

## **Organisational Factors and the Implementation of Strategies within the Banking Industry in Kenya: A Case of Barclays Bank of Kenya Limited**

Lydia Sarange Kiago<sup>1</sup>

Shadrack Bett<sup>2</sup>

<sup>1</sup>*Correspondent Author, School of Business, Kenyatta University, Kenya*

<sup>2</sup>*School of Business, Kenyatta University, Kenya*

### **Abstract**

*In Kenya, the banking sector is very dynamic with many actors who employ extremely aggressive strategies to maintain and grow their market shares. This sector also faces a lot of challenges that include fluctuations of the local and global economy, political instability in the country and the region, adverse weather conditions, capping of interest rates, and fraudulent activities. In addition to the challenges listed, Barclays Bank of Kenya Limited has faced the added challenges of low consumer and investor confidence. This is due to the announcement by Barclays Public Limited Company, the parent company of Barclays Bank of Kenya that it would be divesting from the African continent. Despite these challenges, Barclays Bank of Kenya has been able to maintain its market position and grow its profits. This implies that the bank has been able to develop and implement good strategies. Strategy implementation is a critical facet of the strategic management process. Numerous studies have established that most organisations formulate well-defined strategies; however, most of these strategies fail to bear fruit due to challenges with implementation. The main objective of this study was to investigate the effect of organisational factors on strategy implementation in the banking industry in Kenya by paying reference to Barclays Bank of Kenya. The specific objectives of the study were to find out the effects of organisational structure, organisational leadership, organisational change, and organisational culture on strategy implementation. The study was anchored on the resource-based theory, complexity theory, and industrial organisation theory. The study adopted a descriptive research design. The target population was all managers at the top level, middle level and junior level at Barclays Bank Kenya Limited. Stratified random sampling was used to select the sample. The sample consisted of 206 managers representing 40% of the total population. Data was collected using structured questionnaires. A multiple regression equation was estimated in order to establish the effect of organisational factors on strategy implementation. The study established that organisational leadership, organisational structure, and organisational change had a positive and significant effect on strategy implementation. The effect of organisational culture on strategy implementation was found to be negative and statistically significant. The study concludes that organisational leadership, organisational structure, and organisational change play a crucial role in the process of strategy implementation at Barclays Bank of Kenya. The study recommends that Barclays Bank should develop and expand the dimensions of organisational leadership, organisational structure, and organisational change. Further, the study recommends that Barclays Bank should develop and promote dimensions of organisational culture as it can enhance the process of strategy implementation.*

**Key Words:** *Organisational Factors, Implementation of Strategies, Banking Industry in Kenya*

## **1. BACKGROUND OF THE STUDY**

In the present business environment businesses of all types have found it essential to formulate and implement various dimension of strategic management in order to remain profitable and to compete in the often dynamic and complex business environment (Bryson, 2010). Millet (1998) postulated that all firms are open systems that lend themselves to their external environment. The external environment affects the fundamental workings of the firms. Therefore, organisations use strategic management to orient the direct to follow in the dynamic and complex external environment. This line of thought is further enhanced Lim, Griffiths, and Sambrook (2010) who suggest that the operating environment determines the strategies that drive the manner which the firm conducts its business. These strategies have an overall effect on the performance of the firm.

According to Arieu (2007), the management puts in place strategies that are consistent with the expectations of the stakeholders and with the market conditions. This involves the formulation of the organisation's mission, vision, objectives and goals. Thereafter, the organisation develops implementation guidelines and allocates resources to ensure that it achieves its objectives. Pearce and Robinson (2015), contend that the implementation of plans and policies is a crucial part of strategic management. Strategy implementation includes building a firm capability of carrying out strategy successfully, allocating ample resources to strategy-critical activities, establishing strategy-supportive policies, instituting best practices and programs for continuous improvement.

The amount of information and knowledge on the factors that affect strategy implementation is vast and comprehensive. The factors that affect strategy implementation can be categorised as information availability, human resources, organisational culture, technology, organisational structure, leadership style, accuracy, uncertainty, political factors, environment, and market trends (Dess & Priem, 2011; Guzami, 2013; Kalee, 2014; Mumbua & Mingaine, 2015; Onyango, 2015; Pearce & Robinson, 2015). Most academics and researchers agree that these factors have an impact on strategy implementation, however, they do not agree on the degree and extent to which each of these factors affects strategy implementation (Rajasekar, 2014). This study limited itself to the organisational factors namely organisational leadership, organisational structure, organisational change, and organisational culture.

