

**RELATIONSHIP BETWEEN STRATEGY IMPLEMENTATION AND
ORGANIZATIONAL PERFORMANCE, A STUDY OF NATIONAL BANK OF KENYA**

BY

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DECLARATION

I declare that this proposal is my original work and has not been presented in any university for the award of any degree.

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Date.....

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I wish to sincerely thank the Almighty God for the gift of life and seeing me through my studies to this end. All glory to Him.

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I also wholeheartedly thank the entire management of National Bank of Kenya for allowing me do research within their organization and all the respondents within the bank.

To those who played a role in whatever way during this research and I have not specifically acknowledged here, thank you so much and God bless you.

DEDICATION

I dedicate this project to my loving wife and son who have endured the sacrifices I have had to make to this end. I thank her for the support and encouragement I have received through my studies. In addition, I sincerely wish to thank my employer and colleagues for their support both financially and morally.

ABSTRACT

Strategy Implementation is the process of institutionalization and operationalization of strategies put in place by an organization to achieve its set objectives. Organizational performance is therefore the output or result realized by an organization as a result of implementation of strategies an organization has in place and can be measured against its set objectives or goals. The objective of this study was to determine the relationship between strategy implementation and performance of National Bank of Kenya. The study adopted a correlation research design as it involved measuring of the variables under study to establish the existing relationship between them. The number of respondents in this study was 19. The researcher used primary data collected through administration of questionnaires. The questions were both closed and open ended. This is because closed ended questions usually disadvantage the respondents as it limits their responses to the questions choices put forth by the researcher. Data was analyzed using descriptive statistics which presents the summarized data in form of tables and graphs for comparison and analysis. Simple regression analysis was used to present the summarized data in form of linear graphs to examine to what extent the dependent variables (Profitability, efficiency and customer satisfaction) was influenced by the independent variable (strategy implementation). The researcher determined several factors that impact on strategy implementation which included organizational culture, organizational structure, communication, employee involvement and embedment of strategy. To an extent, these factors either positively or negatively influence strategy implementation which also has an impact on performance. The study recommended that the bank needs to improve in its systems and culture of operations, restructure its organizational structure to enable embrace a democratic style of leadership and ease decision making process, ensure employee involvement in formulation as well as implementation process of strategy. Further studies was recommended to establish to what extent strategy implementation with regards to institutionalization and Operationalization of strategy has impacted on organizational performance and whether the findings can be generalized.

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LIST OF ABBREVIATIONS AND ACRONYMS

KBA	Kenya Bankers Association
CBK	Central Bank of Kenya
ICT	Information and Communication Technology
NBK	National bank of Kenya

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CHAPTER ONE

INTRODUCTION

In this section, the researcher will discuss the background of the study, commercial banks in Kenya, National Bank of Kenya, statement of the research problem, objectives of the study, research hypothesis, justification of the study, scope of the study and conceptual framework.

1.1 Background of the Study

Strategy is derived from a Greek word which means "art of troop leader; office of general, command, generalship". It is a high-level plan to achieve one or more goals under conditions of uncertainty. Strategy is considered key in any organizational setting given the nature of scarcity of resources vis a vis the goals to be achieved and mobilization of these resources to execute the necessary actions. It is a fundamental management tool in any organization is a multidimensional concept that various authors have defined in different ways. It is also the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson 1993). Strategy describes the means to the achievement of the end goals and therefore it is important that any top leadership of an organization needs to determine the strategic direction they want to take.

Institutionalization is the process of norming or embedding of a culture or a belief on an individual(s) within an organization. Therefore is institutionalization concerning strategy is the process of ensuring that strategy becomes is engraved in the heart of every staff

Implementation of strategy is considered a deliberate move that involves alignment of the resources an organization has and motivation of its staff to attain the set objectives to survive in the constant changing environmental conditions. 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 the issue of how strategies are best formulated. Strategic management is about managing the future, and effective strategy formulation is crucial, because the concerted efforts and actions of an organization may not lead to the achievement of the intended organizational strategy.

The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike to conduct and evaluate different formulation processes (Olson et al. 2005). Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult. A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action.

Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999b). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process.

It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for coordination and control. How can we better understand the relationship that exists between strategy implementation and organizational performance? We have conducted an analysis in the most widely used literature databases to identify key factors influencing the process of strategy implementation, to surface current areas of agreement and disagreement, as well as missing evidence and resulting future research needs. Organizational Performance comprises the actual output or results of an organization as a measure against its intended outputs (or goals and objectives).

The level of performance of an organization can also be studied with how it implements its strategy. The daunting task of measuring performance for organizations across industries and eras, declaring the top performers, and finding the common drivers of their success did not occur to anyone until around 1982; Tom Peters and Bob Waterman got down to work researching and writing *In Search of Excellence*. This publishing sensation challenged industrial managers' actions and attitudes and inspired researchers and scholars to further pursue the theory of high performance – the holy grail of any competitive business organization. This task becomes more

complex as corporations diversify into multiple industries. A researcher must consider this when conducting a comparative analysis of companies.

According to David (2003), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change, and organizational culture (David 2003). Dooley, Fryxell, and Judge (2000) indicated that strategic implementation has a distinct relationship with various organizational elements like performance. They further endorsed that there is a positive association between strategic consensus and firm performance.

In developing policies during the implementation process, methods, procedures, rules, forms, and administrative practices are established to achieve the desired objectives. According to David (2003), strategies which are implemented within an organization should support the culture associated with the firm, if there is going to be successful in ensuring enhanced performance in an organization. The proposed strategy should preserve, emphasize, and enhance the culture, following the culture supporting the proposed strategy (David 2003). According to Schermerhorn (1989), strategies must be well formulated and implemented to attain organizational objectives. Therefore, the ability of the strategy to lead a firm to success in performance starts way before implementation; during formulation.

Strategy implementation is an enigma in many institutions. The problem is illustrated by the unsatisfying low performance (only 10 to 30 percent) of intended strategies (Raps and Kauffman, 2005). The primary objectives are somehow not achieved as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. Successful implementation is a challenge that demands patience, stamina, and energy from the involved managers. The key to success is an integrative view of the implementation process (Raps and Kauffman, 2005).

