STRATEGY IMPLEMENTATION BY COMMERCIAL BANKS IN KENYA

BY

ESTHER M. GITAU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI

NOVEMBER 2014
DECLARATION

I, the undersigned declare that this research project is my original work and affirm to the best of my knowledge that it has not been presented for any academic award in any University.

Signed: ………………………………… Date: …………………………………

ESTHER M. GITAU
D61/79147/2012

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

Signed: ………………………………… Date: …………………………………

PROF. EVANS AOSA
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
DEDICATION

This work is dedicated to my family and friends.
ACKNOWLEDGEMENTS

First and foremost I would like to thank God for granting me wisdom, strength and good health and for His guidance in life and throughout my studies.

I would also like to thank my family for their love and invaluable support during my studies and all along. For the prayers and encouraging words that kept me going.

In addition, I would like to thank my supervisor, Prof. Aosa for his skillful guidance, constructive criticism, patience and suggestions that enabled me finish this project successfully.

Last but not least my friends for their support and willingness to assist in any way they could.
# TABLE OF CONTENTS

DECLARATION .......................................................... ii

DEDICATION .......................................................... iii

ACKNOWLEDGEMENTS ................................................. iv

LIST OF TABLES .......................................................... vii

LIST OF FIGURES ......................................................... viii

ABSTRACT .................................................................. ix

CHAPTER ONE: INTRODUCTION ......................................... 1

1.1 Background of the study ........................................... 1

   1.1.1 Concept of Strategy ........................................... 2

   1.1.2 Strategy Implementation ..................................... 3

   1.1.3 Commercial Banks in Kenya ................................ 4

1.2 Research Problem .................................................. 5

1.3 Objective of the study ............................................. 7

1.4 Value of the study .................................................. 7

CHAPTER TWO: LITERATURE REVIEW ................................ 8

2.1 Introduction ......................................................... 8

2.2 Theoretical foundation of the study ............................ 8

2.3 Strategic Management ............................................ 10

2.4 Strategy Implementation process ............................... 11

2.5 Factors influencing strategy implementation ................. 13

CHAPTER THREE: RESEARCH METHODOLOGY .................. 16

3.1 Introduction ......................................................... 16

3.2 Research Design .................................................. 16

3.3 Population of the study .......................................... 16

3.4 Data Collection .................................................... 17

3.5 Data Analysis ...................................................... 17
## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
<td>19</td>
</tr>
<tr>
<td>4.2 Overview of respondents</td>
<td>19</td>
</tr>
<tr>
<td>4.3 Strategy Implementation by commercial banks in kenya</td>
<td>20</td>
</tr>
<tr>
<td>4.4 Discussion</td>
<td>28</td>
</tr>
</tbody>
</table>

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Introduction</td>
<td>31</td>
</tr>
<tr>
<td>5.2 Summary of findings</td>
<td>31</td>
</tr>
<tr>
<td>5.3 Conclusion</td>
<td>32</td>
</tr>
<tr>
<td>5.4 Recommendations</td>
<td>32</td>
</tr>
<tr>
<td>5.5 Limitations of the study</td>
<td>33</td>
</tr>
<tr>
<td>5.6 Suggestions for further research</td>
<td>33</td>
</tr>
</tbody>
</table>

## REFERENCES

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
</tr>
</tbody>
</table>

## APPENDICES

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
</tr>
</tbody>
</table>
LIST OF TABLES

TABLE 4.1 : Response rate by staff levels................................................................. 19
TABLE 4.2 : Duration of service in the bank ................................................................. 20
TABLE 4.3 : Strategic management indicators......................................................... 20
TABLE 4.4 : Responsibility during Strategic Management ......................................... 21
TABLE 4.5 : Emphasis placed on different steps during Strategy Implementation process .... 22
TABLE 4.6 : Factors influencing Strategy Implementation ........................................... 26
LIST OF FIGURES

FIGURE 4.1: Emphasis placed on different steps during Strategy Implementation process…24

FIGURE 4.2 Factors influencing Strategy Implementation …………………………………….27
ABSTRACT

Strategy implementation is a carefully considered process of ensuring that strategies which have been formulated within the organization are executed effectively and efficiently in order to achieve organizations goals and objectives. It is a continuous feedback mechanism process that ensures that strategies are relevant, objective and effective to the organizations goals. Currently banking institutions in Kenya face a dynamic, fast paced, competitive environment not only on a local but on a global scale. It is therefore imperative for each to develop strategies that enable it to survive and maximize value to all its stakeholders. However, the mere formulation is not important as the mere formulation of strategies will not guarantee its success. The banks will be successful only when the strategy formulation is sound and implementation is excellent. The study was carried out to find out how strategy implementation is carried out by commercial banks in Kenya. The study was conducted through a descriptive cross sectional survey targeting all the commercial banks in Kenya. Out of the 43 licensed banks 35 responded giving a response rate of 83.3%.The study established that: Majority of the banks develop guidelines/models to guide the process of strategy implementation but the adherence to the guidelines varies. The responsibility is assigned to different levels of staff (Board of directors and senior management, lower management and relevant departmental staff). Different steps are given varying level of emphasis in different institutions the high scored steps were ensuring the staff have the required skills, allocating ample resources to those activities critical to strategic success and installing information and operating systems that enable personnel better carry out their roles. A variety of internal and external factors unique to each institution influence the process of strategy implementation. The following attained the highest scores out of those provided to respondents: level of ‘ownership’ of strategy implementation among key employees, competence of the institution to plan, manage and implement strategic initiatives, level of upper management support, understanding the role of organizational structure and design in the implementation process, commitment to providing financial resources needed, human resources and technological resources and communication process. It recommends that banks may outsource the process to firms with experience in the field, banks should not overlook the myriad of factors that influence the process and policy makers can enforce best practices identified like developing guidelines for the process and setting of key performance indicators. Limitations arose owing to respondents giving positive information to present a good picture of their organization and senior officers not responding on claims of being too busy. Comparative research could be conducted in other industries to identify any similarities or differences or specific study could be done for banks in similar tiers.
1.1 Background of the Study

Strategy is important for organizations in searching and securing competitive advantage. Once developed, strategy has to be implemented. Strategy implementation is important but difficult because implementation activities take a longer time frame than formulation, involves more people and greater task complexity, and has a need for sequential and simultaneous thinking on part of implementation managers. This is further complicated by the fact that there is no universal approach to implementation as management is sensitive to the context in which it is practiced; this context is defined by either environmental or organizational factors.