## **1. STATEMENT OF PROBLEM**

Kenya's banking sector is very dynamic with many actors who employ extremely aggressive strategies to maintain and grow their market shares. This sector also faces a lot of challenges that include fluctuations of the local and global economy, political instability in the country and the region, adverse weather conditions, capping of interest rates, and fraudulent activities (CBK, 2016b.). Indeed over the last one year, three commercial banks have been put under receivership by the industry regulator. In addition to the challenges listed, BBK has faced the challenge of low consumer and investor confidence. This resulted from the announcement by Barclays Plc, the parent company of BBK that it would be divesting from the African continent. Despite these challenges, BBK has been able to maintain its market position and grow its profits.

The school of strategic management concerns itself with the development and deployment of strategies and resources in such a manner as to allow for effective competition within the specific industry. Despite the importance of strategy in the business and management literature, there is a paucity of understanding and consensus around foundational issues in the discipline. For example academic and researchers alike have not been able to answer the questions of what

exactly is the nature of those intangible competencies, capabilities, resources, and assets that enable one firm to succeed while another stumbles, what makes a particular competency difficult to duplicate or acquire, must a firm's strategy fit the environment, or can a firm successfully shape its environment to suit its existing capabilities. The answers to these questions are often elusive and contradict each other. This is because the strategic process focuses on a high level of abstractions concerning very complex systems (Phister, 2010). Theoretically, there is a research gap in the field of strategic management concerning factors that are important for strategy implementation (Sousa & Voss, 2012). For instance, the resource based-view maintains that the firm's resources are critical to strategy implementation; Porter's Generic Strategies maintains that success in an organisation is achieved through cost leadership, focus strategy, differentiation strategies, and niche market; while complexity theory maintains that the organisation's comparative adaptive systems are necessary for strategy implementation. The numerous theories raise the questions of the generalization of certain theories.

In the recent past, numerous studies have been done both abroad and locally on various aspect of strategy implementation. Ahmadi, Salamzadeh, Daraei, and Akbari (2012) did a study on the impact of organisational culture on implementing strategies in Iranian banks; Rajasekar (2014) studied the factors affecting effective strategy implementation in a service industry in Oman; Mango (2014) investigated the determinants of successful strategy implementation in a select number of public schools in South Africa; Abdalla (2014) conducted research into the factors affecting implementation of strategy in the Kenyan oil marketing industry; Kimanzi and Ogollah (2015) studied the factors influencing the sustainability of information technology enabled competitive advantage in the Kenyan banking industry; and Onyango (2015) researched on the determinants of strategy implementation in Kenyan public universities. Each of the studies returned different results. With some studies contradicting others.

Furthermore, the studies reviewed also presented conceptual, contextual and methodological research gaps (Ahmadi, Salamzadeh, Daraei, & Akbari, 2012; Rajasekar, 2014; Abdalla, 2014; Kimanzi & Ogollah, 2015). The conceptual research gaps were present because some of the reviewed studies did not necessarily use similar variables used by this study. Some studies focused on structure only, while other included independent variables such as communication, control, and information technology while excluding other variables such as leadership, culture, and change. There are contextual research gaps because some of the reviewed studies were conducted in different contexts from the context of this study. The studies reviewed indicated the need to add more knowledge to the factors that affect strategy implementation. This study was conducted to fill the contextual, conceptual, and methodological research gaps.