1.1.1 Commercial Banks in Kenya

The companies Act, Banking Act, Central Bank of Kenya Act and the various potential guidelines issued by the Central Bank of Kenya (CBK), governs the banking industry in Kenya.

A commercial bank is a financial institution that grants loans, accepts deposits, and offers basic financial products like savings accounts and certificates of deposit to individuals and businesses. It makes money primarily by providing different types of loans to customers and charging interest (<https://corporatefinanceinstitute.com/resources/knowledge/finance/commercial-bank/>)

The banking sector in Kenya was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Ministry of Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

There are 43 commercial banks currently operating in Kenya, 25 of which have operations in Kisumu County, Kenya. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned.

Over a few years back, the banking sector has continued to grow in terms of assets, deposits, profitability and product offers. This growth has mainly been characterized by wide branch network expansion strategy. Key areas identified in the strategy revolve around the banking infrastructure, consumer service quality, innovative products to capture the target market, and acquisition of the right skills and creation of new organizational structure.

Mankins and Steele (2005), break out the relative contributions of various factors to the performance gap. On average, 7.5 percent of the value leaks away due to failing to have the right resources available at the right time; 5.2 percent is lost due to poor communications; 4.5 percent to poor action planning; and 4.1 percent to unclear accountability. However, they say a company can close this gap and reap an increase in performance anywhere from 60% to 100% through proper planning and implementation. A cultural multiplier effect is experienced when companies create tight links between their strategies, plans, and performance, leading eventually to a culture of over performance.

An Economist survey also found out that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over a period of three years after their formulation, according to a survey of 276 senior operating executives in 2004 (Allio, 2005). According to the White Paper of Strategy Implementation of Chinese Corporations (2006) strategy implementation has become "the most significant management challenge which all kinds of corporations face at the moment".

The survey reported that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

In conclusion, most studies and research done on strategy implementation and organizational performance has revolved around the effects of strategy implementation on performance with little research done on the existing relationship between the strategy implementation and organizational performance but none has focused on the need to institutionalize and operationalize the strategies to realize improved organizational performance.

The researcher will, therefore, seek to fill this knowledge gap and bring out the need for managers to prioritize institutionalization and operationalization of the strategies put in place to greatly improve organizational performance.

1.1.2 National Bank of Kenya

National Bank was incorporated on 19th June 1968 and officially opened on Thursday, November 14th, 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence (<http://national-bank.nectarineit.com/>). The Bank is listed on the Nairobi Securities Exchange. National Bank is a major player in Kenya's banking industry. It is one of the largest banks in the country giving financial services to all sectors of the economy and has 70 branches all over the country.

The bank will continue to cover the financial landscape and respond positively to the needs of its customers, shareholders and the economy besides offering traditional financial services and products.

The bank has a senior management team that oversees its operations and is composed of 13 members of staff i.e. the managing director and chief executive officer, the director corporate banking, chief finance officer, company secretary and director legal services, chief risk officer, director retail banking, director marketing and corporate communication, director Islamic banking, director ICT, director credit, director internal audit, director human resources and director operations. The bank also has 7 regions across the country headed by regional managers. The regions are; Central, Coast, Eastern, Nairobi, Rift Valley, North Eastern, and Western.

The Bank has also been involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. The Bank is an appointed fiscal agent, registrar, and market-maker in the secondary market. National Bank operates one subsidiary Company and has a new slogan “Bank on Better.” This is a brand promise to customers, shareholders as well as stakeholders.

1.2 Statement of the Problem

Strategy Implementation is very important in any organization that is geared towards success. This includes the Banking Sector. This sector is important in the economy in that it facilitates funds flow and ensures that resources that are financial in nature are efficiently allocated towards promoting economic development and growth. On the contrary, banks face several challenges in the economy which include changing business models, increased competition, technology, changing government policies among others. The key areas identified in strategy implementation revolve around banking infrastructure, quality of customer service, innovative products to capture the targeted market, and the acquisition of the right skills and creating new organizational structure. Given the important role financial institutions play in the economy, it is important that for them to survive, the whole process of strategy formulation and implementation need to be successful. The main concern in strategy implementation, especially for National Bank, is how to translate strategies into actions throughout the institution.

National Bank of Kenya has over the past few years been faced with several challenges that have negatively impacted its performance. Some of the challenges include huge portfolios of nonperforming loans majorly advanced to the government of Kenya, inefficiencies due to slow

uptake of the rapidly changing technological advancements especially in the banking sector that gave its competitors an edge over it.

The past studies that have been done on establishing the relationship between strategy implementation and organizational performance have not studied the relationship with regards to the variables under this study that reflect on organizational performance. This study will, therefore, seek to explore the relationship that exists between institutionalization and Operationalization of strategy and performance of the National Bank.

The researcher will strive to fill this knowledge gap and bring out the need for management of the National Bank of Kenya to prioritize institutionalization and operationalization of the strategies put in place to greatly improve organizational performance.

1.3 Objectives of the Study

The main objective of this research was to determine the relationship between Strategy Implementation and Performance of National bank of Kenya.

The Specific objectives of the study were:

- (i) To determine the relationship between Institutionalization of Strategy and Performance of National Bank of Kenya.
- (ii) To establish the relationship between Operationalization of Strategy and performance of National Bank of Kenya.

1.4 Research Hypothesis

This research was guided by the following hypothesis:-

H₀1) There exists no relationship between the Institutionalization of Strategy and performance of National Bank of Kenya.

H₀2) There exists no relationship between the Operationalization of Strategy and Performance of National Bank of Kenya.

1.5 Justification of the Study

This research would enable the National Bank of Kenya to effectively understand the relationship between strategy implementation in terms of Institutionalization and their performance as measured through customer satisfaction, profitability and efficiency. They also learned and improve on revealed areas of weaknesses, besides being a source of knowledge for use by the management of financial institutions.

This study would also benefit scholars and academics by filling a gap in the literature on the relationship between strategy implementation and financial institutions and highlight other areas for further study.

1.6 Scope of the Study

The researcher carried out his research work within the National Bank of Kenya in Kenya. The researcher studied and reviewed relevant data relevant to the topic that covers a period of the past 5 years.