Recently corporations and strategy consultants have been paying more attention to implementation as reflected in two major trends. Firstly, organizations are adopting a more comprehensive view of implementation in that the strategy must be supported by decisions regarding the appropriate organization structure, technology, human resources, reward systems, information systems, organization culture and leadership style. Just as strategy must be matched to external environment, it must also fit the multiple factors responsible for its implementation. Secondly, many organizations are extending the more participative strategic management process to implementation in that managers at all levels are involved with strategy formulation and the identification and execution of the means to implement (Bateman and Zeithaml, 1993).

Currently banking institutions in Kenya face a dynamic, fast paced, competitive environment not only on a local but on a global scale. It is therefore imperative for each to develop strategies that enable it to survive and maximize value to all its stakeholders. However, the mere formulation is not important as the mere formulation of strategies will not guarantee its success. The banks will be successful only when the strategy formulation is sound and implementation is excellent.
1.1.1 Concept of strategy

A strategy is a company’s “game plan”. It reflects a company’s awareness of how, when, and where it should compete; against whom it should compete; and for what purpose it should compete. By strategy managers mean their large – scale, future oriented plans for interacting with the competitive environment to achieve company objectives (Pearce and Robinson, 1991).

Mintzberg (1998) described five definitions of strategy: Strategy as plan – a directed course of action to achieve an intended set of goals; similar to the strategic planning concept; Strategy as pattern – a consistent pattern of past behavior, with a strategy realized over time rather than planned or intended. Where the realized pattern was different from the intent, he referred to the strategy as emergent; Strategy as position – locating brands, products, or companies within the market, based on the conceptual framework of consumers or other stakeholders; a strategy determined primarily by factors outside the firm; Strategy as ploy – a specific maneuver intended to outwit a competitor; and Strategy as perspective – executing strategy based on a "theory of the business" or natural extension of the mindset or ideological perspective of the organization.

Porter wrote in 1980 that strategy target either cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies.

Ansoff, in his 1957 paper, provided a definition for product-market strategy as “a joint statement of a product line and the corresponding set of missions which the products are designed to fulfill.” The four growth alternatives mentioned in this work are: Market penetration strategy where the organization tries to grow using its existing offerings (products and services) in existing markets. Market development strategy where a firm tries to expand into new markets (geographies, countries etc.) using its existing offerings. Product development strategy where a company tries to
create new products and services targeted at its existing markets to achieve growth and diversification where an organization tries to grow their introducing new offerings in new markets. It is the most risky strategy since both product and market development is required.

1.1.2 Strategy Implementation

Strategy implementation is a carefully considered process of ensuring that strategies which have been formulated within the organization are executed effectively and efficiently in order to achieve organizations goals and objectives. It is a continuous feedback mechanism process that ensures that strategies are relevant, objective and effective to the organizations goals. Schermerhon (2010) contends that there are five essential tasks for strategy implementation: identify organizational mission and objectives, assess current performance vis-à-vis mission and objectives, create strategic plans to accomplish purpose and objectives, implement the strategic plans and evaluate results, change strategic plans and/or implementation process as necessary.

Pearce and Robinson (2007) note that every institution needs to implement strategy effectively but a variety of issues arise which pose as challenges including resource mobilization, restructuring, cultural changes, technological changes, policy changes, and leadership changes. A strategy may be good but if its implementation is poor, the strategic objective may not be achieved. Beer and Eisenstat (2000) put forward six silent killers of strategy implementation: top-down or laissez-faire senior management style; unclear strategy and conflicting priorities; an ineffective senior management team; poor vertical communication; poor coordination across functions, businesses or borders; inadequate down-the-line leadership skills and development Among them, poor vertical communication is treated as a core barrier which not only hinders strategy implementation but also impedes discussion of the barriers themselves. The six killers are grouped into three categories: quality of direction, quality of learning and quality of implementation.
There is no one universal approach to strategy implementation as management is sensitive to the context in which it is practiced; organizational and environmental factors define an organization's context. In a dynamic environment, managers need to adapt to changing trends in strategy implementation, while embracing the key success factors. Different tactics will be necessary to follow different strategies. Yang, Guohui and Eppler (2008) state that several tactics can be used either assuming implementation as after-the-fact implying that the number of strategy developers is few and that the rest of the organization is somehow manipulated or cajoled into implementation or where most of the energy is used for strategy formulation and the strategy requires relatively little effort in its implementation.

1.1.3 Commercial Banks in Kenya
As at 31\textsuperscript{st} December 2013, the banking sector comprised the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company), 7 representative offices of foreign banks, 9 microfinance Banks, 2 credit reference bureaus and 101 forex bureaus. Out of the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign owned. The 9 microfinance banks, 2 credit reference bureaus and 101 forex bureaus are privately owned. The foreign owned financial institutions comprise of 10 locally incorporated foreign banks and 4 branches of foreign incorporated banks (Bank Supervision Annual Report, 2013).

Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance by the Central Bank of Kenya to ensure that they are in compliance with the laws and regulations (Bank Supervision Annual Report, 2013).

In November 2012, Central Bank of Kenya issued revised Prudential and Risk Management Guidelines applicable to commercial banks, mortgage finance companies and non-bank financial institutions licensed under the Banking Act. These replaced the
current Prudential Guidelines last revised in 2006 and the Risk Management Guidelines first issued in 2005. The revision was informed by the need to update the banking sector regulatory framework in light of significant changes in the local, regional and global banking sector’s operating environment (Bank Supervision Annual Report, 2012).

The sector registered improved performance with the size of assets standing at Ksh.2.62 trillion, loans & advances worth Kshs. 1.52 trillion, while the deposit base was Ksh.1.91 trillion and profit before tax of Kshs. 92.5 billion as at 30 September 2013. On an annual basis, the profitability of the sector increased by 14.5 percent to Kshs. 92.5 billion in September 2013 from the Kshs. 80.8 billion registered in September 2012. The banking sector is expected to maintain its growth momentum on the backdrop of a stable macro-economic environment, domestic and regional expansion by banks, increased use of ICT by banks and the increased economic activities through the devolved system of government (Bank Supervision Annual Report, 2013).

The industry has over the past few years enjoyed exponential growth in deposits, assets, profitability and products offering, mainly attributed to automation of services and branch network expansion both locally and regionally. This growth has brought about increasing competition among players and new entrants into the banking sector. Thanks to the stiff competition, banks are now focusing on the diverse customer needs rather than traditional banking products such as over the counter cash deposit and withdrawal.