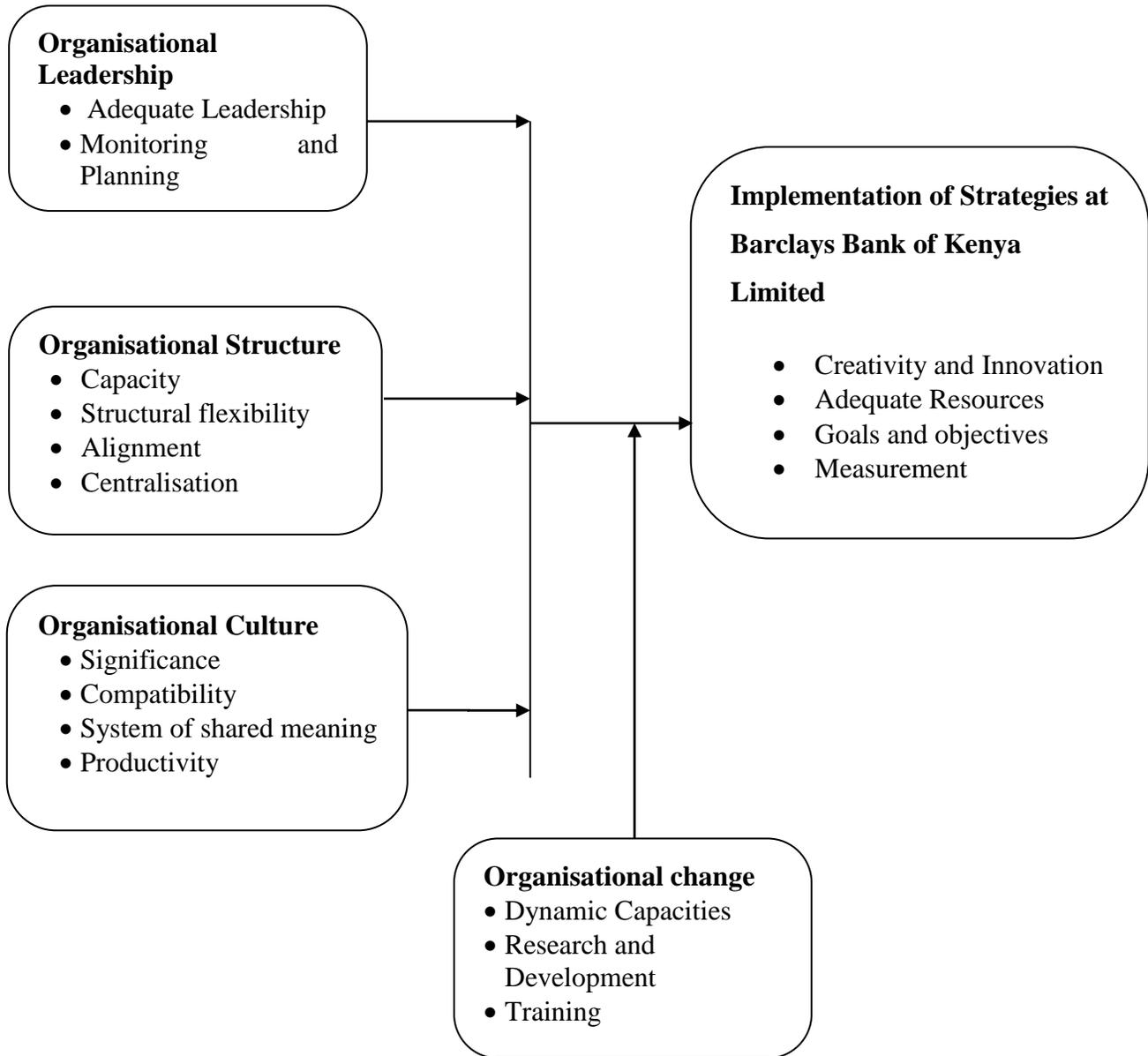
## **2. OBJECTIVES OF THE STUDY**

The study was guided by the following specific objective:

- (i) To find out the extent to which organisational structure affects implementation of strategies in Barclays bank of Kenya limited.
- (ii) To determine how organisational leadership affect the implementation of strategies in Barclays bank of Kenya limited.
- (iii) To establish the relationship between organisational culture and implementation of strategies in Barclays bank of Kenya limited.
- (iv) To examine the intervening effect of organisational change on implementation of strategies in Barclays bank of Kenya limited.

The concept of this study was based on the propositions presented in Resource Based View Theory, Complexity Theory, and Industrial Theory. These theories contend that strategy implementation is determined by external and internal factors. This study only focused on the internal factors. The internal factors include organisational leadership, structure, culture, and change. This is depicted in the conceptual framework presented in Figure 1.

### 3. CONCEPTUAL FRAMEWORK



### 4. RESEARCH METHODOLOGY

For the purpose of this study, descriptive research design was used. The target population for this study were the top, middle-level, and junior managers working at BBK. The target population was chosen based on the fact that these managers are responsible for policy formulation,

monitoring, evaluation, and adjustment. The study used stratified random sampling in order to ensure that the data collected was accurate. The employees in each grade were considered to be a stratum and there after a random sample were selected from each stratum. In order to achieve the objective of this study data was obtained from both primary and secondary sources. Primary data was collected directly from top, middle-level, and junior managers working at Barclays Bank of Kenya. Secondary data was obtained from the strategic plans of Barclays Bank for the period 2008-2016. The primary data was collected using questionnaires. The questionnaires focused on the effect of organisational leadership, organisational structure, organisational culture and organisational change on strategy implementation. The questionnaire was developed after extensive review of theoretical and empirical literature. The questionnaire was tested for validity. The validity test assesses the degree to which the research instrument measure what it is supposed to measure. The validity was established by distributing the research instrument to peers and a panel of experts from the school of business at Kenyatta University. Each of the 206 questionnaires were checked for completeness and consistency. Thereafter, the data was edited, coded, and tabulated. The data was analysed using Statistical Package for Social Science (SPSS). The findings were presented in terms of mean, percentages, and frequency tables. Additionally, multiple regression analysis was performed in order to establish the effect of organisational factors on the implementation of strategies at BBK.

