ROLE OF STAKEHOLDERS IN THE IMPLEMENTATION OF STRATEGIC CHANGE IN COMMERCIAL BANKS IN KENYA: A CASE STUDY OF NATIONAL BANK OF KENYA LIMITED

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ABSTRACT

In the current corporate world, the high level of awareness among the stakeholders dictates that organizational leaders must implement change processes which satisfy the interests of those groups who have a stake in the business. The objective of the research study was to investigate the role of stakeholders in the implementation of strategic change in commercial banks in Kenya with a case study of National Bank of Kenya. The specific objectives of the study were to establish the role of customers’ influence on the implementation of strategic change in commercial banks in Kenya; to determine the role of regulators’s influence on the implementation of strategic change in commercial banks in Kenya; to examine the role of employees’ influence on the implementation of strategic change in commercial banks in Kenya and to determine the role of shareholders’ influence on the implementation of strategic change in commercial banks in Kenya. This study adopted a descriptive research design. The target population for this study consisted of 120 staff working at all levels of management at NBK branches in Nairobi’s Central Business District where a sample was selected using stratified sampling based on the management level in the Bank. This study collected primary using questionnaires. A pilot study was conducted to test the viability of the intended research. The primary data gathered were coded and analysed with the help of SPSS. The study found out that customers preferences and tastes are key factors affecting the implementation of strategic change and that customers provide the indispensable influence to the bank in terms of competitive advantage, revenue and profits, employees are involved in the change management process need to be adequately trained. The study recommends that there needs to be stakeholder involvement in all stages of planning and implementation to bring a sense of ownership by all parties so that they can feel the strategy has not been forced on them and customers should be involved in the implementation of strategic change because they are the key stakeholders.

Key Words: stakeholders, implementation, strategic change, commercial banks, Kenya, National Bank of Kenya Limited

INTRODUCTION

Strategic management is about scanning the environment which involves formulating and implementing strategies that would give the organization a competitive advantage over other organizations in the same industry (Hannagan, 2002). It consists of decisions and actions used to formulate and implement strategies that provide a competitively superior fit between the organization and its environment to enable it achieve organizational objectives in an ever-changing global economy (Nandwa, 2010). Pearce and Pearce & Robinson (2011) contends that an organization must adhere to laws and regulations set by authorities like business associations and government agencies. It is also expected to treat its employees with dignity and within the International Academic Journals
existing labour laws. The customers expect the organization to produce quality goods and services while the shareholders expect a return on their investment. The surrounding communities expect the organization to conduct itself in a manner that sustains the environment and adds value to the community projects.

Prudent organization needs to formulate a strategy that is appropriate for the organization, appropriate for the industry, and appropriate for the situation (Pearce, 2011). Change context describes what happens in the organization between two time periods while process of change refers to how the change occurs (Doppler & Lauterburg, 2002). It is assumed to be a unitary phenomenon that leads to measurable shifts in the organization’s business position that can not only be planned for but also executed against a changing environment that is dynamic but objective (Nohria and Beer, 2000). Emergent change refers to the evolutionary or iterative view of change, suggesting that change occurs as a consequence of small learning steps. Therefore, change can be incremental or transformational and it is affected both by organizational inertia or environmental stress (Doppler & Lauterburg, 2002).

In modern society, parties other than governments have obstructive power. That is, they have the ability to obstruct or even block a decision or the implementation of a certain policy. On the global front, Smith, Ansett and Erz (2011) analyzed the importance of stakeholder engagement in strategic management of the organization to organizational growth. They argue that involvement of suppliers, customers, shareholders and employees in strategic change easens the strategy implementation by reducing the level of resistance and opposition to strategic implementation process. Hashim(2014) note that participative management addresses the relationship between the organization and its workers and stakeholders. It addresses fundamental issues of governance within organizations and the role of employees and external stakeholders in all levels of organizational decision making. Rajablu, Marthandan & Yusoff (2015) note the role of stakeholder in influencing corporate decision making on moral and social appears a paradox in a global economy underpinned by a neo-liberal philosophy owing to the diverse and complex nature of the issues, stakeholders and organizations.

