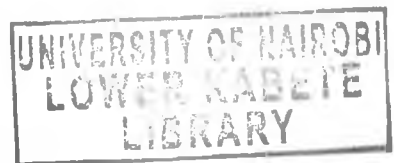


**LEADERSHIP IN STRATEGY IMPLEMENTATION AT BARCLAYS BANK OF  
KENYA LIMITED**

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**SUPERVISOR: PROF. PETER K'OBONYO**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY  
OF NAIROBI**



**NOVEMBER, 2011**

# DECLARATION

## STUDENT'S DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for an award of a degree or any other qualification.

Signature:  ..... Date: 11/11/2011 .....

**AMOS ANDAMA NYAMOKO**

**D61/70930/2008**

## SUPERVISOR

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

Signature:  ..... Date: 11/11/2011 .....

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## DEDICATION

I dedicate this work to my dear wife, my son, my brothers and all those who supported me in the completion of this project.

## ACKNOWLEDGEMENTS

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project. The work of carrying out this investigation needed adequate preparation and therefore called for collective responsibility from many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few.

I am greatly indebted to my supervisor Prof. Peter K'Obonyo for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you. My appreciation also goes to Prof. Aosa for the constructive criticism of the document during and after presentation. I will remain indebted to Mr. Josephat Misoka, Benson Njuguna, my wife and my brothers for their support which was not only material but also moral.

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## ABSTRACT

The role of leadership in strategy implementation cannot be over emphasized. Leadership provides direction, control and planning of the organization's resources. This study sought to establish the role of leadership in strategy implementation at Barclays Bank of Kenya Limited. The Bank faced challenges which called for implementation of strategies to ensure the bank remained competitive. The objective of the study was to establish the role of leadership in strategy implementation at Barclays Bank of Kenya.

The study used a case study research design involving Barclays Bank of Kenya. The study used primary data collected from 32 respondents using an interview guide. The interview guide comprised of two sections including the demographic section and section two dealing with questions specific to the role of leadership in strategy implementation.

The study targeted 35 respondents out of whom 32 participated giving a response rate of 91%. The key findings included the following: the Bank improved its liquidity and cash flow management through retrenchment of some of its employees and disposing of the custodial services to Standard Chartered Bank Kenya Limited. The bank also introduced learning management systems to enable employees improve their skills and learn more about the values of the bank. The bank's management played a key role in planning, directing, controlling, communicating and staffing to ensure successful strategy implementation at the Bank. The management team was fully involved and engaged in the whole process of strategy formulation and implementation at the bank.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background to the Study

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1985) 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. Organizations seem to have difficulties in implementing their strategies, however, researchers have revealed a number of problems in strategy implementation which include: weak management roles in implementation, lack of communication, lack of commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Lares-Mankki, 2004; Beer and Eisenstat, 2000).

Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Govindarajan, 1989). Here, quality refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position (Peng and Litteljohn, 2001). Peng and Litteljohn (2001) show that effective communication is a key requirement for effective strategy implementation. Organizational communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation. Communication barriers are reported more frequently than any other type of barriers,

such as organizational structure barriers, learning barriers, personnel management barriers, or cultural barriers.

### **1.1.2 The Concept of Leadership and Strategic Management**

Taffinder (2006) gave different definitions to leadership including that leadership is getting people to do things they have never thought of doing, do not believe are possible or that they do not want to do. With reference to an organization, he defined leadership as “the action of committing employees to contribute their best to the purpose of the organization”. While on a complex and more accurate view, he explains that you only know leadership by its consequences from the fact that individuals or a group of people start to behave in a particular way as a result of the actions of someone else.

Leadership according to Johnson and Scholes (2004) is the process of influencing an organization (or group within an organization) in its efforts towards achieving an aim or goal. However, required in today’s complex operating environment is transformational leadership, which is leadership that inspires organizational success by profoundly affecting followers’ beliefs in what an organization should be, as well as their values, such as justice and integrity (Certo, 2000).

In transformational leadership, leaders are expected to accurately interpret the goings on in the environment and take appropriate actions to exploit the opportunities created by uncertainty. These leaders are risk takers, love change, stay ahead of the change curve, redefine their industries (Gibson, 1998), great communicators, team players, technology masters, problem solvers, change makers and foreign ambassadors (Lewis, Goodman and Fandt, 2001). They are not the masters of the status quo as is the case with the

transactional leaders. This suggests that the role of leadership (transformational) in the strategic management process is integrative and hence success or failure hinges on the drivers of the organisation.

Strategic management is different from other aspects of management (Johnson and Scholes, 2004). It emphasizes the growing significance of environmental impacts on organizations and the need for organizational leadership to react appropriately to them. Finlay (2000) advises that, the responsibility for the overall direction of the organization sums up what strategic management is all about. It involves the development of an organization's mission, setting objectives, forming a strategy, implementing and executing the strategic plan and evaluating performance. Specifically, it is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide implications (Johnson and Scholes, 2004).

Strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation through a strong corporate culture. It involves organization of the firm's resources and motivation of the staff to achieve objectives (Rapa and Kauffman, 2005). Implementing strategies successfully is about matching the planned and realizing strategies, which together aim at reaching the organization's vision. With firms evolving in terms of structure, it follows that the style of strategy implementation would differ depending on the style of organization and management that exists in the firm. Different leadership styles can play a critical role in overcoming barriers to implementation. The environmental conditions facing many firms have

changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into strategy formulation. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organization. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson et al. 2005).