1.2 Research Problem

Success or failure of strategy implementation revolves around the nature of the strategy itself, the policies and support systems, alignment of the strategy to short term objectives, resource allocation, the fit between structure and strategy, leadership, communication process, and organization culture (Pearce and Robinson, 2007). Stoner et al (2003) found that scholars and managers alike agree on some central ideas. First, successful strategy implementation depends in part on the organizations structure. Second, strategy must be institutionalized, or incorporated into a system of values,
norms, and roles that will help shape employee behavior, making it easier to reach strategic goals. Third, strategy must be operationalized, or translated into specific policies, procedures, and rules that will guide planning and decision making by managers and employees.

The ever changing consumer needs, innovative financial products, deregulation, information technology upgrades, and the onset of multiple delivery channels are reshaping the financial services industry. To remain competitive in the new landscape, commercial banks in Kenya have continued to expand their product lines and add new delivery channels to develop more effective marketing systems and techniques, and enhance the service quality levels. Use of alternative channels such as e-banking and m-banking continue to be the frontiers upon which banks seek to enhance access to customers as well as differentiating their products (Bank Supervision Annual Report, 2012).

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander, (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. However, several studies have been conducted in the field of strategy implementation: Olali (2006) identified some of the challenges in implementing the five year strategic plan at Co-operative bank as competition, need for continuous improvement in technology, marketing strategy, retention of employees, and over regulation by Central Bank of Kenya. Kimani (2012) in her study Challenges of the implementation of growth strategies in Fina Bank Kenya Ltd identified high cost of opening new branches, high advertising costs, unfavorable organization culture, unenthusiastic board, changing face of management, and ill prepared workforce as the major challenges. Nzonge (2011) in her research identified the following as the factors influencing strategy implementation at Co-operative Bank of Kenya: Organization structure and leadership, staff motivation, economic and political factors, technology and globalization as well as competitor strategies.
Owing to the competitive environment dominating the banking sector, requirement of strategy formulation has been increasingly apparent. Yet the main problem of managers and business owners is implementation of strategies. The process of strategy implementation is influenced by variety of both internal and external factors which make it a complex process. How is strategy implementation carried out by commercial banks in Kenya?

1.3 Objective of the Study
The objective of this study was to establish how strategy implementation is carried out by commercial banks in Kenya.

1.4 Value of the Study
The regulator and policy makers may use this study to understand how banks carry out their strategy implementation and the factors affecting the process and may be in a better position to assist them overcome the challenges by identifying best practices, developing appropriate policies or any other way possible.

The pace of business shows no signs of slowing down and the competition in any sector isn’t getting easier. But effectively implementing strategy can be a source of competitive advantage. By identifying best practices from other banks and the general factors influencing strategy implementation banks will gain a better understanding and devise ways of overcoming the challenges and maximizing on the success factors.

This study will add to the existing body of knowledge on this very important topic of strategy implementation. To this extent it will be beneficial to future academic researchers who may wish to understand how different institutions carry out this process.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter covers the general aspects of literature review based on strategy implementation. It includes the theoretical foundation for the study, discussion on the concept of strategy and strategy management, and the strategy implementation process and the factors influencing it.

2.2 Theoretical foundation of the study
This section presents a theoretical review of the study. The theories reviewed here are Mc Kinsey Seven S Theory, Higgins Eight S Framework, Contingent Model of Strategy Making, Chandlers Strategy follows Structure Theory and Stakeholder theory.

Based on discussions with consultants, academics, and business leaders, the consulting firm of Mc Kinsey and Co. has proposed the Seven S Model for successful strategy implementation. The factors are: Structure, owing to today’s complex and ever changing environment an organization may be required to make temporary structural changes to cope. Strategy, in practice the development of strategies poses less of a problem than their execution. Systems, all formal and informal procedures that allow an organization to function. Style, patterns of substantive and symbolic actions undertaken by top managers. Staff, successful organizations view people as valuable resources who should be carefully nurtured, developed, guarded and allocated. Skills, activities organizations do best and for which they are known. Organizations may be required to add or dismantle or revise existing skills during the implementation process. Super ordinate goals, guiding concepts, values, and aspirations that unite an organization in some common purpose. They provide a sense of purpose and certain stability as other more superficial characteristics of the organization change. They found that neglecting any one of seven key factors could make the implementation practice a slow, painful, and even doomed process (Stoner et al, 2003).

Higgins (2005) sets up an “8 S’s” framework of strategy implementation, including strategy and purposes structure, resources, shared values, style, staff, systems and
processes, and strategic performance. The “8 S’s” of strategy execution is an approach that enables senior management to enact, monitor, and assess the cross functional execution of strategies. The “8 S’s” of strategy execution are a revision of the original McKinsey Seven S model. Higgins has deleted skills from the McKinsey framework and he has added resources in their place. He also added strategic performance in order to help focus the strategy execution process. As always, if there isn’t a good match or alignment among these factors, performance in strategy implementation will suffer.

Bhide (1994) while reviewing the Contingent Model of Strategy-Making contends that the simplistic sequence in the minds of many students and consultants that strategies are first formulated and then implemented, can rarely be the case. Strategy is never static. All companies must at the outset chart their course in an intended direction, of course; but the evidence is quite strong that the right strategy can rarely be known at the outset. From his survey he concluded that the difference between those that succeeded and those that failed was not that the successful entrepreneurs got it right the first time. The successful ones simply had money left over to try again, after they learned that their initial strategy was flawed.

Chandler (1962) concluded that changes in corporate strategy preceded and led to changes in an organizations structure. As he put it “a new strategy required a new or at least a refashioned structure, if the enlarged enterprise was to be operated efficiently or put it differently “unless structure follows strategy, inefficiency results”. He showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He says it concisely, “structure follows strategy”. Olson, Slater and Hult (2005) identify a taxonomy comprised of four different combinations of structure/behavior types, which they label as: management dominant, customer-centric innovators, customer-centric cost controllers and middle ground. These alternative structure/behavior types are then matched with specific business strategies (i.e., Prospectors, Analyzers, Low Cost Defenders, Differentiated Defenders) in order to identify which combination (s) of structures and behaviors best serve to facilitate the process of implementing a specific strategy.
In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, and customers. Sometimes even competitors are counted as stakeholders - their status being derived from their capacity to affect the firm and its other morally legitimate stakeholders. The stakeholder view of strategy integrates both a resource-based view and a market-based view, and adding a socio-political level. Freeman (1984) identified and modeled the groups which are stakeholders of a corporation, and both described and recommended methods by which management can give due regard to the interests of those groups.

2.3 Strategic management
Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives. It involves the planning, directing, organizing and controlling of a company’s strategy related decisions and actions (Pearce and Robinson, 1991). Shermerhorn (2010) defined Strategic Management as the process of formulating and implementing strategies to accomplish long term goals and sustain competitive advantage.