In Kenya, Macharia (2011) studied stakeholders’ involvement in the success of strategy implementation among public secondary schools in Nairobi, Kenya. The study found out that the schools appreciate the role of stakeholders in strategic process as they have helped the schools to broaden support for policy and activities, foster strategic development of partnership, collaborative problem solving, avoidance of conflict during implementation and broadening support for decisions. The stakeholders play a significant role in strategy implementation in the school and it has resulted to the achievement of broader support in the implementation of the organizations strategies, has resulted in collaborative problem solving during the implementation phase and that over the period, the success of the strategies has been realized since the school incorporated the stakeholders. The conclusion from the study was that the management of the schools should continue involving the stakeholders in the implementation of their strategies so
that they can continue achieving their objectives. The schools should adopt the parameter which suits their institution goals when gauging their strategies achievement.

Mathenge (2010) studied internal stakeholder involvement in strategic decision making at Kenya Commercial Bank Ltd. According to the findings, KCB had endeavoured to incorporate the views of all its internal stakeholders which led to successful implementation of most of its strategic plans. This involvement of the internal stakeholders had also enabled the bank to increase its market share by developing products and services that meet the needs of various cadres of customers.

National Bank of Kenya (NBK) is one of the commercial banks licensed by the Central Banks of Kenya, the country's banking regulator. NBK was incorporated on 19th June 1968 and officially opened on Thursday 14th November 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. In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by 40 million Shares to the public. The current Shareholding now stands at National Social Security Fund (NSSF) 48.06%, General Public – 29.44% and Kenya Government 22.5%. During the 34th AGM held on 25th April 2003 the bank increased its Share Capital by Kshs. 6 Billion i.e. from Kshs. 3 Billion to Kshs. 9 billion through the creation of 1,200,000,000 non-cumulative preference Shares of Kshs. 5 each. These Shares are at the disposal of the National Bank Board who would offer them in accordance with the Bank’s articles, the Capital Markets Authority (CMA) rules and the Companies Act (NBK, 2014).

In May 27 2014, National Bank of Kenya unveiled a new brand image as part of a new strategy aimed at transforming it into one of the top tier banks in the country in the next five years. To signal its commitment in breaking with the past, the bank unveiled a new logo, adopting yellow and brown colours as opposed to the green hue its brand had long been associated with. Unveiling the new look was aimed at growing the Bank’s turnover from Sh8 billion in 2012 to Sh31 billion by 2017 and become a diversified commercial bank with balanced corporate and retail businesses. The bank has over the years relied mainly on business from government institutions and a strong retail focus. But going forward, the bank seeks to aggressively strengthen its play in the Corporate and Institutional and Small-and-Medium Enterprise (SME) segments. To achieve this, NBK plans to open 30 new branches by 2017 and boost its agency banking network to 2,000 agents. To fund growth as envisaged in the 5-year transformation plan, National Bank sought to raise more than Sh10 billion in additional capital through a Rights Issue in the first quarter of 2014 (NBK, 2014). The proceeds from the cash call are aimed at beefing up the capital base to support the ambitious balance sheet growth and to invest in revamping and expanding its infrastructure. National Bank also has plans to expand into the East African region by launching operations in South Sudan, Uganda, Tanzania and Somalia (NBK, 2014).
STATEMENT OF THE PROBLEM

Organizations operate in an open system whereby they are affected and affect other stakeholders. According to the open system theory, the relationship that exists in the system advances depending on new requirements and challenges that appear in the current changing and competitive operating environment (Donaldson, 2007). The magnitude, speed, unpredictability and impact of change in the external environment are greater than ever before and protected markets are opening up to fierce competition thus public and private, large and small markets have suddenly felt the urge to improve their products and services to meet world standards and customer expectation while local markets are becoming global markets (O'Neill, 2009). There are various issues that affect the successful implementation of strategic changes in an organization, and key among them is stakeholder cooperation and support for change initiatives (Rajasekar, 2014). According to Njenga (2014), the degree of involvement of stakeholders in the strategy formation and implementation process is a key factor in the modern day strategic management process. In managing change, the top management should be in the forefront, but since they cannot do this alone, they should therefore acknowledge the roles stakeholders play by analyzing their potential value (Masau, 2011). In the formulation and implementation of strategy, stakeholders assist management to develop strategic thinking approaches and to fit in the emergent aspects of the modern strategy making within their industry contexts. Macharia, (2011) highlights that successful stakeholder involvement in an organization results in; encouragement of partnership, collaborative problem solving and broader support for decisions which leads to successful implementation of strategies hence attainment of goals.