According to Balogun and Johnson (2004) responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Bourgeois and Brodwin, 2004). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organizations is under scrutiny. Several researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wind and Robertson, 2003). Fortunately, insights in this area have been made recently which tamper our knowledge of developing strategy with the reality of executing that which is crafted (Olson et al., 2005). However, as strategy implementation is both a multifaceted and complex organizational process, it is only by taking a broad view that a wide span of potentially valuable insights is generated.

A major problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low as 10% (Judson, 2001). Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down approach. Instead, management spends most of its attention on strategy formulation. Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (2004) 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, 2009). Conflicting empirical results founded upon contrasting theoretical premises indicate that strategy implementation is a complex phenomenon. In response, generalizations have been advanced in the form of encouraging early involvement in the strategy process by firm members, fluid processes for adaptation and adjustment and, leadership style and structure (Bourgeois and Brodwin, 2004).

Organizations that follow the strategic management framework with transformation leadership are high performers. As high - performing organizations, they initiate and lead in their respective industries; they don't just react and defend. They launch strategic offensives to out – innovate and out – maneuver rivals and secure sustainable competitive advantage, then use their market edge to achieve superior financial performance according to Thompson and Strickland (1996).

### **1.1.3 Barclays Bank of Kenya Limited**

Barclays has operated in Kenya for over 90 years. Financial strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services. Barclays has established an extensive network of over 117 outlets with 231 ATMs spread across the country. The bank's financial performance over the years has built confidence among the 48,000 shareholders, with a reputation of being one of the leading blue chip companies on the Nairobi Stock Exchange. The main sectors of the Kenyan economy are agriculture, manufacturing, tourism and financial services. Tea and Horticulture are the country's leading exports and tourism sector continues to play a key role in contributing towards foreign exchange earnings of the country ([www.barclays.com/Kenya](http://www.barclays.com/Kenya)).

Barclays Bank of Kenya has made excellent progress in the implementation of the highly anticipated banking system. This demonstrates the focus as a bank, on delivering cutting-edge customer service based on a robust banking system. The new system incorporates world-class technology, the key competitive advantage is the staff and how well they leverage the capability to serve its customers better and attract new customers using the system. The replatforming program is to bring the threshold of a brand-new banking system that would ensure sustainable and profitable growth. The new system is customer-centric, it has a unique straight-through processes multicurrency feature plus the fact that it has a seamless multi-branching functionality would certainly drive home real value to the business and banking customers alike. The staff would love using the system; their jobs would be much easier since the customer would be identified from a central point.

The aim of the new system is to accelerate further growth of the business which inevitably would require more staff working smarter and in a better controlled environment that focuses on the customers ([www.barclays.com/Kenya](http://www.barclays.com/Kenya)).

Barclays Bank of Kenya Limited is a leading financial services provider in the region which has seen enormous expansion over the past two years. The bank undertook a potentially risky project of overhauling its core banking system from 'BRAINS' to 'FLEXCUBE' successfully. The bank further undertook a retrenchment program which saw the number of staff reduce by over 200 employees. In addition, the Bank disposed off the custodial services business unit to Standard Chartered Bank Kenya Limited. These could only be achieved through good leadership by the management. What qualities of leadership ensured such success? Leadership of an organization should be given adequate attention, if the organization intends to achieve its objectives. The practice of leadership as it were involves taking charge and streamlining the activities of an organization's employees to ensure that desired results are achieved.

## **1.2 Research Problem**

London (2001) observed that objectives assist executives in performing leadership roles by providing the basis for uniting the efforts of the workers within the organization. It was further stressed that achieving set objectives help to give identity to an organization as well as recognition and status. Several identifiable actions characterize strategic leadership that positively contributes to effective strategy implementation. The actions include determining strategic direction, establishing balanced organizational controls, effectively managing the organization's resource portfolio, sustaining an effective

organizational culture and emphasizing ethical practices.

Several scholars have reviewed the subject of leadership. Gakonyo (2003) studied employee perceptions of leadership and management styles using a case of Nile Breweries limited. He established that employees' perceptions of leadership and management style were varied across the organization and cadres. Kerama (2006) did a survey of the application of Kotter's model of strategic change leadership in the insurance industry in Kenya. He established that human beings live in a world where business as usual is change. Mugwe (2008) studied chief executive officers' perception of critical success factors in corporate leadership in Kenya. Most research has not been focused on strategy implementation. Strategic management is a very important perspective within an organization. It is with this in mind that it has been found appropriate to examine the role of leadership in strategy implementation. This study therefore seeks to fill this information gap by studying the role of relationship in strategy implementation using a case study of Barclays Bank of Kenya Limited. The study would seek to answer the following research question: what is the role of leadership in strategy implementation?

### **1.3 Objective of the Study**

To establish the role of leadership in strategy implementation at Barclays Bank of Kenya.

### **1.4 Value of the Study**

This study would be important to the policy makers in the banking industry as they would be able to know for certain the role of leadership in strategy implementation and how this

affects performance of commercial banks in Kenya in their bid to remain competitive. The results would contribute to a better understanding on how Barclays bank has successfully implemented various strategies.

Further, the study would be important to commercial banking managers as it would help them understand the role of leadership in strategy implementation and how their activities can hinder or promote strategy implementation. The study would also help other managers know the best way to coordinate strategy implementation.

The results of this study would be invaluable to researchers and scholars as it would form a basis for further research. The students and academicians would use this study as a basis for discussions on the role of leadership in strategy implementation. The study would be a source of reference material for future researchers on other related topics as it would also help other academicians who undertake the same topic in their studies.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific area covers the concept of leadership and strategy implementation and approaches of strategy implementation and finally the challenges of strategy implementation.