Clayton (2014) contends that the strategic management process is more than just a set of rules to follow. It is a philosophical approach to business. Upper management must think strategically first, then apply that thought to a process. The strategic management process is best implemented when everyone within the business understands the strategy. The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation, and strategy monitoring. The purpose of goal-setting is to clarify the vision for your business. Analysis is a key stage because the information gained in this stage will shape the next two stages. Formulation involves reviewing the information and determining what resources the business currently has that can help reach the defined goals and objectives and any areas of which the business must seek external resources. It is critical in this stage to develop alternative approaches that
target each step of the plan because business and economic situations are fluid. Successful strategy implementation is critical to the success of the business venture; this is the action stage of the strategic management process. Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary.

Strategic management process centers on the belief that a firm’s mission can best be achieved through systematic and comprehensive assessment of both its internal capabilities and its external environment. Subsequent evaluation of the firm’s opportunities leads, in turn, to the choice of long term objectives and grand strategies and, ultimately, to annual objectives and operating strategies, which must be implemented, monitored and controlled (Pearce and Robinson, 1991).

2.4 Strategy Implementation Process

Strategy implementation takes place as a series of steps, programs, investments, and moves that occur over an extended period of time. Managers implement strategy by converting broad plans into the concrete, incremental actions and results of specific units and individuals. Special programs are undertaken, functional areas initiate strategy related activities, key people are added or reassigned, and resources are mobilized (Pearce and Robinson, 1991). Strategy implementation is an action-oriented, make-things-happen task that tests a manager’s ability to direct organizational change, achieve continuous improvement in operations and business processes, create and nurture a strategy-supportive culture, and consistently meet or beat performance targets (Thomson, Strickland and Gamble, 2008).

Thomson, Strickland and Gamble (2008) contend that managing strategy execution process includes several principal aspects: staffing the organization with needed skills and expertise, allocating ample resources to those activities critical to strategic success, ensuring that policies and procedures facilitate rather than impede effective execution, using best practices to perform core business activities and pushing for continuous improvement, installing information and operating systems that enable personnel better
carry out their roles, motivate people to pursue the target objectives energetically, tying rewards and incentives directly to achievement of performance objectives and good strategy execution and exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed.

Thomson and Strickland (1989) contend that what makes the job of strategy implementer so complicated is the multiplicity of tasks combined with the variety of ways to approach each task. It has to be custom-tailored to the organizations overall condition and setting, to the nature of the strategy and the amount of strategic change involved and to the managers own skills, style and ways of getting things done. They propose six principal administrative tasks that shape a managers action agenda for implementing strategy: building an organization capable of successful strategy execution, executing strategic leadership, installing administrative support systems, galvanizing commitment to the strategy throughout the organization, linking work assignments directly to strategic performance targets, establishing a strategy-supportive budget.

Edinger (2012) proposed the Three C’s of strategy to assist in strategy implementation: Clarify your strategy; if people don’t understand the strategy, they are unable to connect with it. Communicate your strategy; powerfully communicating the essence of your strategy at every level of the organization using multiple mediums is vital. Cascade your strategy; 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.

Owen (1982) contends that in practice there are four problem areas associated with successful implementation: there must be a clear fit between the strategy and the structure and they must be supportive of each other, ineffective information and communication system used for reporting back and in evaluation of changes that are taking place offer incorrect information, a strategic plan implementation involves change which in turn involves risk and uncertainty, management systems such as
compensation schemes, management development and communication system may have been developed to meet past strategies.

In order for strategy to be effectively implemented it must be institutionalized, in that it must permeate the day to day life of the company. Four organizational elements provide the fundamental, long term means for institutionalizing the firm’s strategy: structure, leadership, culture, and reward systems. Successful implementation requires effective management and integration of these four elements to ensure that the strategy “takes hold” in the daily life of the firm. By translating long term intentions into short term guides to action, they make the strategy operational. Annual objectives, functional strategies, and specific policies provide an important means of communicating what must be done to implement the firm’s overall strategy (Pearce and Robinson, 1991).

Bateman and Zeithaml (1993) contend that the best plans are useless unless they are implemented properly. Managers and employees must understand the plan, have the resources necessary to implement it, and be motivated to do so. If both managers and employees participate in the planning process, the implementation phase probably will be more effective and efficient. Employees usually are better informed about, more committed to, and more highly motivated when a goal or plan is one they helped develop. In addition, successful implementation requires that the plan be linked to other systems in the organization particularly the budget and reward systems.

2.5 Factors influencing strategy implementation

From the literature reviewed it is clear that there are many interrelated factors that influence strategy implementation and depending on the organization these factors could act as either impediments or success factors. They include:

The kind of strategy that is developed and the actual process of strategy formulation will influence the effect of implementation. It is clear that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the
shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Bantel (1997) concludes that synergies between strategy types and implementation capabilities exist and should be exploited.

Successful strategy implementation depends in large part on the firm’s primary organizational structure. It portrays how key tasks and activities have been divided to achieve efficiency and effectiveness. It is not the only means of getting “organized” to implement the strategy; reward systems, coordination terms, planning procedures, and information and budgetary systems are among other means that often become necessary. However, it is through the primary structure that strategists attempt to position the firm so as to execute its strategy in a manner that balances internal efficiency and overall effectiveness (Pearce and Robinson, 1991).

According to Schermerhon (2010) strategic leadership refers to the capability to inspire people to successfully engage in process of continuous change, performance enhancement, and implementation of organizational strategies. Critical tasks for this include: being a guardian of trade off’s, creating a sense of urgency, ensuring everyone understands the strategy, being a teacher and being a good communicator.

Stoner et al. (2003) contend that it is impossible to successfully implement a strategy that contradicts the organizations culture. Managing the strategy – culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the compatibility or “fit” between those changes and the firm’s culture. Pearce and Robinson (1991) suggest several avenues to manage this relationship: Link to the mission, maximize synergy, manage around the culture or reformulate the strategy.

The operating level must have the resources needed to carry out each part of the strategic plan. Organizations have at least four types of resources that can be used to achieve desired objectives: financial, physical, human and technological resources (David, 2003). Alexander (1985) contends that an underestimate of resources and a change in the ideals that resulted to the strategic plan are also big challenges and therefore flexibility should be considered.
Organizational communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation. In fact, communication is pervasive in every aspect of strategy implementation, as it relates in a complex way to organizing processes, organizational context and implementation objectives which, in turn, have an effect on the process of implementation (Alexander 1985). Chimhanzi (2004) contends that implementation effectiveness is affected negatively by conflict and positively by communication and specifically, interpersonal, not written. In turn, interdepartmental dynamics are affected by senior management support, joint reward systems, and informal integration.

