FACTORS INFLUENCING STRATEGY IMPLEMENTATION ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA
A CASE OF KENYA COMMERCIAL BANK

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ABSTRACT

Strategy implementation involves allocation of sufficient resources financial, personnel, time, and establishing a chain of command or organizational structure. It involves assigning responsibility of specific tasks or processes to specific individuals or groups. In the world of management, increasing numbers of senior people are recognizing that one of the key routes to improved business performance is better implementation of strategies. Strategy implementation is an enigma in many companies illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies. The Kenyan economy has over the last five years, suffered major shocks including post-election disturbances, high oil and fertilizer prices, the global economic and financial crisis, exchange rate volatility, high inflation rates and
severe drought that affected most parts of the country (CBK, 2010). However despite the unfavorable business environment, the banking sector’s growth has been on an upwards trend posting double-digit growth in profitability during the period.

**Key Words:** Innovativeness, Managerial skills, Staff training, Strategy implementation

**Introduction**

Strategy implementation involves allocation of sufficient resources financial, personnel, time, and establishing a chain of command or organizational structure. It involves assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and adjusting the process as necessary. Strategy formation and implementation is an on-going, never-ending, integrated process requiring continuous reassessment and reformation (Olson et al. 2005). Strategic management is dynamic. It involves a complex pattern of actions and reactions. It is partially planned and partially unplanned. Strategy is planned and emergent, dynamic, and interactive. Strategic management operates on several time scales. Short term strategies involve planning and managing for the present. Long term strategies involve preparing for and preempting the future (Balogun & Johnson, 2004).

In most corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies. Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial
strategies, legal strategies, and information technology management strategies (Chebat, 1999). The emphasis is on short and medium term plans and is limited to the domain of each department’s functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies (Bourgeois & Brodwin, 1984).

**Statement of the Problem**

The Kenyan economy has over the last five years suffered major shocks including post-election disturbances, high oil and fertilizer prices, the global economic and financial crisis, exchange rate volatility, high inflation rates and severe drought that affected most parts of the country (CBK, 2010). The overall balance of payments deteriorated from a surplus of Ksh 75.2 billion in 2009 to a surplus of Ksh 12.2 billion in 2010. Even though the GDP growth improved to 4.5% by 2011 from measly 1.6% in 2008, this represented a far cry from the 7.1% and 6.3% achieved in 2007 and 2006 respectively (CBK, 2007).

The annual average price of oil increased to US$ 79.16 per barrel in 2010 compared to US $ 62.65 per barrel in 2009. As a result, this had driven inflation upto 12.95% from 3.18% in 2010. The current account balance widened to a deficit of Ksh 199.2 billion in 2010 from a deficit of KSh 129.2 billion in 2009. The Kenya Shilling depreciated against major world currencies over the period. At December 2007, it exchanged at an average of Ksh 63.3, 92.2 and 128.5 against the US dollar, Euro and Sterling Pound respectively. At December 2011, the Kenya shilling exchanged at an average of Ksh 63.3, 92.2 and 128.5 against the US dollar, Euro and Sterling Pound respectively. (CBK, 2011)
However, despite the unfavorable business environment, the banking sector’s growth has been on an upwards trend posting double digit growth in profitability during the period. The sector posted a profit of 48 billion in 2009 which was 14.3% growth from 2008. This result jumped by 28.4% in 2010 and 35.1% in 2011 (CBK, 2011).

Firms have not been short of strategies but have fallen short of strategy implementation (Alexander, 1985; Brinkerhoff, 1996; Charan & Colvin, 1999; Gluck et al., 1980; Kazanjian & Drazin, 1987; Weiss & Birnbaum, 1989). It is estimate that 70% of chief executive officers fail due to bad execution (Charan & Colvin, 1999). Research by the Kenya Bankers Association found that as much as 37% of the potential value of a strategy in commercial banks in Kenya is lost during implementation (KBA, 2012). (Raps and Kauffman, 2005) concluded that success of strategy implementation has been 10 to 30 %. Researchers note that organizations fail to implement up to 70% of their strategic initiatives (Miller, 2002). Would successful strategy implementation be the source of this impressive performance?

Objective of the study

General objective

The general objective of the study was to investigate factors influencing strategy implementation hence performance in commercial banks with reference to Kenya commercial bank.

Specific objective

i. To determine the effects of organization structure on strategy implementation and how it influences performance of the Kenya commercial bank.
ii. To establish the effects of staff training on strategy implementation in relation to performance of the Kenya commercial bank

iii. To examine the effects of managerial skills on strategy implementation hence performance of the Kenya commercial bank

iv. To find out the role of innovativeness on strategy implementation in relation to the performance of the Kenya commercial bank

Research Question

i. What are the effects of organization structure on strategy implementation? In addition, how it influences performance of the Kenya commercial bank?

ii. What are the effects of staff training on strategy implementation in relation to performance of the Kenya commercial bank?

iii. What are the effects of managerial skills on strategy implementation hence performance of Kenya commercial bank?

iv. What is the role of innovativeness on strategy in relation to the performance of the Kenya commercial bank?