## 5. DATA ANALYSIS RESULTS

In order to determine the effect of organisational factors on the process of strategy implementation at BBK a multiple regression equation was estimated using SPSS software. In order to establish the goodness of fit of the model, the  $R^2$  and adjusted  $R^2$  were computed. Table 1 provides a summary of the regression model.

**Table 1: Model Summary**

---

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.590 <sup>a</sup>	.348	.335	1.004

---

*a. Predictors: (Constant), Organisational Leadership, Organisational Structure, Organisational Culture, Organisational Change*

Table 1 indicates that the coefficient of correlation (R) is 0.590. This implies that the association between the independent and dependent variables is 59.0%. The  $R^2$  is referred to as the coefficient of determination. This coefficient summarises the degree to which variation in the dependent variables are explained by the independent variables in the model (Gujarati, 2003). The  $R^2$  of the model was established as 0.348 which implies that 34.8% of variations in strategy implementation are occasioned by organisational factors (specifically leadership, structure, culture, and change). These findings suggest that 65.2% of variations in strategy implementation are occasioned by other factors. Gachie (2011) identified management commitment, communication, and coordination as factors that affect strategy implementation. Kamande (2015) established that resource planning stakeholder involvement, and innovativeness was important for strategy implementation.

Table 2 presents the result of the ANOVA test or F- test. The F-test indicates the significance of the multiple linear regressions (Gujarati, 2003). In the F-test, the null hypothesis is that the independent variable has no effect on the dependent variable.

**Table 2: ANOVA Results**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	107.940	4	26.985	26.787	.000 <sup>b</sup>
Residual	202.488	201	1.007		
Total	310.427	205			

*a. Dependent Variable: Strategy Implementation*

*b. Predictors: (Constant), Organisational Leadership, Organisational Structure, Organisational Culture, and Organisational Change*

The p-value = 0.000 establishes that the regression model is significant which indicates that the data collected was appropriate for drawing conclusions on the subject matter. The calculated F-value is greater than the critical value  $26.985 > 6.39$  (the critical value is obtained from the F distribution table). This indicated that organisational leadership, organisational structure, organisational culture, and organisational change significantly influence the process of strategy implementation at BBK.

Table 3 gives a summary of the multiple linear regression coefficient estimates including the intercept and the significance levels.

**Table 3: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	2.226	.571		3.899	.000
Organisational Leadership	.420	.075	.375	5.575	.000
Organisational Structure	.177	.059	.186	3.024	.003
Organisational Culture	-.417	.070	-.384	-5.993	.000
Organisational Change	.158	.069	.137	2.287	.023

*a. Dependent Variable: Strategy Implementation*

The specific objective of this study was to investigate the effect of organisational factors on strategy implementation at BBK. The theoretical and empirical literature suggests that where an organisation uses organisational factors during the process of strategy implementation, the organisation will achieve its goals and objectives. The results of the Anova regression analysis allows equation (3.1) to be rewritten in the form presented in equation (4.1) which explains the

effect of organisational factors on the process of strategy implementation. The findings indicate that organisational leadership has a positive and statistically significant effect on the process of strategy implementation at  $BBK = 0.420$ ,  $p\text{-value}=0.000$ . This result indicates that a 1% increase in the use of organisational leadership will result in a 42% increase in the process of strategy implementation in the organisation. In a study conducted by Rajesekar (2014) to investigate the effect of seven variables on strategy implementation in the service sector in Oman, it was established that of the seven variables, leadership had the most significant effect on strategy performance. The findings of this study confirm the findings of Rajesekar (2014).