Noble (1999b) contends that firms must achieve consensus both within and outside their organization in order to successfully implement business strategies. The lack of shared understanding may create obstacles to successful strategy implementation. Consensus refers to the degree to which the functional area believes that a chosen strategy is the most appropriate goal for their organization. This in turn leads to increased commitment reflected by the functional areas identification with, involvement in, and dedication to strategic decisions.

Motivating and rewarding good performance by individuals and organizational units are key ingredients in effective strategy implementation. A firm’s reward system should align the actions and objectives of individuals and units with the objectives and needs of the firm’s strategy (Pearce and Robinson, 1991).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter outlines the methods and procedures that were used to carry out the study. It looks at the research design, target population, data collection and data analysis methods that were employed in the study.

3.2 Research Design
Research design refers to the blueprint, plan, or framework that guides the researcher in the various stages of the research. The research was conducted through a cross sectional survey. A survey occurs when data is collected from many or several study units (Mugenda and Mugenda, 2003). A cross sectional study is carried out at one point in time for same variable across all respondents.

It was deemed the best design to fulfill the objective of the study as it enabled the researcher to generalize the findings. It also led to investigations in which data collected was analyzed in order to describe how banks carry out the process of strategy implementation and identified linkages between different factors at the current time.

3.3 Population of the study
The population of the study was all commercial banks operating in Kenya. As at 31 December 2013 there were 43 banks (Bank Supervision Report, 2013), (Appendix 1). However one bank is currently suspended therefore questionnaires were sent to 42 banks.

The study was in form of a census survey as all the commercial banks in Kenya were studied. A census allows the data gathered to be more representative and easy to generalize and overcomes the biases that would arise if a sample was used. Owing to the fact that there is no universal approach to strategy implementation using a sample would not enable the researcher establish how banks in Kenya carry out the process.
3.4 Data Collection

Primary data was collected for the study. Primary data refers to data which is collected for the first time for the purpose of this research. This was used because it enabled the researcher gather first hand information from the respondents. In addition, strategy implementation is an ongoing process and secondary data on this process may be limited.

The data was collected using self administered questionnaires delivered by hand or email to respondents and then collected later (drop and pick questionnaires). A questionnaire is a pre-formulated written set of questions to which respondents record their answers, usually within clearly defined alternatives (Mugenda and Mugenda, 2003). Self administered questionnaires were deemed best as they enabled the researcher access otherwise inaccessible participants and gave the recipients a perceived sense of anonymity.

The questionnaire contained relatively structured questions covering issues on the strategic management process and more specifically the implementation of strategies. Since each respondent was asked to respond to the same set of questions, it provides an efficient way of collecting responses.

The questionnaires were filled by the officers responsible for strategy implementation within the respective banks. They fell within the supervisory level among the banking staff classification including senior officers and managers tasked with the responsibility of ensuring that strategies identified are implemented efficiently and effectively.

3.5 Data Analysis

Data analysis is the application of reasoning to understand and interpret the data that has been collected. The data collected using questionnaires was edited for the purpose
of ensuring it was of high quality. This was done by establishing its comprehensiveness and accuracy.

The data was then analyzed using descriptive statistics to get frequencies, percentages, tables and graphs. The quantitative data helped the researcher obtain detailed information which enabled her establish how banks in Kenya carry out the process of strategy implementation and give recommendations on how this can be improved.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the responses gathered from respondents in a bid to establish how strategy implementation is carried out by commercial banks in Kenya. It includes: an overview of the respondents, highlight of the activities carried out during strategy implementation, factors influencing strategy implementation and a comparison of the findings to theory and previous studies.

4.2 Overview of respondents

The study targeted a total of 42 respondents out of which 35 responded and returned their questionnaires contributing to 83% response rate. This response rate was excellent and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The researcher sent email reminders, made personal calls and visits to remind the respondents to fill in and return the questionnaires.

The respondents were asked to state their level and duration of service at the banks and the findings are presented in tables 4.1 and 4.2 below.

<table>
<thead>
<tr>
<th>TABLE 4.1: Response rate by staff levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff level</td>
</tr>
<tr>
<td>Management</td>
</tr>
<tr>
<td>Supervisory</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Research data (2014)

The responses tabulated show that 60% of the respondents were in the supervisory level whereas 40% were in management.
TABLE 4.2: Duration of service in the bank

<table>
<thead>
<tr>
<th>Years of service</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>17</td>
<td>49%</td>
</tr>
<tr>
<td>Between 5 and 15 years</td>
<td>18</td>
<td>51%</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>35</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research data (2014)

The responses tabulated show that 49% of the respondents have been in the banks for less than 5 years whereas 51% have been in the banks between 5 and 15 years and none over 15 years.

4.3 Strategy Implementation by commercial banks in Kenya

The study focus was to establish how strategy implementation is carried out by commercial banks in Kenya. This was done by identifying the following: presence or absence of several strategic management indicators, the level of staff responsible for the process, steps followed during the process and the factors influencing the process.

4.3.1 Strategic management indicators

This being the second stage in the strategic management process, respondents were required to indicate the presence or absence of several strategic management indicators in their institutions. The findings are tabulated in table 4.3 below.

TABLE 4.3: Strategic management indicators

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Strategic plan</td>
<td>35</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>35</td>
</tr>
<tr>
<td>Guidelines/models to guide strategy implementation</td>
<td>32</td>
<td>91%</td>
<td>3</td>
<td>9%</td>
<td>35</td>
</tr>
<tr>
<td>Policy manuals</td>
<td>35</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>35</td>
</tr>
<tr>
<td>Key Performance Indicators</td>
<td>34</td>
<td>97%</td>
<td>1</td>
<td>3%</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Research data (2014)
All the respondents stated that their institutions have a strategic plan in place. The plans however have different duration 31% less than 5 years, 63% between 5 and 10 years and 6% over 10 years. In addition 60% stated that their institutions have had moderate success in generating strategies to deal with issues while 40% stated they have had high success and none stated low success.

The majority (91%) of the respondents stated that their institutions have guidelines / models to guide strategy implementation. Out of these, 59% had moderate while 41% had high level of adherence to these guidelines. In addition all of the respondents stated that their institutions maintain policy manuals updated every year for 29%, after two to three years for 54% and for years and over for 17% of the respondents.

The majority (97%) of the respondents stated that their organizations have developed a set of key performance indicators to track the success of their strategic initiatives. 49% of the respondents rated their institutions ongoing assessment of strategic initiatives as high and 51% as medium.

### 4.3.2 Level of staff tasked with the responsibility of strategy implementation

The respondents were asked to identify who is responsible for the different stages of strategic management in their institutions. The findings are tabulated in table 4.4 below.