1.7 Conceptual Framework

According to the framework in figure 1.1, strategy implementation constitutes the Independent Variable while organizational performance is the Dependent Variable.

Strategy implementation will be assessed through the specific activities of Institutionalization and Operationalization of strategy. Strategy implementation is expected to result in improved organizational performance. This will be assessed in terms of customer satisfaction, profitability, and efficiency.

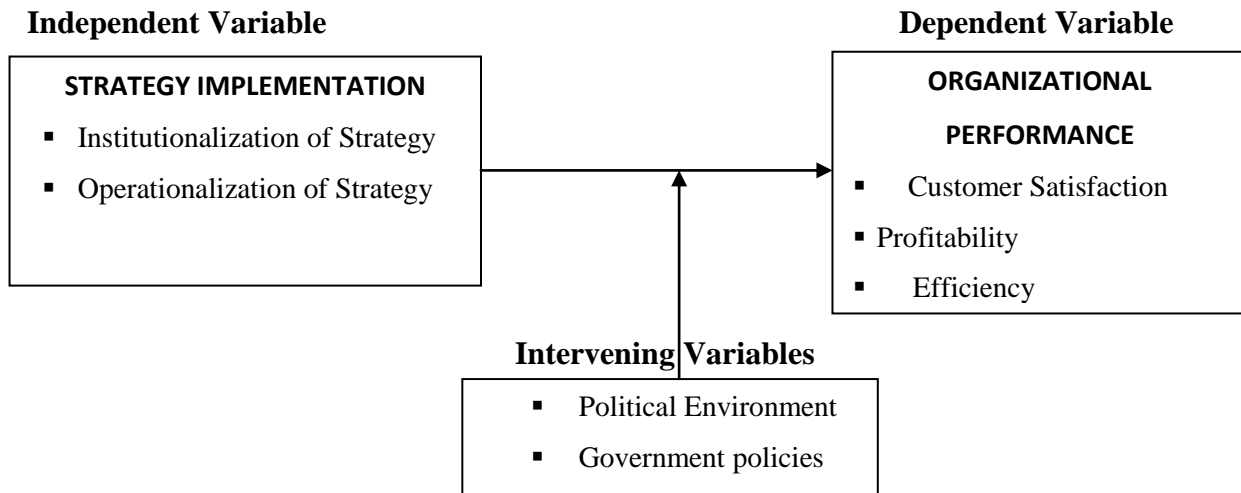


Figure 1.1: Relationship between Strategy Implementation and Organizational Performance.

CHAPTER TWO

LITERATURE REVIEW

In this section, the literature of other relevant studies done by other researchers in the same field was reviewed. Notable literature on theoretical literature, Strategy implementation, organizational performance, and the relationship was examined to address the objectives of this study.

2.1 Theoretical Literature

2.1.1 Theory of the Study

The researcher used Institutional theory which involves the structures in organizations and how they influence information flow which has an impact on the implementation of strategy. This theory is relevant because, in any organization, the rules formulated in terms of policies and procedures determine how information flows and the instructions taken by the staff in any organization.

The existing structure also creates expectations from various stakeholders who are involved in strategy implementation within an organization and how they will act towards the implementation of strategy. A firm is often characterized as a nexus of both explicit and implicit contracts linking the management and its different stakeholders, including claim holders, workers, unions, customers, suppliers, and the state among others.

The researcher, therefore, sought to know the relationship that exists between strategy implementation in terms of institutionalization and operationalization of strategy and performance concerning customer satisfaction, profitability, and efficiency of the National Bank of Kenya.

In conclusion, therefore, this theory of strategic management proved to be superior to any other theory of strategic management when it comes to strategy implementation hierarchy.

Thus this theory should be embraced particularly at the strategy implementation level of strategic management and generally to the overall process of strategic Management to enhance the organizational competitive performance.

2.1.2 The Concept of Strategy Implementation

According to Pride and Ferrell, (2003) implementation is an important component of the strategic planning process. It has been defined as “the process that turns strategies and plans into actions to accomplish organizational objectives”. It addresses the who, where, when, and how to carry out organizational activities successfully to achieve better results (Kotler et al. 2001). Strategy implementation involves the organization of the firm's resources and motivation of the staff to achieve objectives.

Implementing strategic change is a double-edged sword because it simultaneously generates expected performance gain and unexpected performance loss (Brown 2005; Kennedy, Goolsby, and Arnould 2003). The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. Implementing strategy is a tough and time-consuming challenge. Practitioners emphatically agree that it is a whole lot easier to develop a sound strategic plan than it is to "make it happen." Putting strategy into effect and getting the organization moving in the chosen direction calls for a different set of managerial skills. Successful strategy implementation depends on working through others, organizing, motivating, culture-building and creating strong fits between strategy and how the organization does things. Ingrained behavior does not change just because a new strategy has been announced (Thompson & Strickland, 1993).

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work by implementing it throughout the organization is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999b). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process. Noble further notes that even the best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented.

Results from several surveys have confirmed this view: An Economist survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over a period of three years, according to a survey of 276 senior operating executives in 2004 (Allio, 2005). According to the White Paper strategy Implementation of Chinese Corporations (2006), strategy implementation has become "the most significant management challenge which all kinds of corporations face at the moment". The survey reported that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

Great strategies are worth nothing if they cannot be implemented (Okumus & Roper 1999). It can be extended to say that better to implement effectively a second-grade strategy than to ruin a first-class strategy by ineffective implementation. Less than 50% of the formulated strategies get implemented (Mintzberg, 1994; Miller, 2002; Hambrick & Canella, 1989). Every failure of implementation is a failure of formulation. It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many soft, hard and mixed factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for coordination and control.

Strategy implementation entails converting the strategic plan into action and then into results (Thompson & Strickland, 1993). It is considered successful if the company achieves its strategic objectives and targeted level of financial performance. In deciding how to implement strategies, managers must have to determine what internal conditions are needed to execute the strategic plan successfully. This involves creating a series of tight fits between how things are managed internally and what is required for first-rate strategy execution between strategy and: organization structure, organization's skills and competencies, budget allocations, internal policies, procedures and support systems, reward structure, strategy, and the corporate structure. The tighter the fits the more likely targeted organizational performance can be achieved.