Importance of the study

The study will help the banking industry players to understand the effects of strategy implementation on the overall performance of their organizations. This will support firms to achieve a competitive. The study will also form a reference material for future researchers on other related topics; it will also assist other academicians who will undertake similar topics in
their studies. The study highlights other important relationships that require further research; such areas include areas of relationships between intelligence and firm’s performance.

**Limitation of the Study**

The study used questionnaire as the only instrument for collecting data. The research did not have much control on the respondent in regard to the information they filled on the questionnaires. The respondents were not willing to give full information in fear that it could leak to their competitors. Data collection was also limited to two months which could not have been sufficient. Financial constraints also came in handy since the research cost was borne by the researcher.

**Theoretical review**

According to Saleemi, (2005) under Mc Gregory theory Y, managers communicate openly with subordinates, who minimize the difference between superior and subordinate relationship. Subordinate relationships create an environment in which employees can develop and use their abilities and share decisions making with other employees, the positive outlook of employees abilities in theory y, imply that their talents are more effectively and efficiently utilized.

In this theory, management assumes that people are ambitious and self-motivated and exercise self-control; theory y managers believe that employees possess the ability for creative problem solving Saleemi, (2005), but their talent are misused in most organizations, (Cole, 2007).

**Conceptual Framework**

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
</table>

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Critical Review

Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (1984) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success. Beyond the preoccupation of many authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any marketing strategy implementation effort (Noble and Mokwa, 1999). Conflicting empirical results founded upon contrasting theoretical premises indicate that strategy implementation is a complex phenomenon.

Research Gap

Locally, Kiptugen (2003) did a study to determine the strategic responses of Kenya Commercial Bank to a changing competitive environment. Since he focused mainly on strategies that can be adopted in a competitive environment; the study failed to cover the processes involved in strategy implementation and challenges in the implementation phase. Muturi (2005) on the other hand did a study to determine the strategic responses of Christian churches in Kenya to changes in the external environment. He based his survey on evangelical
churches in Nairobi. This study focused on a different context and concept from what the current study seeks to cover. Kamanda (2006) also did a study on Kenya Commercial Bank (KCB) with the objective of determining the factors that influence its regional growth strategy. His study, however, did not cover the issues on strategy implementation. Situma (2006) also covered KCB but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy implementation. His was a comparative study of KCB and National Bank of Kenya. The study also fails to capture the strategy implementation process and challenges.

**Research Methodology**

The research adopted a descriptive cross-sectional research design, which is used when the problem has been defined specifically and where the research has certain issue to be described by the respondents about the problem to (Kothari 2004). For purpose of this study the target population was stratified through top management level, middle level managers and low level management. The target population comprised of 486 members of staff in different managerial levels currently working at the Kenya Commercial Bank. This population suited the research in view of the fact that it is the role of the management to oversee the implementation of strategies. As a result, they were well conversant with strategy implementation and its influence on performance. The research used questionnaires to collect mainly quantitative data. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data.
Research findings and Discussion

Effects of Management skills on strategy implementation

The study established that the level of management skills affected the strategic implementation at the bank to great extent. The study revealed that there is lack of manager’s commitment to performing their roles which leads to the lower ranks of employees missing support and guidance, the top management’s skill to the strategic direction itself is the most important factor. The top management demonstrates their willingness to give energy and loyalty to the implementation process for it to succeed, there is lack of top management backing which is the main inhibiting factor and that the managers do not spare any effort to persuade the employees of their ideas for strategy implementation to be effective.

Role of Innovativeness in strategy implementation

The study found that innovativeness is a key success factor within strategy implementation at Kenya Commercial Bank. The study further revealed that innovativeness affects strategy implementation at Kenya Commercial Bank to a great extent. It established that product development that are radical, inventive and early offer greater rewards and performance improvement, use of technology innovation promotes a friendly and helpful staff hence customer satisfaction, product development is important in both the supply of the core product as well as in the support part of any offer, less time is required at the service point due to innovations in the bank, the bank remains open in good time to serve the customers efficiently, the bank’s product development strategy aims to hit many singles and the innovations ensure that the services given to customers are of high quality. Early on Drucker (1958) and probably even someone before him – distinguished between doing the right things and doing things
right. When it comes to strategic management, we can reformulate this distinction to, on the one hand, market the right products/services on the right markets and, on the other hand, develop, produce, and distribute the products/services in the right way.