<table>
<thead>
<tr>
<th>Table 4.4: Responsibility during Strategic Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors &amp; Senior Management</strong></td>
</tr>
<tr>
<td><strong>Number</strong></td>
</tr>
<tr>
<td>Strategy Formulation</td>
</tr>
<tr>
<td>Strategy Implementation</td>
</tr>
<tr>
<td>Strategy Evaluation and Control</td>
</tr>
</tbody>
</table>

Source: Research data (2014)
Responsibility for the three stages of strategic management is assigned to staff at different levels within the institutions. Formulation is vested mainly on the Board of directors and senior management (97%). 40% of the respondents stated that the process of strategy implementation is the responsibility of Board of Directors and Senior Management, while 29% of lower management and 31% of relevant departmental staff. Out of the three stages, the implementation is the one that has the widest spread among different staff levels within different banks.

4.3.3 Steps followed during strategy implementation
Each institution places different level of emphasis on different steps during the strategy implementation process. Respondents were required to rate the emphasis as low, moderate or high and the findings are tabulated in table 4.5 below.

**TABLE 4.5: Emphasis placed on different steps during Strategy Implementation process**

<table>
<thead>
<tr>
<th>Steps</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Staffing the organization with needed skills and expertise</td>
<td>0</td>
<td>9</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>(ii) Allocating ample resources to those activities critical to strategic success</td>
<td>0</td>
<td>11</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>(iii) Ensuring that policies and procedures facilitate rather than impede effective execution</td>
<td>1</td>
<td>15</td>
<td>43</td>
<td>35</td>
</tr>
<tr>
<td>(iv) Using best practices to perform core business activities and pushing for continuous improvement</td>
<td>0</td>
<td>15</td>
<td>43</td>
<td>35</td>
</tr>
<tr>
<td>(v) Installing information and operating systems that enable personnel better carry out their roles</td>
<td>1</td>
<td>11</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>(vi) Motivate people to pursue the target objectives energetically</td>
<td>5</td>
<td>17</td>
<td>49</td>
<td>35</td>
</tr>
<tr>
<td>(vii) Tying rewards and incentives directly to achievement of performance objectives and good strategy execution</td>
<td>4</td>
<td>19</td>
<td>54</td>
<td>35</td>
</tr>
<tr>
<td>(viii) Exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed</td>
<td>3</td>
<td>19</td>
<td>54</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Research data (2014)
In order to enable ranking a score of 1 was assigned to low, 2 to moderate and 3 to high level of emphasis. The steps were ranked in the following order: staffing the organization with needed skills and expertise, allocating ample resources to those activities critical to strategic success, installing information and operating systems that enable personnel better carry out their roles, using best practices to perform core business activities and pushing for continuous improvement, ensuring that policies and procedures facilitate rather than impede effective execution, exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed, motivate people to pursue the target objectives energetically and tying rewards and incentives directly to achievement of performance objectives and good strategy execution. The scores are presented in Figure 4.1 below.
Figure 4.1: Emphasis placed on different steps during strategy implementation.
4.3.4 Factors influencing strategy implementation

From the literature reviewed it was evident that the process of strategy implementation is influenced by very many factors. The respondents were provided with a list of some of the factors and asked to rank their influence as minor, moderate or major. The results are tabulated in table 4.6 below.
**TABLE 4.6 : Factors influencing Strategy Implementation**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Minor influence</th>
<th>Moderate influence</th>
<th>Major influence</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Poor or vague strategy</td>
<td>6</td>
<td>17%</td>
<td>15</td>
<td>43%</td>
</tr>
<tr>
<td>Understanding of the role of organizational structure and design in</td>
<td>1</td>
<td>3%</td>
<td>12</td>
<td>34%</td>
</tr>
<tr>
<td>the implementation process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trying to implement a strategy that conflicts with the existing power</td>
<td>3</td>
<td>9%</td>
<td>19</td>
<td>54%</td>
</tr>
<tr>
<td>structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of upper management support of strategy implementation</td>
<td>3</td>
<td>9%</td>
<td>6</td>
<td>17%</td>
</tr>
<tr>
<td>Compatibility between strategy and the Institutions culture</td>
<td>4</td>
<td>12%</td>
<td>12</td>
<td>34%</td>
</tr>
<tr>
<td>Ability to manage change effectively or to overcome internal resistance</td>
<td>1</td>
<td>3%</td>
<td>18</td>
<td>51%</td>
</tr>
<tr>
<td>to change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial resources available to implement the strategy</td>
<td>2</td>
<td>6%</td>
<td>10</td>
<td>29%</td>
</tr>
<tr>
<td>Commitment to providing financial resources to support the</td>
<td>2</td>
<td>6%</td>
<td>9</td>
<td>26%</td>
</tr>
<tr>
<td>implementation of strategic initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resource capability to manage and implement a change process</td>
<td>1</td>
<td>3%</td>
<td>13</td>
<td>37%</td>
</tr>
<tr>
<td>or new strategic direction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competencies of your association staff to plan, manage and implement</td>
<td>1</td>
<td>3%</td>
<td>9</td>
<td>26%</td>
</tr>
<tr>
<td>strategic initiatives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological resources</td>
<td>0</td>
<td>0%</td>
<td>15</td>
<td>43%</td>
</tr>
<tr>
<td>Information sharing between individuals or business units responsible</td>
<td>3</td>
<td>9%</td>
<td>14</td>
<td>40%</td>
</tr>
<tr>
<td>for strategy implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication of responsibility and/or accountability for</td>
<td>1</td>
<td>3%</td>
<td>13</td>
<td>37%</td>
</tr>
<tr>
<td>implementation decisions or actions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to generate “buy in”or agreement on critical</td>
<td>4</td>
<td>11%</td>
<td>18</td>
<td>51%</td>
</tr>
<tr>
<td>implementation steps or actions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of feelings of “ownership” of a strategy or implementation plans</td>
<td>1</td>
<td>3%</td>
<td>9</td>
<td>26%</td>
</tr>
<tr>
<td>among key employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of motivation to maintain and support the implementation of</td>
<td>1</td>
<td>3%</td>
<td>14</td>
<td>40%</td>
</tr>
<tr>
<td>strategic initiatives by all employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriate incentives to support implementation objectives</td>
<td>0</td>
<td>0%</td>
<td>19</td>
<td>54%</td>
</tr>
<tr>
<td>Degree to which the reward system aligns the actions and objectives</td>
<td>1</td>
<td>3%</td>
<td>19</td>
<td>54%</td>
</tr>
<tr>
<td>of individuals and units with the objectives and needs of the firm’s</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strategy.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter - Departmental dynamics</td>
<td>9</td>
<td>26%</td>
<td>16</td>
<td>46%</td>
</tr>
</tbody>
</table>

A score of 1 was assigned to minor, 2 to moderate and 3 to major in order to enable the factors to be ranked. The resultant scores are presented in Figure 4.2 below.
FIGURE 4.2: FACTORS INFLUENCING STRATEGY IMPLEMENTATION
The respondents identified the following other factors that influence the process of strategy implementation: lack of clear vision, mission and strategy drivers, competition, segmentation of the market, regulation, environmental factors (political, economical, social factors), managing the execution gap and internal environment factors (training, retention, team work, professionalism).