National Bank of Kenya limited has undergone several changes within the last five years. Key among these changes included the change in its leadership where the bank received a new chief executive officer. The coming in of a new CEO brought with it many changes in the bank including restructuring and re-branding. The bank has over the years relied mainly on business from government institutions and a strong retail focus. But going forward, the bank seeks to aggressively strengthen its play in the Corporate and Institutional and Small-and-Medium Enterprise (SME) segments. To achieve this, NBK plans to open 30 new branches by 2017 and boost its agency banking network to 2,000 agents. All these change programmes require full support of different stakeholders ranging from suppliers, customers, shareholders and employees. Unless these stakeholders are involved in the whole process of change management, the implementation of the strategic change may not become a reality thus lead to huge loss of resources (NBK, 2014). The large number of stakeholders in the banking sector poses a great challenge for managers to involve them thoroughly in strategy implementation. The question of continual involvement is displayed due to the prolonged implementation of projects. Therefore, the process of strategy implementation is affected by inadequate stakeholder participation, lack of continuity in representation and insufficient integration of social and environmental issues (Bordean, Borza & Maier, 2011).
Various studies on stakeholders by Isenmann (2006) indicate that every organization has stakeholders who influence strategy process and determine the organization’s purposes leading to attainment of their goals. (Bordean, Borza & Maier, 2011) revealed that the extents to which stakeholders are able to influence organization's purposes vary and their different power and interests underscore these variations. Similarly Katsoulakos (2006) pointed out that in state corporations, the values and expectations of different stakeholder groups play an important role in strategy implementation. Local studies done include; Macharia, (2011) who did a study on stakeholders’ involvement in the success of strategy implementation among public secondary schools in Nairobi, Kenya. He found that stakeholders play a significant role in strategy implementation in the school and it led to the achievement of broader support in the implementation of the organizations strategies, collaborative problem solving during the implementation phase and the success of the strategies had been realized since the school incorporated the stakeholders. Mwikuyu (2009) also did a study on the extent of stakeholder involvement in strategy formulation and implementation in the National Social Security Fund. He found out that stakeholders were allowed to contribute their own ideas, assess, review the ideas and had joint decision-making during all stages of the programme. Wanyama (2013) studied stakeholder involvement in change management at Kenya Ports Authority (KPA). The study found out that KPA had incorporated stakeholders in its initiatives though this was not being done at all stages of the process. Despite the importance of stakeholder involvement in strategy implementation, no study has been done on stakeholder involvement in strategy implementation at the National Bank of Kenya. The aim of this study therefore is to bridge this gap by establishing the role of stakeholders in the implementation of strategic change in commercial banks in Kenya.

GENERAL OBJECTIVE

The objective of the study was to establish the role of stakeholders in the implementation of strategic change at National Bank of Kenya Limited.

SPECIFIC OBJECTIVES

1. To establish the role of customers’ influence on the implementation of strategic change in National Bank of Kenya Limited.
2. To determine the role of regulators’s influence on the implementation of strategic change in National Bank of Kenya Limited.
3. To examine the role of employees’ influence on the implementation of strategic change in National Bank of Kenya Limited.
4. To determine the role of shareholders’ influence on the implementation of strategic change in National Bank of Kenya Limited.
THEORETICAL FRAMEWORK

This section discusses theories on roles of stakeholder involvement in strategy implementation. The study was based on the stakeholder theory proposed by Freeman (1984) and the stakeholder engagement theory proposed by Andriof & Waddock (2002).

Open systems Theory

Open systems theory refers to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival (Scott, 2002). Nearly all modern theories of organization utilize the open systems perspective, resulting in open systems theories coming in many flavors. For example, contingency theorists argue that organizations are organized in ways that best fit the environment in which they are embedded. Institutional theorists see organizations as a means by which the societal values and beliefs are embedded in organizational structure and expressed in organizational change. Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Despite the different viewpoints, they all agree that an organization’s survival is dependent upon its relationship with the environment (Taschner, 2009).

Resource-based theory of competitive advantage

The resource-based view of the firm (RBV) has emerged as a popular theory of competitive advantage. The term was originally coined by Werner felt in 1984 (Fahy, 2000) and the significance of this contribution is evident in its being awarded the Strategic Management Journal best paper prize in 1994 for reasons such as being “truly seminal” and an “early statement of an important trend in the field” (Fahy, 2000). Fahy reasoned that the principal contribution of the resource-based view of the firm has been as a theory of competitive advantage. Its basic logic is a relatively simple one. It starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage (SCA). Achieving SCA allows the firm to earn economic rents or above-average returns. In turn, this focuses attention on how firms achieved and sustain advantages.