### **2.2 Leadership as a Strategic Fundamental**

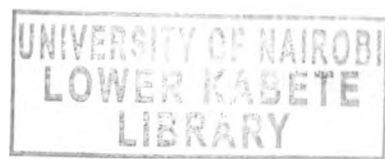
Leadership is one of the most salient aspects of the organizational context. However, defining leadership has been challenging. Over the years the terms management and leadership have been so closely related that individuals in general think of them as synonymous. However, this is not the case even considering that good managers have leadership skills and vice-versa. With this concept in mind, leadership can be viewed as a complex phenomenon. The literature suggests that there is an important distinction between a leader and a manager. According to Squires (2001), leaders are concerned with the spiritual aspect of their work, that is, they have followers who deeply believe in them and they possess a latent power in organizations. However, managers deal with mundane tasks such as allocation of roles, tasks and resources needed to achieve organizational goals, coordination of the allocated activities and processes and monitoring the everyday operation of the organization. Managers are associated with periods of stability while leaders are associated with periods of turbulence (Bryman, 1993).

Day (2001) states that leadership is about creating and maintaining a sense of vision, culture, and interpersonal relationships. However, management is coordinating, supporting, and monitoring the activities of an organization. Hersey and Blanchard (1969) claim that leadership is a broader concept than management. Management is a sub skill of leadership in which achieving organizational goals is of paramount importance. Leadership involves working with and through people so as to accomplish goals but not necessarily organizational goals.

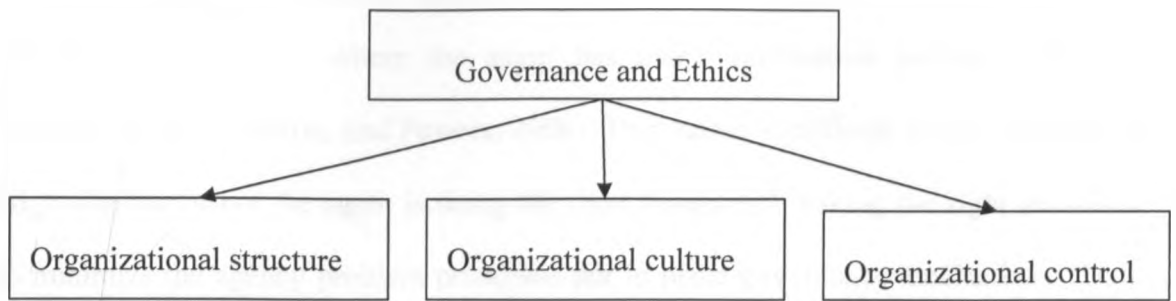
Leadership development can be viewed as the planned experience, guided growth and training opportunities provided for those in position of authority. To this effect the leader of an organization should recognize that their responsibilities include performing management function, which according to Dubrin (2007) are planning, organizing, directing, controlling and co-ordination of all activities as they relate to the activities of the firm in order to achieve the firm's objectives.

### **2.3 Strategy Implementation Process**

According to Hill *et al* (2009), a brilliantly formulated strategy does not have any value if it is not put into practice. To put the formulated strategy into practice a number of actions on different levels of the organization are needed. Hill *et al.* (2009) further explains that, the main components of the process for strategy implementation are the design of governance and ethics, the organizational structure, the organizational culture and the organizational controls.



**Figure 2.1: Strategy Implementation Process**



Source: Model for strategy implementation, adapted from Hill and Jones (2009)

### **2.3.1 Governance and Ethics**

All organizations have internal and external stakeholders that need to be satisfied. In formulating the strategy of the organization, management needs to take into account the wishes and needs of all of these stakeholders to ensure a successful strategy implementation. If this is not done, the stakeholders might withdraw their support to the organization by opposing one another. An organization's management cannot always satisfy all needs from all stakeholders as such, management has to identify the most important stakeholders to prioritize their needs to determine which strategy should be pursued (Hill *et al*, 2009).

The needs of stakeholders have become part of the strategy and managers do not always act in line with the best interests of the stakeholders and that the employees in the organization do not always act in line with the strategy as laid out by management. The agency theory describes this problem that can arise when one person delegates the authority for decision-making to another such as the principal and the agent who have

different goals. The agent may perform his work or make decisions that are not in line with the goals of the principal. In order for the agency problem to exist, there must be information asymmetry, where the agent has more information available than the principal (Neilson, Martin, and Powers, 2008). This makes it difficult for the principal to judge whether or not the agent is doing the right things and making the right decisions. To minimize the agency problem principals put in place governance mechanisms (Daft, 2001).

Daft (2001) defines governance as the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. This focuses on the governance mechanisms needed to align incentives between management and the organization's employees. However there are governance mechanisms, which can help to reduce the agency problem between stockholders and management, and to ensure that management is acting in the best interest of its stockholders. The Board of Directors is an example of such a corporate governance mechanism as they direct and control management on behalf of the stockholders. Other corporate governance mechanisms are stock-based compensation for management, the publication of audited financial statements, and the takeover constraint. In order to reduce the agency problems between the Board of Directors, the different levels of management and employees, other governance mechanisms should be in place like Strategic control systems that are used by many organizations (Neilson, Martin, and Powers, 2008)

Hill *et al.* (2009) defined ethics as the accepted principles of right or wrong that govern

the conduct of a person, the members of a profession, or the actions of an organization. Whenever an employee or manager places his own interests above the rights of one or more of the stakeholder groups, he is behaving unethically and this could harm the stakeholders, the organization and employees. To ensure employees are acting ethically when performing their work and making decisions, management can take several measures such as hiring and promoting people who behave ethically, and firing or at least sanctioning people who are not behaving ethically.