### 4.4 Discussion

The findings of the study were compared to theory and previous studies conducted. They were found to be consistent with both Chandler’s (1962) structure follows strategy and Mc Kinsey 7 S framework and previous studies. However they were not consistent with the recommended participative strategic management approach to strategy implementation.
4.4.1 Comparison to theory

The steps were ranked in the following order: staffing the organization with needed skills and expertise, allocating ample resources to those activities critical to strategic success, installing information and operating systems that enable personnel better carry out their roles, using best practices to perform core business activities and pushing for continuous improvement, ensuring that policies and procedures facilitate rather than impede effective execution, exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed, motivate people to pursue the target objectives energetically and tying rewards and incentives directly to achievement of performance objectives and good strategy execution. These are part the Mc Kinsey Seven S framework including Structure, Staff, Strategy, Style, Skills, Systems and Super ordinate goals. The importance of all of these should not be overlooked.

The findings are consistent with Chandlers (1962) structure follows strategy as the influence of an organizations structure on strategy implementation was ranked high. Understanding the role of organizational structure and design in the implementation process was ranked fourth out of the factors identified.

4.4.2 Comparison to previous studies

Strategic management practices are very common in commercial banks in Kenya as evidenced by existence of the four indicators in majority of the banks. 100% have a strategic plan and policy manuals, 97% have key performance indicators and 91% have a guideline /model which is used to guide the process of strategy implementation. These are part of the five essential tasks for strategy implementation as stated by Schermerhon (2010): identify organizational mission and objectives, assess current performance vis-à-vis mission and objectives, create strategic plans to accomplish purpose and objectives, implement the strategic plans and evaluate results, change strategic plans and/or implementation process as necessary.
Responsibility for the three stages of strategic management is assigned to staff at different levels within the institutions. Formulation is vested mainly on the Board of directors and senior management (97%), both implementation and evaluation and control are distributed across the organization. This goes against the recommended participative strategic management process to implementation in which all employees should be involved in all the stages to increase chances of success. However, out of these implementation is the one that had the widest distribution: Board of directors and senior management 40%, lower management 29% and relevant departmental staff 31%. These finding concurs with the fact that there is no universal approach to strategy implementation; it is sensitive to the context in which it is practiced. Different banks have different environmental and organizational factors which define their context.

The top factors that influence the process of strategy implementation include: level of ‘ownership’ of strategy implementation among key employees, competence of the institution to plan, manage and implement strategic initiatives, level of upper management support, understanding the role of organizational structure and design in the implementation process, commitment to providing financial resources needed, human resources and technological resources and communication process. These concur with success factors identified by Pearce and Robinson (2007): the nature of the strategy itself, the policies and support systems, alignment of the strategy to short term objectives, resource allocation, the fit between structure and strategy, leadership, communication process, and organization culture. The findings are consistent with Nzonge (2011) who in her research identified the following as the factors influencing strategy implementation at Co-operative Bank of Kenya: Organization structure and leadership, staff motivation, economic and political factors, technology and globalization as well as competitor strategies.
CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The Chapter presents summary, conclusion and policy recommendations in line with the research objective. The chapter also presents the limitations of the study and suggested areas for further studies.

5.2 Summary of findings

The study focus was to establish how strategy implementation is carried out by commercial banks in Kenya. This was done by identifying which level of staff are responsible for the process, presence or absence of a model to guide the process, steps followed during the process and the factors influencing the process.

The majority of the banks (91%) develop guidelines / models to guide the process of strategy implementation but the adherence to the guidelines is moderate for 59% and high for 49%. The responsibility is assigned to different levels of staff (Board of directors and senior management 40%, lower management 29% and relevant departmental staff 31%). Different steps are given varying level of emphasis in different institutions the high ranking steps were ensuring the staff has the required skills, allocating ample resources to those activities critical to strategic success and installing information and operating systems that enable personnel better carry out their roles. A variety of internal and external factors unique to each institution influence the process of strategy implementation. The following attained the highest scores out of those provided to respondents: level of ‘ownership’ of strategy implementation among key employees, competence of the institution to plan, manage and implement strategic initiatives, level of upper management support, understanding the role of organizational structure and design in the implementation process, commitment to providing financial resources needed, human resources and technological resources and communication process. It was clear that all banks have strategic plans but the implementation varies from one bank to the other. This just further emphasizes the fact that there is no universal approach to the process of strategy implementation.
5.3 Conclusion

Banking industry environment is very dynamic and competitive, therefore, banks have to develop strategies to enable them remain competitive. However, the banks will be successful only when the strategy formulation is sound and implementation is excellent. Strategy implementation is important but difficult because implementation activities take a longer time frame than formulation, involves more people and greater task complexity, it is influenced by a variety of factors and it is very sensitive to the context in which it is being practiced.

In conclusion, majority of the banks develop guidelines/models to guide the process of strategy implementation but the adherence to the guidelines varies as does the level of staff assigned the responsibility for the process. Different steps are given varying level of emphasis in different institutions the key steps being ensuring the staff has the required skills, allocating ample resources to those activities critical to strategic success and installing information and operating systems that enable personnel better carry out their roles. A variety of factors influence the process of strategy implementation including: level of ‘ownership’ of strategy implementation among key employees, competence of the institution to plan, manage and implement strategic initiatives, level of upper management support, understanding the role of organizational structure and design in the implementation process, commitment to providing financial resources needed, human resources and technological resources and communication process.

5.4 Recommendations

Best practices identified in the process of strategy implementation should be shared across the industry in order to promote better performance of all players and increase the level of confidence the public has in the industry as whole. Policy makers could enforce best practices like developing of formal guidelines to the process and establishment of key performance indicators to increase level of success of banks in their strategy implementation.
In order to remain competitive and increase the success rate in implementing strategies banks could opt to hire consultants to advice on their strategy implementation. For example Equity Bank group engaging Mc Kinsey (a global management advisory firm) to advice on the banks implementation of their 3.0 strategy. It is important for banks to recognize that the process of strategy implementation is influenced by a variety of factors and how they respond to them could lead to the factors either acting as impediments or success factors.

