4.5379), organization structure (mean=4.5241), resources (mean=4.3655), policies (mean=4.2207), politics (mean=4.1379), economic factors (mean=4.0500), social-cultural factors (mean=4.0010), competition (mean=3.9005), change management (mean=3.8362), simultaneous strategies (mean=3.6500), coordination (mean=3.6000), timing (mean=3.4500), staff motivation (mean=3.2500) respectively. Therefore, commercial banks in Kenya are greatly influenced by these factors in their strategy implementation. The factors with the greatest influence on strategy implementation from the sampled units were reported to be communication, leadership, organization structure and resources. The factors with least influence were; social-cultural factors with a mean score of 3.4500 and politics with a mean score of 3.2500.

The study established that based on the general managers, business development opinion, end user involvement from the start of the project to the post implementation review was most critical of the strategic factors influencing core banking system implementation. The bank ensured that the project was a bottom-up approach to not only encourage buy-in but to also help identify the gaps by the users. This activity was handled by the change manager who was tasked with coordinating the work with the branches and departmental champions who had been selected by the respective teams. The end result was a system requirements specification that fully captured most gaps in the old system that would be taken care of by the New Intellect CBS. The users were involved in the testing and the implementation phases.

According to heads of corporate banking, effective communication was also key in the implementation. This was done on a regular basis with the top management coming up with a newsletter that updated all employees of the developments. This newsletter was prepared by the project champions and not the top management. They further emphasized on the new system's ability to provide a platform that enhanced the customer service and consequently the turnaround time of customer services. The head of corporate pointed out that the inclusion of the opinions and suggestions from the customer feedback helped shape the requirements they raised as a team. The corporate team handles high net worth clients who had varying demands and products that the old system could not handle. The automation of charges and reduced paperwork was crucial to the measurement of the success of the implementation of the new CBS. The engagement by the management with the users especially the business team was being a strategic pillar to the successful implementation of the new CBS.

The heads of ICT further explained that consultants with vast knowledge of the old and new CBS played a critical role as they gave priceless guidance on how to implement the new Intellect CBS as efficiently as possible. The support of the board of directors as well as the top management was very important in the implementation of the new CBS. The board of directors and top management not only gave guidance but owned the process. Being the office in charge of the system they pointed out that vendor commitment was one of the main strategic factors. The vendors worked very well with the consultants and they were willing to not only implement the new CBS but also transferred knowledge to the users to ensure continued development and self-reliance.

The heads of credit indicated that vendor commitment was a strategic factor in the implementation of the new core banking system. The vendor conducted training locally. Post implementation review and monitoring was well managed with a warranty period being given for free changes or amendments to the system. The credit section of the bank is one of the major users of the system and their demands were quite a number. The vendor was greatly committed and showed patience as well as friendliness in the implementation process. There were times the credit team worked late to test some areas and, all along, the vendor team was available for consultation.

The heads of retail and SME and the head of sales and marketing also pointed out that vendor knowledge transfer was strategic. The vendors conducted very engaging trainings among all the bank staff to ensure that they were fully empowered in utilizing the new CBS.

In addition, the heads of finance indicated that the availability of financial resources and its timely disbursement was strategic in the implementation of a new core banking system. The cooperation of the whole bank from the bottom to the top played a major role in having the system implemented in a timely and cost efficient manner and the project was implemented within the provided budget.

Therefore, the strategic factors affecting the implementation of a new core banking system among commercial banks in Kenya were; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board.

The other strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

From the findings, it was revealed that the strategic factors that influence the implementation of core banking system among commercial banks included; staff involvement (mean=4.6966), end user involvement (mean=4.669), bank-wide employee training (mean=4.5241), top management support (mean=4.2897), effective communication (mean=4.1034), vendor commitment (mean=4.0759), vendor knowledge transfer (mean=4.0500), supervision by the board (mean=4.0000), staff motivation and personal ownership (mean=3.9500), timely implementation (mean=3.8000), implementing the CBS project within the budget (mean=3.6500), engagement of change managers (mean=3.6000), reduction of complexity of operation (mean=3.4500) respectively.

Thus, the strategic factors that influence the implementation of core banking system among commercial banks the most included; staff involvement, end user involvement, bank-wide employee training, top management support, effective communication, vendor commitment, vendor knowledge transfer, supervision by the board, staff motivation and personal ownership as they had a mean of above 4.0.

From the simple regression analysis, it was established that taking all strategic factors to be constant at zero, the implementation of core banking system among commercial banks in Kenya was at 4.432. The unit increase in strategic factors will lead to a 0.752 increase in implementation of core banking system among commercial banks in Kenya. Therefore, the strategic factors contribute significantly to the successful implementation of core banking system among commercial banks in Kenya. The strategic factors had a strong positive influence on implementation of core banking system among commercial banks in Kenya.

5.3 Conclusion

The study concludes that the commercial banks in Kenya face a number of factors that determined the success of their strategy implementation efforts. The main factors influencing strategy implementation among commercial banks in Kenya include; communication, leadership, organization structure, resources, policies, politics, economic factors, social-cultural factors, competition, and change management respectively. Therefore, commercial banks in Kenya are greatly influenced by these factors in their strategy implementation. The factors with the greatest influence on strategy implementation include; communication, leadership, organization structure and resources.