The second objective of the study was to establish the effect of organisational structure on strategy implementation at BBK. The findings indicate that organisational structure has a positive and statistically significant effect on the process of strategy implementation at BBK as implied by  $= 0.177$ ,  $p\text{-value}=0.030$ . This implies that a 1% increase in the use of elements of organisational structure will result in a 17.7% increase in the degree of strategy implementation. These findings are similar to those of Munyoroku (2012), Siapei (2015), and Wairimu (2016) who established that the organisational structure was critical to strategy implementation in the food processing, geothermal, and telecommunications sector. Results indicated that the effect of organisational culture on strategy implementation is negative and statistically significant,  $= -0.417$ ,  $p\text{-value}=0.000$ . These findings indicate that a 1% increase in the use of elements of organisational culture results in a 41.7% decrease in the process of strategy implementation. These results contradict the findings of Ahmadi *et al.*, (2012), Muthoni (2012), and Cristian-Liviu (2013) who established that culture plays a crucial role in the process of strategy implementation. The findings by Ahmadi *et al.*, (2012) suggest that all types of organisation cultures have a significant effect on the process of strategy implementation; the extent of the effect is dependent on the type of culture. In the study, Ahmadi *et al.*, (2012) indicated that clan culture was more effective than hierarchy culture. The findings of this study did not focus on clan culture or hierarchy culture but rather focused on shared values and beliefs. This could have contributed to the contradicting results. The effect of organisational change on the process of strategy implementation was found to be positive and statistically significant,  $= 0.158$ ,  $p\text{-value}=0.000$ . This implies that a 1% increase in the use of elements of organisational change will result in a 15.8% increase in the process of strategy implementation. These findings are similar to those of Carlopio and Harvey (2012), Alsamydai *et al.*, (2013), and Zondi and Mutambara (2016).

## **6. CONCLUSIONS**

Based on the findings, the study concluded that organisational leadership has a significant effect on the process of strategy implementation at BBK. This finding means that the driving force in the process of strategy implementation is leadership and its sub-constructs which include planning, monitoring, coordination, sharing responsibility and a good span of control. The study also concluded that the process of strategy formulation and implementation was not inclusive, implying that only the leadership determined direction. Based on the findings, the study concluded that organisational structure affects the process of strategy implementation. Organisation structure has a significant influence on the performance of BBK. The sub-constructs of organisational structure that is specialised organisation structure, nature of the span of control, centralization and departmentalization influences are crucial to the implementation process.

The study findings support the conclusion that organisational culture has a negative and significant effect on the process of strategy implementation at BBK. The notions and concepts of shared values, norms, and beliefs do not resonate within the organisation. The concept of culture does not show signs of clan or hierarchy but is implied by the manner in which individuals are expected to behave in a corporate setting (corporate culture). Based on the study findings, the study is able to conclude that organisational change is important to the process of strategy implementation. The bank has an extensive training programme that ensures that staff competencies meet the technological and consumer demands.

## **7. RECOMMENDATIONS**

Based on the empirical findings of this study, it is recommended that banks should develop and expand the dimension of organisational leadership. The leadership of the bank should entrench further the elements of leadership including planning, monitoring, coordination, sharing responsibility and the span of control. Additionally, the leadership should allow for stakeholder participation during the process of strategy implementation. The study recommends that the management of BBK should put in place a highly specialised organisational structure as the structure plays a significant role in the process of strategy implementation. Additionally, the bank should ensure they have a good span of control, decentralized structure and have departmentalization in the company. The study also recommended that BBK should invest in research and development, training, networking capability and innovation since these elements of change affect performance and the process of strategy implementation. Dynamic capabilities being the ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.

## **8. CONTRIBUTION OF THE STUDY**

The findings of this study contribute additional knowledge to the field of strategic management. The analysis of the effect of organisational factors on the process of strategy formulation in commercial banks operating in a developing country like Kenya provides not only significant information to strategic management literature but also enables managers to identify the correct strategies that their banks can employ to compete in a very dynamic industry. Despite operating in a very aggressive industry and withdrawal by the parent company, BBK has for a number of years and shown significant growth in terms of market share, no study has been undertaken to analyse the organisational factors that ensure this success. Therefore, the findings of this study contribute to filling this knowledge gap.

## **REFERENCES**

- Kimanzi GM, Ogollah K (2015). Factors influencing the sustainability of Information Technology enabled competitive advantage in the Kenyan Banking Industry. *Prim. J. Soc. Sci.* 4(11): 1165-1171.
- Mumbua, J.N., & Mingaine, L. (2015). Factors Influencing Implementation of Strategic Plans In The Municipal Council Of Machakos, Kenya: *International Journal of Art & Humanity Science*, 2, 3.

Pearce J., & Robinson, R. (2015). *Strategic Management Planning for Domestic & Global Competition (Fourteenth ed.)*. New York, NY: McGraw-Hill Education

**This is an open-access article published and distributed under the terms and conditions of the  [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/)**

**Authors seeking to publish with an International Peer Reviewed Journal should consider [www.ijcab.org](http://www.ijcab.org) by writing to the Editor at [editor@ijcab.org](mailto:editor@ijcab.org). List of our Journals are Available at [www.ijcab.org/journals](http://www.ijcab.org/journals)**