While the details of strategy implementation are specific to every situation, certain operational and administrative bases have to be covered no matter what the organization's situation is (Thompson & Strickland, 1993). These principal tasks crop up repeatedly in the strategy implementation process. Depending on the organization's circumstances, some of the tasks will

prove more significant and time-consuming than others. To devise an action agenda, managers have to determine what internal conditions are necessary to execute the strategy successfully and then create these conditions as rapidly as practical. The keys to successful implementation are to unite the total organization behind the strategy and see that every relevant activity and administrative task is done in a manner that tightly matches the requirements for first-rate strategy execution.

The motivational and inspirational challenge is to build such determined commitment up and down the ranks that an enthusiastic organization-wide crusade emerges to carry out the strategy and meet performance targets as well as a concerted managerial effort to create a series of strategy- supportive "fits". The stronger the strategy supportive fits created internally, the greater the chances of successful implementation. The process of strategy implementation, therefore, involves two major steps namely operationalization of strategy or tactical issues and institutionalization or administration of strategy.

2.1.2.1 Operationalization of Strategy

This is the process of making strategy functional. This is a very key aspect of putting a strategy into action. There are various aspects of strategy which includes vision, mission, and goals among others that need to be translated into everyday executable tactics to produce the desired outcomes outlined in the strategy.

Besides, this will also help the leadership of any organization to make well informed and wise decisions about the investments of their resources.

Therefore every organization needs to prioritize this aspect of strategy to achieve its desired goals.

2.1.2.2 Institutionalization of Strategy

This is the process that translates organizational code of conduct, the vision, mission, policies, and plans into actionable guidelines which is visible in the daily activities of all the personnel within the organization. Institutionalization of strategy has two components involved – culture and structure.

Culture has to do with customs and behaviors of particular people that are widely shared, while structure has to do with a plan or pattern of how arrangements of ideas and plans are done.

Therefore, in conclusion, it is important for the institutionalization of strategy to be taken into consideration as a key component of strategy implementation within any organization.

2.3 Relationship between Strategy Implementation and Organizational Performance

The job of strategy implementation is to translate plans into actions and the intended results. The test of successful strategy implementation is whether actual organization performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signify weak strategy, weak implementation or both. The effectiveness with which a particular strategy is implemented should strongly affect performance on dimensions on which the strategy is expected to affect. Empirically, most strategy research studies employ the construct of business performance to examine a variety of strategy content and process issues. For example, an article concerning the use of financial and operational performance; through the summarization of two seminal papers written by Venkatraman and Ramanujam, (1986) and Kaplan and Norton, (1992).

The study by Venkatraman and Ramanujam, (1986) discusses the evaluation of the measurement of business performance by delineating the performance concept. Their study found out that business performance, which reflects the perspective of strategic management, is a subset of the overall concept of organizational effectiveness. According to Venkatraman and Ramanujam financial performance improvement is central to strategy research, their research shows that on average just 63% of the potential return of a strategy is realized through the implementation. This is the Strategy-to-Performance gap which as applied to business strategy indicates that the problem is not the strategy, but implementation.

Despite enormous time and energy that goes into strategy development, many companies have little to show for the effort. On average they deliver only 63 percent of the financial performance promised by their strategies (Mankins & Steele 2005). Companies rarely track performance against long-term plans and their multi-year expectations meet projections as much value is lost in translation (Kahneman et al, 1982).

Implementing strategic change is a double-edged sword because it simultaneously generates expected performance gain and unexpected performance loss (Brown 2005; Kennedy et al, 2003). When unexpected performance loss dominates or drains away expected performance gain, change becomes ineffective. Moreover, the coexistence of performance gain and loss is likely to yield confounded evidence for strategic change outcomes. Organizations may fail to maximize the performance benefits of strategic change because they either do not detect the presence of performance loss or fail to diagnose and mitigate the loss. It is not surprising that extant research provides evidence of equivocal effects of change that are either positive (Siguaw, Brown, and Widing 1994) or negative (e.g., Harris and Ogbonna 2000).

Mankins and Steele break out the relative contributions of various factors to the performance gap. On average, 7.5 percent of the value leaks away due to failing to have the right resources available at the right time; 5.2 percent is lost due to poor communications; 4.5 percent to poor action planning; and 4.1 percent to unclear accountability. However, they say a company can close this gap and reap an increase in performance anywhere from 60% to 100% through proper planning and implementation. A cultural multiplier effect is experienced when companies create tight links between their strategies, plans, and performance, leading eventually to a culture of over performance.

In developing policies during the implementation process, methods, procedures, rules, forms, and administrative practices are established to achieve the desired objectives. According to David (2003), strategies which are implemented within an organization should support the culture associated with the firm, if there is going to be successful in ensuring enhanced performance in an organization. The proposed strategy should preserve, emphasize, and enhance the culture, in accordance with the culture supporting the proposed strategy (David 2003). Therefore, strategies to be implemented must be consistent with organizational culture to realize the desired organizational performance results. By providing performance incentives to employees during the implementation phase, it is suggested by David (2003) that business performance will be positively influenced.

2.2 Empirical Literature

Below are the various studies done by different researchers:

According to Johnson and Scholes (2008), through strategy implementation, organizations can align their day to day operations to the changing operational environment for competitive advantage.

Kiarie (2012) researched at Co-operative insurance Company Limited (CIC) and found out that they were using balanced scorecard in implementing the chosen strategies. The study focused on how the balanced scorecard was used in strategy implementation and not related at all to performance which this study is focusing on.

Mwaura (2013) studied strategy implementation at Chase Bank, Kenya and was able to establish that strategy implementation challenges which included inadequate resource allocation in terms of experienced personnel which impacted negatively on the implementation of strategy.

Muendo (2016) studied the influence of Strategy Implementation on performance of Kenya Bureau of Standards and found out that strategy implementation was a critical factor in improving organizational performance through employee performance, retention, and attraction which is contrary to my study that focuses on institutionalization and operationalization of strategy within the organization to realize an improved performance.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Research method is a science of collecting, identifying and presenting facts in such a way that it leads to discovering some facts. Research is a systematic and objective analysis and recording of controlled observation that may lead to the development of generalizations, principles or theories resulting in production and ultimate control of events (Best, 1997).