### **2.3.2 Organizational Structure**

organizational structure coordinates and integrates the tasks executed by all employees in the organization, it determines the departments and functions in an organization, it defines the hierarchy, span of control and reporting relationships and includes the systems for communication, coordination and integration across these divisions and functions, both vertically and horizontally (Daft, 2001).

First of all, tasks and people need to be grouped in functions. After this, functions can be grouped into divisions to allow the organization to achieve organizational goals effectively and efficiently. Across these divisions and functions authority and responsibilities need to be allocated. A clear hierarchy needs to be defined from the Board of Directors through middle management all the way down to the operational employees. The hierarchy should clarify the span of control that each of the employees has like the people and tasks they are responsible for and have authority over. As the organization has been divided into separate functions and divisions, which all together should strive to achieve the same organizational objectives, communication

and coordination across these functions and divisions is needed. Through integrating mechanisms, such as direct contact, liaison roles and cross functional or divisional teams, information about activities, ideas and problems are efficiently spread across the organization (Hill *et al*, 2009).

### **2.3.3 Organizational Culture**

Hill *et al*, (2009) defines organizational culture as the specific collection of values, norms, beliefs and attitudes that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization. A strong organizational culture enhances integration and coordination within the organization. Culture gives members of the organization the ability to develop a collective identity, and guides them in their daily business relationships, execution of tasks, communication and decision making. If it is propagated correctly, organizational values would become part of the individual's values through which the individual would follow them unconsciously. In order to create a strong organizational culture, it is important that leadership promotes what the organization beliefs is correct behavior.

A code of ethics can help management to communicate the ethical behavior they expect from everybody in the organization (Daft, 2001). A beliefs system as defined by Simons (1995) is the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose and direction for the organization. Such a system is created through symbolic use of information, e.g. inspirational leadership. It attempts to create awareness and understanding of the organization's core values and should help employees to respond to problems they

face during the process of strategy implementation.

#### **2.3.4 Organizational Control**

The organizational control systems are systems that provide incentives and motivation to management and other employees to pursue the right activities towards achievement of organizational goals. The control systems facilitate monitoring and evaluation of performance and progress on strategic goals. This enables managers to take action to, if necessary, adapt and strengthen the organization's business model (Olson, Slater, and Hult, 2005). To allow managers to respond to unexpected events, the control system has to be flexible and should provide accurate and timely information on organizational performance to ensure correct decision-making by managers.

When designing an effective control system, an organization should determine the targets against which performance would be measured and should be designed at all levels in the organization, and targets have to be fit to the activities that the employees are responsible for. Moreover, it should be determined, which behavior is rewarded, and how these rewards relate to performance. Next, the organization should create means for measuring and monitoring performance. Then, performance can be compared with the established standards to evaluate whether action should be taken to better pursue attainment of strategic goals (Hill *et al*, 2009). Strategic control can be accomplished through personal control, output control and behavior control. Personal control relates to the influence managers can have on employees through personal contact. Output control is the system of motivating employees by setting targets and evaluating the employees through comparing their actual performance to the targets. Finally, behavioral control is based

on setting rules and procedures to which employees have to comply and with that influence the way employees behave (Hill *et al*, 2009).

Merchant and Van der Stede (2007) define three other types of control, namely result controls, action controls, which are comparable to behavior control, and personnel or cultural controls. Personnel or cultural controls involve control through cultural aspects such as values and norms, and are therefore created through organizational culture. The levers of control framework also defines control systems that should support management when implementing the strategy. As can be expected from the term boundary systems, these systems, based on defined business risks, set the boundaries in which members of the organization can operate. Where beliefs systems try to inspire employees to search for opportunities, boundary systems dictate employees what they should not do when searching for these opportunities (Merchant *et al*, 2007).

#### **2.4 Approaches to Strategy Implementation**

Bourgeois III and Brodwin (1984) examine five process approaches used to advance strategy implementation such as Commander model, Change model, Collaborative model, Cultural model, Crescive model. The first approach addresses strategic position only, and should guide the CEO in charting a firm future. The CEO can use economic and competitive analyses to plan resource allocations to achieve his goals. The change model emphasizes how the organizational structure, incentive compensation, control systems and so forth can be used to facilitate the implementation of a strategy. The collaborative model concentrates on group decision-making at a senior level and involves top management in the formulation process to ensure commitment. The fourth approach tries to implement strategy through the use of a corporate culture. The final approach

draws on managers' inclinations to want to develop new opportunities as see them in the course of their day-to-day management. The first three models assume implementation as after-the-fact while the latter two models, most of the energy are used for strategy formulation and the strategy requires relatively little effort in its implementation.

Lehner (2004) takes implementation tactics as genuine organizational behavior based on the assumption that implementation in general is dependent on the environment, and various strategic and organizational variables. He views the study of Bourgeois III and Brodwin (1984) as the first attempt to explicitly link behavioral patterns to the context of strategic management. These patterns are referred to as implementation tactics. However, Lehner (2004) believes that Bourgeois III and Brodwin did not successfully link their concept of tactics to other conceptualizations of organizational behaviors, especially with regard to organizational leadership, nor did their framework lead to any empirical studies. On the basis of the study of Bourgeois and Brodwin (1984), Lehner (2004) proposes five implementation tactics: command, change/politics, culture, collaboration and crecive/market. Command and politics/change are both somewhat autocratic. They can be subsumed under the label tell/sell. In contrast, both collaboration and the market as implementation tactics utilize participation to a high degree and in a way which gives subordinate groups a strong voice.