**Effects of Staff Training on strategy implementation**

The study established that staff training affects strategy implementation at to a great extent. The study established that employee training is an attempt to improve employee performance by increasing the employees’ ability to perform, creating and sharing an organizational goal, acting as a role model, training and development programmes are designed to educate employees beyond the requirements of their current position so that they are prepared for a broader and more challenging role in the organization. It revealed that the training allowed employee participation in making job-related decisions, encouraging creativeness, providing support for employees, training is the process of imparting knowledge and skills and presents employees or beneficiaries with the skills they need to perform their jobs better.

**Effects of Organizational Structure on strategy implementation**

The study established that the organizational structure affects the strategy implementation in the bank to a great extent. The study further revealed that the organization embraces freedom of expression during strategy implementation. Organization size affects strategy implementation while supervisors delegate duties and functions during strategy implementation. Management organizes meetings to discuss issues strategy implementation. It was found out that the organization structure affects strategy implementation in the organization through bureaucratic bottlenecks, differentiated roles that lead to specialization, number of reporting lines, implementation challenges, type of the structure that allow
implementation, harmony of reporting lines and employee placement. Organizational Structure is different in each business and is key to strategy implementation. Olson et al. (2005) mention that organizational structure (such as formalization, centralization, specialization, and integration) is a critical component of strategy implementation (Tan, 2001).

**Regression analysis**

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table below the value of adjusted R squared was 0.731 an indication that there was variation of 73.1% on the organizational performance due to changes in organization structure, managerial skills, staff training and innovation at 95% confidence interval. This shows that 73.1 % changes in organizational performance could be accounted to changes in organization structure, managerial skills, staff training and innovation. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.874.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.874a</td>
<td>.764</td>
<td>.731</td>
<td>.12225</td>
</tr>
</tbody>
</table>

From the ANOVA statics in the table below, the processed data, which is the population parameters, had a significance level of 0% which shows that the data is ideal for making a conclusion on the population parameters as the value of significance (p-value ) is less than 5%. The calculated value was greater than the critical value (3.131>1.9861) an indication that...
there were significant difference between organizational performance and organization structure, managerial skills, staff training and innovation. The significance value was less than 0.05 indicating that the model was significant.

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.744</td>
<td>2</td>
<td>0.372</td>
<td>3.131</td>
<td>.048</td>
</tr>
<tr>
<td>Residual</td>
<td>25.662</td>
<td>78</td>
<td>0.329</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>26.406</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The established regression equation was

\[ Y = 0.878 + 0.305 X_1 + 0.071 X_2 + 0.158 X_3 + 0.245 X_4 \]

From the above regression equation, it was revealed that holding organization structure, managerial skills, staff training and innovation to a constant zero, organizational performance would stand at 0.878, a unit increase in organization structure would lead to increase performance by a factor of 0.305. A unit increase in managerial skills would lead to increase in performance by factors of 0.071. A unit increase in staff training would lead to increase in performance by a factor of 0.158 and unit increase in innovation would lead to increase in performance by a factor of 0.245. The study further revealed that organization structure, managerial skills, staff training and innovation were statistically significant to affect the organization performance, as all the p value (sig) were less than 0.05%.

The study also found that there was a positive relationship between organization performance and organization structure, managerial skills, staff training and innovation.

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
</table>
### Conclusion

From the findings the study concluded that level of management skills influences the strategy implementation in the bank to great extent. The study established that innovativeness is a key success factor in strategy implementation. It affects strategy implementation largely. Products developments that are radical, inventive and early offer greater rewards and performance improvement. Use of technology innovation promotes a friendly and helpful staff resulting to customer satisfaction.

The study further concluded that training affects strategy implementation. It was further established that training was meant to improve employee performance by increasing the employees’ ability to perform, creating and sharing an organizational goal, acting as a role model, training and development programmes are designed to educate employees beyond the requirements of their current position. The study concluded that the organizational structure influences strategy implementation in the bank. This was through bureaucratic bottlenecks, differentiated roles that lead to specialization, number of reporting lines, implementation challenge, type of the structure with the flat allowing implementation, harmony of reporting lines and employee placement.
Recommendation

The study recommends there is need to enhance the level of management skills in the organization as this will help in strategy implementation thus enhancing the performance. Managerial skills promote shared vision, integrity and promote innovations. The study also recommends that there is need to enhance innovativeness in the organization through product development, inventive and early offer greater rewards as innovation is a key success factor within strategy implementation. The study further recommends that there is need to train employees as employee training was found to affect strategy to great extent. Employee training is an attempt to improve employee performance by increasing the employees’ ability to perform and sharing an organizational goal. There is need for the management to have an organizational structure that supports strategy implementation as it the study revealed that organizational structure affects the strategy implementation largely.

References