This section dealt with Research Design, Target Population, Sampling, Sample Size, Sampling Technique, Data Collection, Research Instruments, Data Collection Procedure and Data Analysis.

3.1 Research Design

The study adopted a Correlation Study design which involved measuring the variables under study to establish the existing relationship between them.

The focus here was the management staff of National Bank who are part of strategy formulation and its implementation. This design aimed at establishing the relationship between the National Bank of Kenya's strategy implementation and its performance.

3.2 Target Population

The target group here was 20 management staff of National Bank of Kenya Limited who are 20 in number i.e. senior management - 13 and regional managers - 7 who are key in the formulation and implementation of the organizations' strategy.

3.3 Sampling

The researcher selected the managers to be interviewed for data collection out of the larger population who formed the sample size that was studied.

3.3.1 Sample Size

The researcher used the Krejcie table below to establish the sample size of this study.

Table 3.1: Krejcie & Morgan table

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

3.3.2 Sampling Technique

The researcher used a stratified random sampling technique (Kothari, 2004) to identify the respondents who were interviewed.

The sampling stratum was based on the different levels of management of the National Bank of Kenya. This included senior and regional managers.

Table 3.2: Distribution of Staff at different management levels and sample distribution

Level of Management	No. of Staff	No. of Sample
Senior Management	13	13
Regional Managers	7	6
TOTAL	20	19

3.4 Data Collection

Both primary and secondary data was collected for this study. Primary data was collected using a questionnaire. The questionnaire was semi-structured, having both open-ended and closed-ended questions. It had two parts. The objective of the first part aimed at accessing demographic information of the respondents, while the second part of the questionnaire examined the relationship between strategy implementation and performance of the National bank. Secondary data was collected through a review of journals and other articles relevant to this study.

3.5 Data Type and Source

The type of data the researcher used majorly was primary in nature, but the researcher also used secondary data where the need was, that he found helpful to this study. Primary data was obtained by the use of questionnaires that were administered to the sample drawn from the different management levels of the National Bank of Kenya. This was important as it helped him obtain first-hand information from the respondents which are considered to be very reliable.

3.5.1 Data collection Instruments

The researcher used semi-structured questionnaires, having both open-ended and closed-ended questions as an instrument to collect data and review journals and other articles relevant to this study.

3.5.2 Reliability Test for Data Collection Instruments

Reliability has to do with checking if the results obtained during repeated occasions of testing data collection instruments are the same.

The researcher did a pilot test of the questionnaires on a few respondents and saw the similarity in the results obtained that helped him establish reliability of the instruments.

3.5.3 Validity Test for Data Collection Instruments

Validity is a measurement method of an instrument to establish if it measures what it is intended to measure. This can be done to test either the internal or external validity of an instrument.

In this case, the researcher used internal validity test as he attempted to establish the relationship between strategy implementation and performance.

3.6 Data Collection Procedure

The researcher personally delivered the questionnaires to the respondents for them to fill and later on made arrangements and collected them, this method is also known as the drop and picks later method. The study used secondary data collected through reviews of journals and other relevant sources. The researcher got a letter from the university that allowed him to collect data from the respondents and analyze for this study.

3.7 Data Analysis

Data were analyzed both qualitatively and quantitatively. Descriptive statistics such as percentages, frequency, was used to summarize the data and present it in tables for comparisons and analysis. In addition to the above method, the researcher used Fishers exact test to analyze the data collected and establish the relationship that exist between the variables under study. This analysis is usually for small sample sizes of less than 20 samples. The model is also important because it helps in analyzing the association between the dependent variable and independent variable. This method helped the researcher examine the relationship between strategy implementation at National Bank of Kenya and its overall performance.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

In this section, results was presented, analyzed and discussed. The purpose of this study was to determine the relationship between strategy implementation and performance of national Bank of Kenya. The researcher used tables and figures to present data. The targeted responses in this study were 19, to whom all the questionnaires were distributed.

However, out of the 19, 15 respondents were able to return the duly filled questionnaires thus representing 78.9%. The data was collected, collated and reports made and duly analyzed.

4.1 Demographic Information

The study was able to gather some demographic information of the respondents that was helpful to determine their suitability in responding to the questions under study effectively.

Most of the respondents were male i.e. 12, the rest were female who had worked at the bank for at least 5 years at the management levels and possessed a master's degree as their highest level of education.

Table 4.1: Respondents Level of Education

Level Of Education	No of Respondents
Doctorate Degree	2
Master's Degree	11
Bachelor's Degree	2
Diploma	0
Others (Specify)	0

4.2 NBK's strategy institutionalization

Table 4.2: Communication of Organizational Strategy

	Frequency	Percentage
Very great Extent	2	13
Great Extent	2	13
Moderate Extent	8	54
Little Extent	3	20
No extent	0	0
TOTAL	15	100

The respondents were able to indicate that the bank's strategy was communicated to them through memos, workshops, seminars and staff meetings, but it was also noticed that the bank lacked appropriate current technologies to support its communications. Besides, the bank lacks a structured way of information flow hence at times miscommunications or different instructions are received from the management.

The researcher noted that this is not good especially in the current era of technological advancement in the banking sector. However, room should be created for a feedback mechanism which is also key in the process as it would help the management to ascertain how effective the strategy has been understood by the entire staff and adoption of modern banking technologies.

4.2.2 Organizational Culture

Table 4.3: Alignment of organizational culture to the bank's strategy

	Frequency	Percentage
Very great Extent	1	7
Great Extent	4	26
Moderate Extent	9	60
Little Extent	1	7
No extent	0	0
TOTAL	15	100

The interviewees were asked to describe their culture as an organization and from the responses received, the culture of the bank was depicted as a hindrance to effective strategy implementation as the bank was still using the old systems in most of their operations. Most of their employees are still stuck on their specific terms of employment with a lack of creativity and innovations in their way of executing their tasks.

4.2.3 Organizational Structure

Table 4.4: The extent to which the banks structure support effective strategy implementation

	Frequency	Percentage
Very great Extent	2	13
Great Extent	3	20
Moderate Extent	7	47
Little Extent	3	20
No extent	0	0
TOTAL	15	100

The researcher deduced from the responses received that the banks' organizational structure was bureaucratic in nature, with most decisions being made at the top-level management at the head office. The challenge this has created is that the decision-making process takes an unnecessarily long time to be arrived at as branches cannot make their own independent decisions and implement without consultations and subsequent approvals from the head office.