Mintzberg (1993) proposed that firms differ in terms of their leadership capabilities and that theory should move away from the one best way approach towards a contingency approach, in that organizational leadership should reflect the firm's situation and strategies. The leadership of a firm influences the flow of information and the context and

nature of interpersonal interaction within it. Leadership also channels collaboration, prescribes means of communication and co-ordination as well as allocating power and responsibility (Miller, 2002). Traditionally, firms have addressed these basic needs for coordination and cooperation by hierarchical configurations (Grant, 2003) with centralized decision-making, strict adherence to formally prescribed rules and procedures and carefully constructed roles and relationships. Others due to the unpopularity of bureaucracy in large firms, started a movement toward de-layering hierarchies.

## **2.5 Challenges of Strategy Implementation**

One of the major challenges in strategy implementation appears to be more cultural and behavioural in nature, including the impact of poor integration of activities and diminished feelings of ownership and commitment (Aaltonen and Ikavalko, 2002). Corboy and O'Corrbui (1999) identified the deadly sins of strategy implementation which include a lack of understanding of how the strategy should be implemented, customers and staff not fully appreciating the strategy, difficulties and obstacles not acknowledged, recognised or acted upon and ignoring the day-to-day business imperatives. Lehner (2004) contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

In organisations adopting the cultural model that emphasizes lower level employee participation in both strategy formulation and implementation there is separation of thinkers and doers. It seeks to implement strategy through the infusion of corporate culture throughout the firm. The cultural model contradicts and challenges the basic

objectives from the economic perspective of a firm (Parsa, 1999). A clan-like organisation is expected to prevail, where a powerful culture results in employees aligning their individual goals and behaviors with those of the firm. However, a high level of organisational slack is needed to instill and maintain a cultural model. This model has several limitations including the assumption that well-informed and intelligent participants, firms with this model tend to drift and lose focus, cost of change in culture often comes at a high price, increased homogeneity can lead to a loss of diversity and creativity consequently (Parsa, 1999).

According to Alexander (1985), the ten most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment had an adverse impact. Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated with budget setting, it is possible for the planning intent of any resource redistribution to be ignored (Reed and Buckley, 1988).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter discusses the methodology that was used in gathering the data, analyzing the data and reporting the results. Here the researcher aimed at explaining the methods and tools used to collect and analyze data to get proper and maximum information related to the subject under study.

### **3.2 Research Design**

This was a case study since the unit of analysis is one organization. This was a case study aimed at getting detailed information regarding the role of leadership in strategy implementation at Barclays Bank of Kenya Limited. The researcher settled for a case study of Barclays due to the fact that the Bank has been on the forefront of implementing various strategies which have all been a success.

According to Yin (2004), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2004) noted that a case study involves a careful and complete observation of social units. It is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Data collected from such a study is more reliable and up to date.

### **3.3 Data Collection**

The study used primary data that would be collected using an interview guide. The interview guide enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and a more insightful interpretation of the results from the study.

The interview guide designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondents. The second part was devoted to the identification of the role of leadership in strategy implementation at Barclays Bank of Kenya Limited where the main issues of the study were put into focus. The respondents would include the consumer banking director, finance director, corporate banking director, head of Barclaycard, head of marketing, human resource director, human resource business partner, head of credit, chief operations officer, head of Islamic banking, head of treasury, commercial banking director, head of sales, head of compliance, head of affluent banking, head of channels, head of distribution and cluster managers for Nairobi North, Nairobi South, Mount Kenya, North Rift, South Rift, Western, affluent and Coast. The study deemed them important as having special knowledge on strategy implementation. They were aware of the challenges and the ways and means of addressing them. This would make it easier to get adequate and accurate information necessary for the research.

### **3.4 Data Analysis**

Before processing the responses, the completed interview guides were edited for completeness and consistency. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques were employed. Content analysis was used to analyze the qualitative data collected while descriptive methods would be used to analyze quantitative data.

The content analysis was used to analyze the respondents' views about the role of leadership in strategy implementation at Barclays Bank of Kenya Limited. The data was then coded to enable the responses to be grouped into various categories. The descriptive statistical tools helped the researcher to describe the data and determine the extent to be used. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter covers data analysis and findings of the research. The data is summarized and presented in the form of tables and figures where necessary. The collected data has been analyzed and interpreted in line with the aim of the study which was to establish the role of leadership in strategy implementation at Barclays Bank of Kenya Limited.

### **4.2 Response Rate**

The study targeted 35 members of staff out of whom 32 responded giving a response rate of 91%. The commendable response rate was achieved after the researcher made frantic efforts in booking appointments with the heads of departments at Barclays Bank of Kenya Limited despite their tight schedules and making phone calls to remind them of the interview.

### **4.3 Challenges facing Barclays Bank of Kenya**

The study sought to establish the challenges facing the Bank and their effects. From the interviews, the challenges included use of outdated technology by the name 'BRAINS'. The 'BRAINS' system could not handle much traffic from the many branches opened during the retail expansion program in 2007. This led to a slow down of transaction processing speed and long customer queues in the banking halls.