5.5 Limitations of the study

During the course of the study the researcher encountered several limitations including the fact that a level of bias was observes as respondents gave mainly positive responses. This could have been in a bid to portray their institutions in a positive light hence any negatives were covered up.

In addition, senior level staff in some institutions were unwilling to respond claiming to be too busy hence some middle level staff were used. This posed some minor limitations as they have not been in the institutions for a very long time.

The study was on all commercial banks; however, different banks have different internal environments which affect their operations. This led to wide variations in responses from different institutions.

5.6 Suggestions for further research

This study was conducted generally across all banks; further study could be done segmenting the banks into tiers to establish similarities/differences in strategy implementation for banks within same tire. The impact of the size of the bank on the process could also be identified.

The same study could be replicated to other industries to increase into the body of knowledge available on strategy implementation. This would enable comparison of this process across different industries.
REFERENCES


Appendix 1

LICENSED COMMERCIAL BANKS

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. CFC Stanbic Bank
7. Chase Bank (Kenya)
8. Charter House Bank (suspended)
9. Citibank
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Cooperative Bank of Kenya
13. Credit Bank
15. Diamond Trust Bank
16. Dubai Bank Kenya
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank Limited
22. First Community Bank
23. Giro Commercial Bank
24. GTB Bank
25. Guardian Bank
26. Gulf African Bank
27. Habib Bank
28. Habib Bank AG Zurich
29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank
Appendix 2

Research Questionnaire

This Questionnaire’s content is confidential and serves the purpose of collecting data for research project.

Section A: Background Information

1 Name of the Institution

2 How long has the Institution been in existence
   ( ) ( ) ( )
   Less than 10 years Between 10 and 25 Years Over 25 Years

3 Position of the respondent

4 How long have you been employed at this Institution
   ( ) ( ) ( )
   Less than 5 years Between 5 and 15 Years Over 15 Years

Section B: Strategic Management

1 Does the Institution have a Strategic plan in place?
   ( ) ( )
   Yes No

2 What is the period of the plan?
   ( ) ( ) ( )
   Less than 5 years Between 5 and 10 Years Over 10 Years

3 What is your Institution's mission statement?

4 Rate the success your institution has had in generating strategies to deal with issues
   ( ) ( ) ( )
   Low Moderate High

5 Does your Institution have guidelines or a model to guide strategy implementation efforts
   ( ) ( )
   Yes No
6 Rate the adherence to the set guidelines during implementation

( ) ( ) ( )
Low Moderate High

7 Does your Institution maintain a policy manual?

( ) ( )
Yes No

8 How often are the policies updated

( ) ( ) ( )
Every Year After Two to Three Years 4 years and over

9 Rate your Institution ongoing assessment of strategic initiatives.

( ) ( ) ( )
Low Medium High

10 Has your Institution developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives?

( ) ( )
Yes No

11 Who is responsible for the following processes in your Institution

(i) Strategy Formulation

( ) ( ) ( )
Board of Directors & Senior Management Lower Management Relevant Departmental Staff

(ii) Strategy Implementation

( ) ( ) ( )
Board of Directors & Senior Management Lower Management Relevant Departmental Staff

(iii) Strategy Evaluation and Control

( ) ( ) ( )
Board of Directors & Senior Management Lower Management Relevant Departmental Staff
To what extent does your institution place emphasis in the following steps in its strategy implementation?

(i) Staffing the organization with needed skills and expertise

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(ii) Allocating ample resources to those activities critical to strategic success

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(iii) Ensuring that policies and procedures facilitate rather than impede effective execution

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(iv) Using best practices to perform core business activities and pushing for continuous improvement

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(v) Installing information and operating systems that enable personnel better carry out their roles

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(vi) Motivate people to pursue the target objectives energetically

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(vii) Tying rewards and incentives directly to achievement of performance objectives and good strategy execution

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

(viii) Exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

Section C: Factors influencing strategy implementation

In your experience, how big an influence do the following factors have on strategy implementation for your institution?

Use a 3 point scale i.e. minor influence (1 point), moderate influence (2 points) and major influence (3 points)

1. Poor or vague strategy

<table>
<thead>
<tr>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
</tr>
</thead>
</table>

2. Understanding of the role of organizational structure and design in the implementation process

<table>
<thead>
<tr>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
</tr>
</thead>
</table>
3. Trying to implement a strategy that conflicts with the existing power structure

( ) ( ) ( )
Minor Moderate Major

4. Level of upper management support of strategy implementation

( ) ( ) ( )
Minor Moderate Major

5. Compatibility between strategy and the institution's culture

( ) ( ) ( )
Minor Moderate Major

6. Ability to manage change effectively or to overcome internal resistance to change

( ) ( ) ( )
Minor Moderate Major

7. Financial resources available to implement the strategy

( ) ( ) ( )
Minor Moderate Major

8. Commitment to providing financial resources to support the implementation of strategic initiatives

( ) ( ) ( )
Minor Moderate Major

9. Human resource capability to manage and implement a change process or new strategic direction

( ) ( ) ( )
Minor Moderate Major

10. Competencies of your institution staff to plan, manage and implement strategic initiatives.

( ) ( ) ( )
Minor Moderate Major

11. Technological resources

( ) ( ) ( )
Minor Moderate Major

12. Information sharing between individuals or business units responsible for strategy implementation

( ) ( ) ( )
Minor Moderate Major

13. Communication of responsibility and/or accountability for implementation decisions or actions

( ) ( ) ( )
Minor Moderate Major

Ability to generate “buy in” or agreement on critical implementation steps or actions

( ) ( ) ( )
Minor Moderate Major
15 Level of feelings of “ownership” of a strategy or implementation plans among key employees

  ( )  ( )  ( )
  Minor  Moderate  Major

16 Level of motivation to maintain and support the implementation of strategic initiatives by all employees

  ( )  ( )  ( )
  Minor  Moderate  Major

17 Appropriate incentives to support implementation objectives

  ( )  ( )  ( )
  Minor  Moderate  Major

18 Degree to which the reward system aligns the actions and objectives of individuals and units with the objectives and needs of the firm’s strategy.

  ( )  ( )  ( )
  Minor  Moderate  Major

19 Inter - Departmental dynamics

  ( )  ( )  ( )
  Minor  Moderate  Major

II Any other factors
Highlight any other factors which in your opinion affect the process of strategy implementation at your Institution.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

THANK YOU FOR YOUR TIME