4.2.4 Embedment of strategy

Table 4.5: The level of embedment of the bank's strategy

	Frequency	Percentage
Very great Extent	1	7
Great Extent	4	26
Moderate Extent	6	40
Little Extent	3	20
No extent	1	7
TOTAL	15	100

The researcher sought to know how much the bank’s strategy has become part and parcel of the entire staff.

From the responses received, it was evident that this has not been effective as the emphasis has been on the senior managers and regional managers of the bank who have the major task of formulating and implementing the strategies.

4.3 NBKs strategy operationalization

4.3.1 Vision, Mission and core values

Table 4.6: The extent to which the vision, mission, core values of NBK aid its implementation

	Frequency	Percentage
Very great extent	2	13
Greater extent	5	34
Moderate extent	6	40
Little extent	2	13
No extent	0	0
TOTAL	15	100

From the data collected, the researcher found out that NBK has a vision, mission and core values that are in line with the bank’s strategy. The challenge was that some staff could clearly say them without reference hence the need for more emphasis on the same to the entire staff at NBK so that it is well known and operationalized.

4.3.2 Strategy Formulation

Table 4.7: The degree of effectiveness of the bank’s strategy formulation process

	Frequency	Percentage
Very great extent	3	20
Greater extent	4	27
Moderate extent	7	46
Little extent	1	7
No extent	0	0
TOTAL	15	100

The respondents indicated that the process of strategy formulation majorly involved the senior and regional management levels who later organized for workshops and seminars to relay the strategies formulated to other staff within the bank.

4.3.3 Staff Involvement in Strategy Implementation.

Table 4.8: Staff involvement in strategy implementation at the bank

	Frequency	Percentage
Very great extent	2	13
Greater extent	4	27
Moderate extent	5	33
Little extent	4	27
No extent	0	0
TOTAL	15	100

The study was able to establish from the responses received, that implementation of formulated strategy majorly involved the management, but the entire staff within the organization are at some level involved.

The respondents also highlighted ways in which they involved their staff which included deriving of specific activities geared towards the achievement of strategies and also work plans.

4.3.4 Tasks execution alignment with the bank's strategy.

Table 4.9: Tasks execution by the staff towards achievement of banks strategy

	Frequency	Percentage
Very great extent	2	13
Greater extent	4	27
Moderate extent	8	53
Little extent	1	7
No extent	0	0
TOTAL	15	100

4.4 NBK's performance.

Table 4.10 : Customer service

	Frequency	Percentage
Very great extent	4	27
Greater extent	5	33
Moderate extent	6	40
Little extent	0	0
No extent	0	0
TOTAL	15	100

Table 4.11: Profitability

	Frequency	Percentage
Very great extent	3	20
Greater extent	6	40
Moderate extent	6	40
Little extent	0	0
No extent	0	0
TOTAL	15	100

Table 4.12: Efficiency

	Frequency	Percentage
Very great extent	3	20
Greater extent	6	40
Moderate extent	5	33
Little extent	1	7
No extent	0	0
TOTAL	15	100

From the responses received from the interviewees, strategy implementation has impacted to a greater extent on the banks overall performance.

Table 4.13: Relationship between strategy institutionalization and bank performance

VARIABLES	Bank Performance			P-value
	N(%)	Poor n (%)	Great n (%)	
Communication				
Poor	6(40.0)	5(83.3)	1(16.7)	0.013
Moderate	3(20.0)	2(66.7)	1(33.3)	
Great	6(40.0)	0(0.0)	6(100.0)	
Organization Culture				
Poor	6(40.0)	6(100.0)	0(0.0)	0.001
Moderate	3(20.0)	1(33.3)	2(66.7)	
Great	6(40.0)	0(0.0)	6(100.0)	
Organization Structure				
Poor	7(46.7)	7(100.0)	0(0.0)	<0.0001
Moderate	2(13.3)	0(0.0)	2(100.0)	
Great	6(40.0)	0(0.0)	6(100.0)	
Strategy Embedded				
Poor	5(33.3)	5(100.0)	0(0.0)	0.016
Moderate	4(26.7)	1(25.0)	3(75.0)	
Great	6(40.0)	1(16.7)	8(53.3)	

Fishers exact

From the table above, the study found out there was a relationship between NBKs communication strategy, organizational culture, organizational structure, embedment of the bank’s strategy and its performance shown by the significant p-values of 0.013, 0.001,<0.0001 and 0.016 respectively which are all less than 0.05.

Table 4.14: Relationship between strategy operationalization and bank performance

Variables	Bank Performance			P-value
	N(%)	Poor n(%)	Great n(%)	
Vision, Mission & Core Values				
Poor	7(46.7)	6(85.7)	1(14.29)	0.005
Moderate	2(13.3)	1(50.0)	1(50.0)	
Great	6(40.0)	0(0.0)	6(100.0)	
Strategy Formulation				
Poor	3(20.0)	3(100.0)	0(0.0)	0.022
Moderate	7(46.7)	4(59.1)	3(42.9)	
Great	5(33.3)	0(0.0)	5(100.0)	
Strategy Implementation				
Poor	4(26.7)	4(100.0)	0(0.0)	0.012
Moderate	6(40.0)	3(50.0)	3(50.0)	
Great	5(33.3)	0(0.0)	5(100.0)	
Staff Roles				
Poor	6(40.0)	6(100.0)	0(0.0)	0.001
Moderate	5(33.3)	1(20.0)	4(80.0)	
Great	4(26.7)	0(0.0)	4(100.0)	

Fishers exact

From the table above, the study found out there was a relationship between NBKs vision, mission, core values, strategy formulation, strategy implementation, and specific task executed by the staff and its performance as shown by the significant p-values of 0.005, 0.022, <0.012 and 0.001 respectively which are all less than 0.05.

4.5 Discussion of Findings

The study found out that in as much as strategy implementation is being done the bank, some challenges are still inherent that needs to be addressed.