The other challenge involved continued provision of generic banking products which limited the competitiveness of the Bank in the Kenyan market. The Bank had not developed specific products targeting specific market segments. This led to customers

from different market segments interacting while going about their transactions which increased high end market customer dissatisfaction. The bank offered conventional banking products leading to confusion on their tariff and charges. They bank was perceived by many customers to be overcharging customers which saw many potential customers shun away from joining the bank.

The other challenge facing the bank was increased competition in the market. Rapidly changing competitive environment in the Kenya market posed remarkable challenges. The formulation and implementation of the strategies in response to the changing environment has not been swift in the bank because some decisions have to wait for approvals and sanctioning from the Barclays Bank group headquarters. This exposed the Bank making it become the last one to respond to environment challenges and in most cases end up getting stuck in the environmental turbulence. The fierce competition arose from the aggressive marketing campaign by other players in the market seeking to grow their market share. Some of these players provided more innovative banking products which led to some of the existing customers shifting their loyalty. This affected the revenues and liquidity base of the bank.

Liquidity and cash flow management was also identified as one of the challenges facing the bank. This changing of the regulatory requirement by the Central Bank of Kenya on the balances maintained with the Central Bank and the minimum capital requirements meant that the bank had to increase the deposits with the regulator and in addition, it had to get more capital injection to boost its business liquidity. In addition, the bank's cost of doing business (operation) e.g. staff cost was rising because of too many highly

experienced staff who were earning considerably high salaries being supported by the reduced earnings and the constraint liquidity. These led to a decline in growth which saw the bank seek to reduce its staff.

Another challenge identified by the respondents was in the human resources development and growth. Human resources of the bank accounted for more than a third of the bank's operational costs as at December 2009. The bank had about 300 employees who had worked with it for more than 18 years. Most of these staff had been recruited with lower qualifications like high school certificates and most of whom had never updated their skills thus reducing their ability to multitask in this highly competitive environment. This weighed down the bank's ability to reduce the operational costs because most of its employees could not cope with the changing environmental demands.

The other challenge identified by the interviewees was the continued use of outdated and obsolete technology. The Bank was operating on a system by the name 'BRAINS' whose capacity and capabilities were low thus reducing the speed with which customers were served in branches.

#### **4.4 The Bank's Response to the Challenges**

The study sought to establish whether the bank has been developing responses to the challenges facing it. From the interviews, it was noted that the bank had developed several responses to the challenges facing it. First, to be able to deal with technological challenges facing it, the Bank initiated a system upgrade which saw the implementation of a new system by the name 'FLEXCUBE' in July 2010. This system has helped the bank increase on the speed with which customers are served and reduced the customer

inquiry backlog created by the old system. In addition, the system had increased the productivity of the bank's employees thus leading to restructuring in order to control the payroll costs which contributed largely to the operational costs of the bank.

In response to the challenge of rigidity in its product development in an ever changing banking environment which saw majority of the bank's customers shift their loyalty to competitors because of the attractive product offers by the competition, the bank reviewed its products and launched a few other new products to remain relevant to its customers. Some of the activities here involved rationalization of the tariff and charges to have a few products with customer friendly charges. In addition, the Bank introduced the 'LIMME' program for customers i.e. 'Live Made More Easier' to improve on customer service. In order to serve customers better, the bank segmented its market by introducing target marketing and expanding its branch network to be close to customers. The bank embarked on retail expansion program to include the mass market in areas like Gikomba, Kagwangware, Githuguri, Githurai among others. The Bank also opened a regional office in Dubai to centralize decision making and appointment of the Kenyan Managing Director as the CEO for East & Central Africa to offer rapid response to environmental changes. The bank also refocused on SME segment and mass market so as to reach the critical mass market which had been unbanked over a long time.

To improve the bank's liquidity, the bank employed several strategies. First, the Barclays bank of Kenya Limited planned to reduce on its human capital costs (Salaries and Wages). To achieve this, the bank retrenched more than 200 senior employees drawing huge salaries with limited production successfully which saw its operational costs ease up

and turn around its profitability. Another action to improve the bank's liquidity was the plan to dispose off its custodial services. The bank approached its competitor on the market (Standard Chartered Bank Kenya Limited) for negotiations which saw the bank dispose off the custodial services division to the said competitor. Another action included the focusing on big ticket high end market customers. This saw the bank launch ultimate account and premier account products tailored for high end market.

To respond to the challenges in human resource development and management, the bank introduced a learning management system called LMS where employees learn online on matters relevant to their day to day activities in the bank. The LMS has a pass mark for these courses at 80% which means that employees have to read hard and understand the concepts thoroughly. In addition, the bank has turned to recruiting young talented and well trained staff to reduce on its training and development costs. As opposed to before when form four leavers were recruited, the bank has now established a policy to recruit university graduates as clerks who can be trained to take up managerial jobs on merit. The bank also revised its core values to promote and build teamwork among its employees.

#### **4.5 The effectiveness of the Strategies adopted by the Bank**

The study sought to establish the effectiveness of the strategies adopted by the bank in responding to the challenges posed by the changing business environment. From the interviews, it was clear that the strategies have been effective. First, the strategy to dispose the custodial services saw the bank improve its profitability from 10 to 13 billion. This boosted investor confidence especially considering the fact that the bank is quoted

on the Nairobi Stock Exchange. In addition, the 'LIMME' strategy and the recruitment of new staff who are well trained and more creative has improved the service delivery of the bank which has seen a reduction in customer complaints and reduced queues in the banking halls.