The study concludes that the strategic factors affecting the implementation of a new core banking system among commercial banks in Kenya were; end user involvement, effective communication, consultants with vast knowledge in CBS, support and guidance of the board of directors as well as the top management, corporate management, vendor commitment, vendor knowledge transfer, guidance by the middle-level management, and supervision by the board. The other strategic factors affecting the implementation of a new core banking system in Kenyan banks include: top management support, project team competence, interdepartmental co-operation, clear goals and objectives, project management, inter-departmental communication, management of expectations, project champion, vendor support, careful package selection, data analysis and conversion, dedicated resources, steering committee, user training, education on new business processes, business process re-engineering, minimal customization, architecture choices, change management, vendor partnership, vendor tools, use of consultants.

The study concludes that the strategic factors that influence the implementation of core banking system among commercial banks the most included; staff involvement, end user involvement, bank-wide employee training, top management support, effective communication, vendor commitment, vendor knowledge transfer, supervision by the board, staff motivation and personal.

The study further concludes that the strategic factors contribute significantly to the successful implementation of core banking system among commercial banks in Kenya. The strategic factors had a strong positive influence on implementation of core banking system among commercial banks in Kenya.

5.4 Recommendations

The study makes several recommendations drawn from the study findings.

5.4.1 Managerial Policy

The study recommends that the management of commercial Bank should formulate requisite policy guideline to guide the implementation of the CBS. The policy should specify the officials responsible for the respective roles to guarantee smooth transition from the old CBS to the new one.

5.4.2 Managerial Practice

The study recommends that the management of commercial Bank in Kenya should allocate adequate financial resources required for the monitoring of the new CBs and for its requisite upgrading with the ever changing banking products being offered by respective commercial banks.

The study recommends that the bottom-up and top down communication should be enhanced to allow for feedback on the success of the CBS implementation as well as in identification and management of any gaps in CBS implementation.

The study recommends that the banks management should continue to lender their support and guidance to the banks' staff during the whole process of new CBS implementation.

5.4.3 Academicians

The study findings bring to the fore the strategic factors that require consideration pre and post CBS implementation. Future academicians should focus on each of the strategic factors and research on how they determine the outcome of CBS implementation.

5.4.4 Theory

The study brings to fore new insights on strategic factors that influence the implementation of core banking system. Based on the new findings based on the Kenyan experience, the existing theory can be rebuild to explain these strategic decisions by the management, given that the implementation does not always lead to profitability as it is assumed.

5.5 Limitations of the Study

The access to information was difficult due to confidentiality concerns in commercial Bank for fear of the information shared being leaked to competitors. The busy schedule of the respondents also restricted their timely participation in the study.

The understanding of the concept being researched on varied among the study respondents since they were implementing different CBS. Hence the understanding varied across the commercial banks. In addition, some of the respondents were new in their position and therefore they could not give very in-depth information given their short stay with their banks.

5.6 Suggestions for further Studies

Further study should be done on challenges facing the implementation of a new core banking system among Commercial Banks in Kenya. This is given the fact that the current study only focused on the strategic factors that influence the implementation of core banking system among commercial banks

Similar study should be undertaken among deposit taking microfinance institution in Kenya. This is informed by the fact that there is a great deal of contextual difference between commercial banks and MFIs.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Section A: Background Information

1. How long in years, have you been working in the banking industry?

Less than 1 year [ ]   1-5 years [ ]

6-10 years [ ]   Over 10 years [ ]

3. What is your position in the company?

Operation manager [ ]   Financial Officer [ ]

Other (specify)

Section B: Factors influencing Strategy Implementation

4. Do your bank face factors that influence strategy implementation?

Yes [ ]   No [ ]

5. What are some of the factors influencing strategy implementation?

……………………………………………………………………………………………

……………………………………………………………………………………………..

6. To what extent is each of the following factors influencing strategy implementation in your bank? Use a scale of 1-5 where 5-To a very great extent, 4-To a great extent, 3-To a moderate extent, 2-To a little extent, and 1-To no extent.

	1	2	3	4	5
communication					
leadership					
organization structure					
resources					
policies					
staff motivation					
economic factors					
timing					
competition					
change management					
simultaneous strategies					
coordination					
social-cultural factors					
politics					
Others (Specify……………………………………)					

Section C: Strategic factors that influence the implementation of core banking system among commercial banks

8. Which strategic factors did your bank consider critical in the implementation of the new core banking system? ………………………………………………

………………………………………………………………………………….

…………………………………………………………………………………

9. What is your level of agreement with the following strategic factors that influence the implementation of core banking system in your banks? Use a scale of 1-5 where 5-To a very great extent, 4-To a great extent, 3-To a moderate extent, 2-To a little extent, and 1-To no extent.

	1	2	3	4	5
corporate management					
involvement of your department					
end user involvement					
bank-wide training					
consultants' engagement					
top management support					
effective communication					
vendor commitment					
vendor knowledge transfer					
guidance by the middle-level management					
supervision by the board					
improved efficiency					
staff motivation and personal ownership					
end user satisfaction					
timely implementation					
implementing the CBS Project within the budget					
engagement of change managers					

reduction of complexity of operation					

10. Are there areas you felt should have been handled differently and why?

Thank you for your time and participation

APPENDIX II: COMMERCIAL BANKS THAT HAVE IMPLEMENTED CORE BANKING SYSTEM

1. Kenya Commercial Bank (KCB)
2. Barclays bank of Kenya (BBK)
3. Commercial Bank of Africa (CBA)
4. CFC Stanbic Bank
5. Family Bank
6. Equity bank
7. Chase Bank
8. Co-operative Bank
9. National Bank
10. NIC Bank