The study revealed that the organizational culture within the bank had a moderate extent impacted on its strategy implementation. By providing performance incentives to employees during the implementation phase, it is suggested by David (2003) that business performance will be positively influenced. The bank should consider different ways of motivating their staff. Besides, according to David (2003), strategies which are implemented within an organization should support the culture associated with the firm, if there is going to be successful in ensuring enhanced performance in an organization. The proposed strategy should preserve, emphasize,

and enhance the culture, in accordance with the culture supporting the proposed strategy (David 2003). Therefore, strategies to be implemented must be consistent with organizational culture to realize the desired organizational performance results.

This study also found out that the structure within the bank which had to a great extent affected strategy implementation. Structures are important in any organization as they aid effective and efficient decision making within the organization. The findings are in agreement with McKinsey 7s model by Peters and Waterman (1982) on the importance of structure in strategy implementation. The framework within which tasks are allocated, grouped and coordinated to achieve its intended goal is key towards the achievement of intended organizational goals. Successful strategy implementation depends on working through others, organizing, motivating, and creating strong fits between strategy and how the organization does things. Ingrained behavior does not change just because a new strategy has been announced (Thompson & Strickland, 1993).

The study also established that employee involvement in the process of developing the strategy was to a little extent. An organization must bring everyone on board during the process of strategy development so that every contribution that could be so important to its formulation is considered which will, in turn, improve ownership of the same.

This is reinforced in the findings of Chimanzi and Morgan (2005) who found out that the involvement of staff in strategy formulation smoothes the strategy implementation process by eliminating bottlenecks of resistance during implementation.

In conclusion, the process of strategy implementation, therefore, involves two major steps namely operationalization of strategy or tactical issues and institutionalization or administration of strategy.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the researcher will present his summary, conclusions, and recommendations about the study. The objectives of this study were to determine the relationship between strategy implementation and performance of the National Bank of Kenya based on the results from chapter 4.

5.1 Summary of Findings

This study has revealed several factors affecting strategy implementation at the National bank of Kenya. They included the process of strategy formulation, communication of the strategy, embedment of the strategy, involvement of staff in strategy implementation, organizational structure and organizational culture.

Strategy is so important to any organization, hence every staff working at the bank needs to be involved from the junior level staff to the top leadership so that every view is taken into consideration during strategy formulation.

The bank also has a challenge with its communication which the data showed its effect to institutionalization as being to a moderate extent. There is a need to improve in its communication and information flow and also consider adopting the modern communication channels for it to maintain a competitive edge in the market. Effective communication is key in any organization so that objectives are clearly understood as well as the plans and specific activities to be executed.

The study also revealed that the organizational structure was also an impediment to a moderate level on strategy implementation at the bank.. Going forward, the bank should consider giving some level of autonomy to its branches on decisions they can make on their own for the faster decision making process.

Organizational culture was also noted to a great extent in affecting strategy implementation at the bank. Traditional banking system coupled with a civil servant mentality of operations has made some banks to lag behind and not compete competitively in the sector. This is a challenge and management has a role to change the employee's mindset and ensure they take personal responsibility for their actions.

Finally, this study has revealed that strategy Implementation and performance of the National Bank of Kenya has a direct relationship and also that a well-implemented strategy improves the banks performance in terms of its profitability, efficiency and customer service.

5.2 Conclusions from the Study

The researcher concluded that for the success of National Bank of Kenya to compete effectively in the current competitive business environment, strategy implementation process need to be taken seriously right from its formulation stage through to its implementation. Adequate and consistent training, proper financial allocation, reorganization of its structure, improved and upgraded ICT systems, democratic style of leadership and consistent monitoring and evaluation of the implementation process should be areas of key consideration.

There is a need for organizations to focus on continuous scanning of the business environment both internally and externally including benchmarking to adopt the competitive strategies.

No matter how well a strategy is implemented, if it was poorly formulated, then it is bound to lead to poor performance of an organization.

Finally, for improved performance of the bank in terms of profitability, better customer service, and efficiency, this study recommends that NBK seriously consider institutionalization and Operationalization of its strategy implementation process.

5.3 Recommendations for Policy

The study does recommend that the National Bank of Kenya seriously considers restructuring its organizational structure which has impacted its strategy implementation. If effectively done, this should enhance faster decision making and quicker information flow within the organization if well done.

The research also revealed that the organizational culture was also depicted as moderately affecting strategy implementation. This study recommends that the bank needs to acquire and adopt modern banking systems and encourage innovation and creativity among its staff.

The study strongly recommends that National Bank of Kenya ensures that their strategy is strongly embedded in the entire staff so that their daily activities and performance can be measured and geared towards achieving its strategic plans hence improved organizational performance.

Finally, the study recommends that NBK focuses strongly on institutionalization and operationalization of their strategy by ensuring that their entire staff knows and demonstrates the organizations' vision, mission, core values and policies in their day to day activities within the bank. This would go a long way to ensure that the bank's strategy is well implemented. Also, it is worth noting that even the best-formulated strategies may fail to produce superior performance for the organization if they are not successfully implemented.

5.4 Limitations of the Study

This study adopted a correlation study design and was carried out within the confines of the National Bank of Kenya and hence the findings of this study cannot be generalized to other organizations. The study was limited to the relationship between the strategy implementation and performance of NBK, where strategy implementation was limited to institutionalization and Operationalization while performance was limited to profitability, customer service, and efficiency. The researcher also acknowledged that other intervening factors influence the performance of organizations.

Considering the pick and drop method of administering the questionnaires, this study wishes to clarify that probably the information given by the respondents may not be the actual feedback regarding what's happening in the bank due to a perceived fear of the bank being exposed negatively.

5.5 Suggestions for Further Research

This study established the relationship between strategy implementation and performance of the National Bank of Kenya. I recommend that further studies be done by other researchers on other banks and financial institutions to establish how strategy implementation with regards to institutionalization and Operationalization has either positively or negatively impacted on their performance and also to ascertain whether the findings of this study can be generalized.