Another proof of the effectiveness of the strategies developed by the bank is the strong liquidity position as a result of the strategies to dispose custodial services and retrench high earning staffs that were less productive. The bank's liquidity has enabled the bank to maintain the required reserve levels with the regulator and have enough resources to lend to customers under different categories.

The bank has maintained leadership in the market by capturing the high end customers. The products developed by the bank have attracted more customers which has increased profitability. The strategies have also ensured availability of a well qualified and experienced staff with high productivity thus improving the service delivery.

#### **4.6 Management's Proactiveness**

The research was interested in establishing the management's proactiveness in responding to changes in the environment. This was witnessed by the way the management always initiated and saw the full implementation of strategies with consequence management initiatives where necessary. The bank's management played a key role in ensuring successful strategy implementation. To achieve this, the Management played the key role of coordination of the activities and the resources involved in strategy implementation to ensure successful strategy implementation. Secondly, the management played a key role in communication of the strategies

developed. The communication of strategies developed was cascaded down the organization structure through departments and cadres. The strategies were well communicated thereby reducing resistance and ensuring successful implementation.

The management also played a key role in the alignment and configuration of the bank's resources so as to support the strategy implementation. For any strategy to be successfully implemented, it demands that resources of the organizations have to be aligned and configured towards these strategies. The bank's management played a key role in ensuring this happened. Management also played a key role in providing direction to other employees of the bank. In addition, the management provided training and development to build capacity to facilitate successful strategy implementation. The management initiated responses to unanticipated issues that arose during implementation. They also played key roles in building and maintaining organizational culture in the bank that accelerated acceptance of the proposed changes.

In branch expansion, the management played key roles in identification of possible markets and assessment of the viability of these markets to ensure that the bank's resources were invested in areas that are justifiable and profitable to the bank. The management had also run the successful new product development and enhancement of the existing products. Some of these new products include Sharia compliant products like La Riba Account meant to capture the Islamic market and keep the bank competitive in the Islamic market segment.

#### **4.7 Management's Responsibilities in Formulating and Implementing Strategies**

The study sought to establish the management's role in strategy formulation and implementation. Starting with the decision to dispose the custodial services to Standard Chartered Bank Kenya Limited, the bank's management was in full control right from making the decision to dispose, negotiating with Standard Chartered Bank Kenya Limited, getting the necessary sign offs to sell and overseeing the whole transition process. This was done through management of staff costs, business reorganization, and providing room for internal staff to grow. The management also was responsible for adoption of the retrenchment program to ease up the operational costs, recruitment of young and multitalented staff and introduction of learning management system for the employees. In addition, the management helped deal with the whole change management process. The study established that the bank's management staff were fully involved in these strategies until they were a success. In the retrenchment program, the management participated in identification of individuals to be retrenched, reorganizing the organizational structure, negotiating and approving retrenchment packages for voluntary retirement.

In summary, management was involved in all the strategies that were implemented at the bank. The management provided leadership by providing direction and controlling employees to ensure successful implementation of strategies developed. They achieved this by involving all employees in strategy development to ensure ownership of the strategies by all and thus successful implementation. Leadership has a great influence on the implementation of any strategy in the organization. It was established that a good

strategy does not guarantee successful implementation in itself but rather the involvement of managers ensures that the strategies are successfully implemented.

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presented the summary of key research data findings, conclusion drawn from the findings highlighted and recommendations made there-of. The conclusions and recommendations were drawn in quest of addressing the research objective which was establishing the role of leadership in strategy implementation at Barclays Bank of Kenya.

## 5.2 Summary of the Findings

The study targeted 35 respondents out of which 32 responded giving a response rate of 91%. The challenges included use of outdated technology by the name 'BRAINS' which could not handle much traffic from the many branches opened during the retail expansion program in 2007. This led to a slow down of transaction processing speed and long customer queues in the banking halls. Another challenge involved continued provision of generic banking products which limited the competitiveness of the bank in the Kenyan market. The bank had not created specific products targeting specific market segments. They bank was perceived by many customers to be overcharging customers which saw many potential customers shun away from joining the bank.

The other challenge facing the bank was increased competition in the market. Rapidly changing competitive environment in the Kenya market posed remarkable challenges. The formulation and implementation of the strategies in response to the changing environment was not swift because some decisions had to wait for approvals and

sanctioning from the Barclays Bank group headquarters which delayed decision making thus exposing the bank. Fierce competition arose from the aggressive marketing campaign by other players in the market seeking to grow their market share.

Liquidity and cash flow management was one of the challenges facing the bank. This changing of the regulatory requirement by the Central Bank of Kenya on the balances maintained with the Central Bank and the minimum Capital requirements meant that the bank had to increase the deposits with the regulator and in addition, it had to get more capital injection to boost its business liquidity. In addition, the bank's cost of doing business (operation) e.g. staff cost was rising because of too many highly experienced and considerably highly paid staff who were being supported by the reduced earnings and the constrained liquidity. These led to a decline in growth which saw the bank seek to reduce its staff levels.

The bank had developed several responses to the challenges facing it. First, to be able to deal with technological challenges facing it, the bank initiated a system upgrade which saw the implementation of a new system by the name 'FLEXCUBE' in July 2010. In Response to the challenge of rigidity in its product development in an ever changing banking environment which saw majority of the bank's customers shift their loyalty to competitors because of the attractive product offers by the competition, the bank reviewed its products and launched new products to remain relevant to its customers. The bank also opened a regional office in Dubai to centralize decision making and appointed the Kenyan Managing Director as the CEO for East & central Africa to offer rapid response to environment changes. The bank also refocused on SME segment and mass

market so as to reach the critical mass market which had been unbanked over a long time.

To improve the bank's liquidity, the bank employed several strategies. First, the bank reduced on its human capital costs (Salaries and Wages) through retrenchment of more than 200 employees. The bank successfully managed to retrench the said staff which saw its operational costs ease up and thus turn around its profitability. Another action to improve the bank's liquidity was the strategy to dispose off its custodial services. The bank approached its competitor on the market (Standard Chartered Bank Kenya Limited) for negotiations which saw the bank dispose off the custodial services division to the said competitor. Another action included the focusing on big ticket high end market customers. This saw the bank launch the ultimate account and premier account products tailored for high end market.

To respond to the challenges in human resource development and management, the bank introduced a learning management system called LMS where employees learn online on matters relevant to their day to day activities in the bank. The bank also revised its core values to promote and build teamwork among its employees to create synergy.

The strategy to dispose the custodial services saw the bank improve its profitability to 10 billion. This boosted investor confidence especially considering the fact that the bank is quoted on the Nairobi Stock Exchange. In addition, the LIMME strategy and the recruitment of new staff that are well trained and more creative improved the service delivery of the bank which has seen a reduction in customer complaints and reduced queues in the banking halls.



The bank's management played a key role in ensuring successful strategy implementation. To achieve this, the management has played the role of coordination of the activities and the resources involved in strategy implementation. Secondly, the management played a key role in communication of the strategies developed. The communicated strategies developed were cascaded down the organization structure through departments and cadres. The strategies were well communicated thereby reducing resistance and ensuring successful implementation.

The management also played a key role in the alignment and configuration of the bank's resources so as to support the strategy implementation. For any strategy to be successfully implemented, it demands that resources of the organizations have to be aligned and configured towards these strategies. The bank's management played a key role in ensuring this happened. Management also played a key role in providing direction to other employees of the bank. In addition, the management provided training and development to build capacity to facilitate successful strategy implementation. The management initiated responses to unanticipated issues that arose during implementation. The management also played key roles in building and maintaining organizational culture in the bank that accelerated acceptance of the proposed changes.

### **5.3 Conclusion**

Management was involved in all the strategies that were implemented at the bank. The management provided leadership by providing direction and controlling employees to ensure successful implementation of strategies developed. They achieved this by involving all employees in strategy development to ensure ownership of the strategies by

all and thus successful implementation.

The bank's management played a key role by ensuring that strategies to streamline the operational costs were effective without negatively impacting on the morale of the remaining employees. The management also provided a learning management system to help boost the skills level of employees thus improving efficiency within the Bank.

Leadership has a great influence on the implementation of any strategy in the organization. It was established that a good strategy does not guarantee successful implementation in itself but rather the involvement of managers ensures that the strategies are successfully implemented.

#### **5.4 Recommendations**

From the findings and conclusions in this chapter, the study recommends to the bank to shift from the practice of engaging its top management in strategy formulation and leaving strategy implementation to middle and lower level management to always involving its top management in not only strategy formulation but also equally in strategy implementation. Further, it is recommended that all cadres of staff are involved in implementation of strategies through constant communication, directing, planning and controlling of all strategy formulation and implementation activities by management.

#### **5.5 Suggestions for Further Research**

It is recommended that further research be done on the role of leadership in strategy implementation for the whole banking industry in Kenya. This would allow the generalization of the findings for application to the whole industry. The

researcher further recommends that a similar study be done on non- bank institutions for the purposes of benchmarking.

## **5.6 Limitations of the Study**

Because of the fact that this was a case study on one bank, the data gathered might differ from other banks in responding to the challenges facing them. There is no best way of leading an organization. As such, the influence of leadership on strategy implementation at Barclays Bank of Kenya Limited may not be applicable to other industry players.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried out to establish the role of leadership in strategy implementation at Barclays Bank of Kenya.

The other limitation included a very busy schedule run by the targeted respondents in this study. The researcher had to reduce the effects of this limitation by aggressively contacting the intended interviewees and booking appointments for the interview.

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## Appendix I: Interview Guide

### **LEADERSHIP IN STRATEGY IMPLEMENTATION AT BARCLAYS BANK OF KENYA LIMITED**

1. Barclays Bank of Kenya Limited has been facing different challenges in its operating environment in Kenya. How have these challenges affected the bank?
2. Has the bank's management been responding to these challenges?
3. Who have been initiating the responses to the challenges?
4. How has the management been responding?
5. Have the strategies employed by the bank in response to these challenges been effective?
6. Has management been proactive in responding to changes in the environment?
7. What role has the bank's management played in ensuring successful strategy implementation?
8. The bank has been expanding its branch network across the country. What role has the bank's management played in the expansion strategy?
9. The bank planned and disposed off the custodial business to Standard chartered bank of Kenya Limited. How successful was this plan?
10. Was the bank's management in full control of the custodial services disposal process?
11. The bank planned staff retrenchment last year. What motivated the bank's management to take this route?
12. Was the management fully involved in the retrenchment phase? How were they involved?
13. The bank has played a lead role in new product development. For example, the development of Sharia compliant banking. What role has management played in the rollout of this new product?
14. In general, does leadership at the bank affect strategy implementation?

15. The bank has undertaken a core banking system upgrade. What role did the management play in this upgrade? How did the managers' involvement influence the success of this project?
16. What is it that management needs to do to ensure successful strategy implementation at all times?
17. Does leadership affect strategy implementation at the bank?
18. Does a good strategy mean automatic organizational success?