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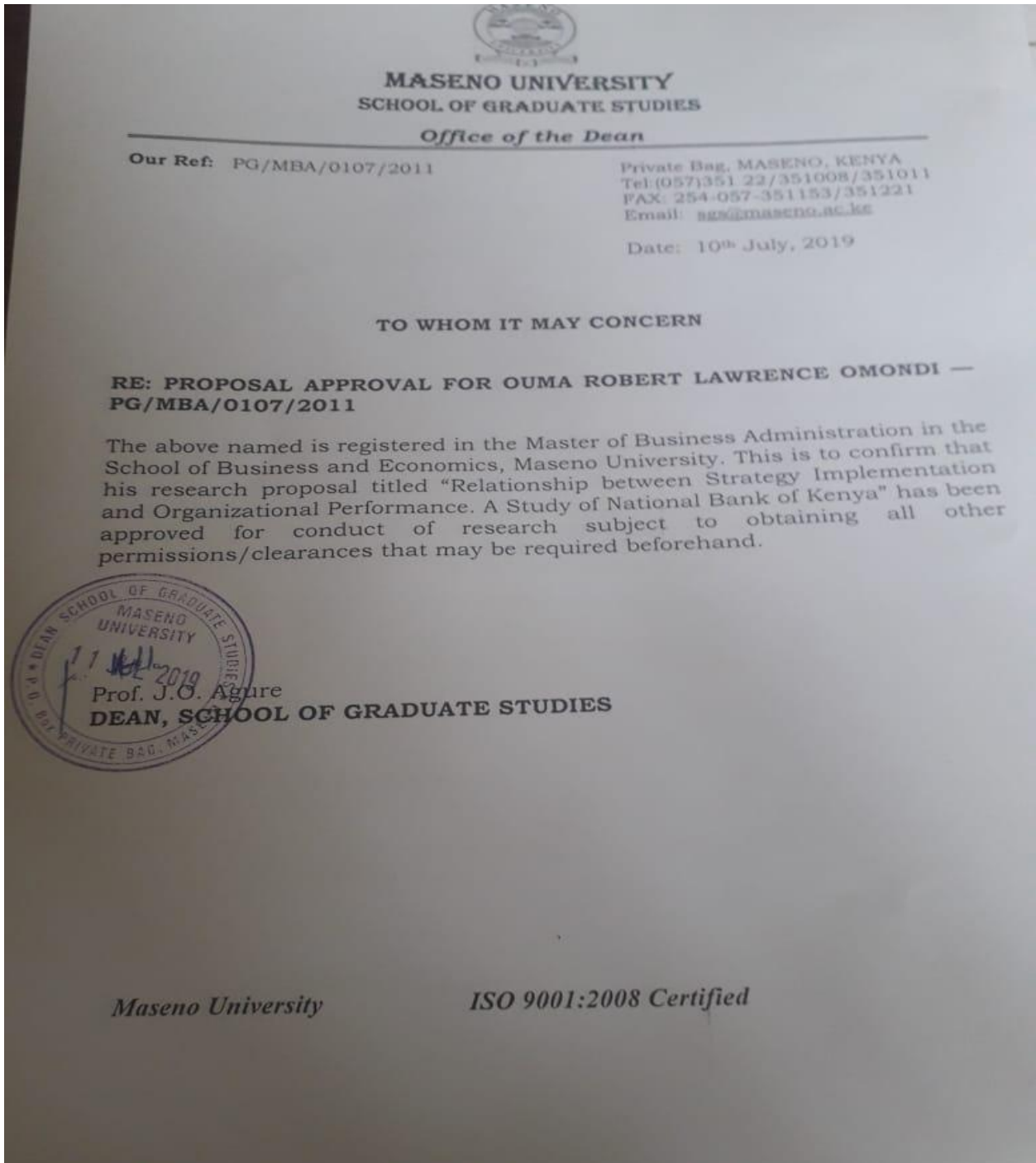
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APPENDICES

Appendix I: Letter of Introduction



Appendix II: Questionnaire

Introduction.

I am Robert Lawrence Omondi Ouma, an MBA student at Maseno University, carrying out a project research on “The Relationship between strategy implementation and performance of National Bank of Kenya.”

NB: The researcher wishes to assure the interviewee that any information given here will be treated with utmost confidentiality specifically for this research and will not be shared anywhere.

PART ONE: Demographics.

1. Gender : Male () Female ()
2. Level of Education:
Doctorate Degree ()
Master’s Degree ()
Bachelor’s Degree ()
Diploma ()
Others (Specify) ()
3. For how long have you worked at NBK?
4. What’s your current position at NBK?

PART TWO: Strategy Institutionalization.

Use a scale of 1 to 5, where; 1= no extent; 2 = little extent; 3 = moderate extent; 4 = great extent and 5 = very great extent

	1	2	3	4	5
To what extent is communication of strategy done at the bank?					
How well is the organizational culture aligned to the bank’s strategy?					
In your opinion, does the bank’s organizational structure support effective strategy implementation?					
How well is the Banks strategy embedded among the staff?					

PART THREE: Strategy operationalization.

Use a scale of 1 to 5, where; 1= no extent; 2 = little extent; 3 = moderate extent; 4 = great extent and 5 = very great extent

	1	2	3	4	5
How well does the vision, mission and core values of NBK aid strategy implementation					
In your view, how effective is the bank's strategy formulation process?					
How much has the staff been involved in strategy implementation at the bank?					
Are tasks executed by the staff geared towards the achievement of the bank's strategy?					

PART FOUR: Banks performance.

On a scale of 1 to 5, Where 1= no extent; 2= little extent; 3= moderate extent; 4=to a greater extent, 5=very great extent.

	1	2	3	4	5
Better Customer service					
Improve Profitability					
More Efficiency					

THANK YOU FOR YOUR COOPERATION AND FEEDBACK

Appendix III: Research Budget

Item	Unit Price (Kshs.)	Quantity	Total (Kshs.)
Internet, Printing and Computing costs	2,800	1	2,800
Stationery	750	1	750
Research Assistants	1,000	5	5,000
Accommodation and meals	3,500	5	17,500
Fares during data collection	3,000	5	15,000
Miscellaneous	4,000	1	4,000
TOTAL			45,050

Appendix IV: Work Plan

Activity/Month	May	June	July	August	September
Proposal Development and Final Defense	✓				
Questionnaire Formulation	✓				
Data Collection		✓			
Data Analysis			✓		
Report Writing				✓	
Final Report Submission					✓