The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms’ competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Bourne Mills & Platts, 2003; Bergen & Peteraf, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. Hoopes, Madsen and Walker (2003) examine the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. According to Hoopes et al (2003) firm resources include all assets, capabilities, organizational processes,
firm attributes, information, and knowledge. Controlled by a firm that enables it to conceive and implement strategies that improve its efficiency and effectiveness. The reason why all organizations formulate strategies is to gain competitive advantage over their competitors. As Porter (2006) highlighted, there are four attributes of the proximate environment of a firm that have the greatest influence on its competitive advantage, namely, factor conditions, demand conditions, related & supporting industries, and firm strategy, structure and rivalry. By involving stakeholders in strategy formulation and implementation, organizations seek to understand and serve the needs of all these stakeholders for successful strategy implementation. This also promotes stakeholders’ acceptance of the several products developed by the organization.

**Stakeholders Theory**

Stakeholder theory posits that an organization is a social construction made of interaction of various stakeholders. The organization is envisioned as the centre of a network of stakeholders, a complex system of exchanging services, information, influence and other resources (Mersland and Strøm, 2009a). The theory further argues that an organization's value is created when it meets the needs of the firm's important stakeholders in a win-win fashion (Harrison et al., 2007). The concept of stakeholder refers to those categories of individuals or organizations that have a stake in an organization. According to Valor, (2005) the contemporary use of the concept refers to a claimant toward whom an organization has fiduciary responsibility. Stakeholders are those individuals or groups who are influenced by or have an influence on the activities of the organization (Freeman & McVea, 2001).

Stakeholders are further distinguished in various ways. In terms of effect, there are two categories - primary and secondary stakeholders. Primary stakeholders are those who are directly affected, either positively or negatively, by an organization's actions. They are those groups whose continuing participation is necessary for the survival of the organization. Primary stakeholders include shareholders, investors, employees, customers and suppliers. Secondary stakeholders, on the other hand, are those individuals, groups or organizations who can indirectly influence or be influenced by the organization's actions (Matten & Crane, 2005). They are not essential to the operations of the organization, although their actions can significantly damage (or benefit) the organization (Freeman et al, 2001). These may include public groups, such as the community.

The internal stakeholders are those groups which belong inside the organization, such as managers and employees. External stakeholders are groups that are outside the organization and have effects on the survival of the organizations (Baraldi, Brennan, Harrison, Tunisini & Zolkiewski, 2007). These groups consist of customers, suppliers, government agencies, local communities and unions. It is further argued that the core idea of stakeholder theory is not only to recognize internal stakeholders with whom stakeholder communication has been implemented for a longer time and has become obligatory (e.g., employee councils), but also external stakeholders whose claims are patently political or social in nature (Baraldi et al, 2007). This is
in line with what some literature argues - that all stakeholder entities have legitimate values and equal interests and a mutual dependency exists between them and the organization (Donaldson and Preston, 1995 as cited by Payne, Ballantyne, & Christopher, 2005). Advocates of stakeholder theory further suggest that including stakeholder representatives on boards is a ―formal mechanism in place that acknowledges the importance of their relationship with the organization (Firer & Mitchell, 2003 and Hillman & Keim, 2001). This implies that stakeholder groups represented are both powerful and legitimate, as well as a part of the organization‘s ―dominant coalition‖ (Firer et al, 2003; Clement, 2005). That is, by including stakeholders on boards, organizations are signaling their commitment to stakeholders in a visible way.

**CONCEPTUAL FRAMEWORK**

According to Mugenda and Mugenda (2003), a conceptual frame work is used in research to outline the possible courses of action or the preferred approach to an idea. The conceptual framework highlights the independent variable and also shows the dependent variable which is also the outcome. The dependent variable would be implementation of strategic change while independent variables were customers, regulators, employees, and shareholders.

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**Figure 1: Conceptual Framework**

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Customers and implementation of Strategic change

An organization’s survival depends largely on harmonious relationships with its stakeholders in the market. Customers provide the ‘life-blood’ to the organization in terms of competitive advantage, revenue and profits. Managing relationships with customers is imperative for all types and size of service organizations. According to Kuester (2012) a sound base of satisfied customers allows the organization to move on the path of growth, enhance profitability, fight out competition and carve a niche in the market place. Firm often focus on activities of consumer in among of the existing market because it is too wide and different needs with different consumer. Customers form key stakeholders of all organizations regardless of their size. Consumer preferences and tastes are key factors affecting consumer purchase decisions in all sectors and industries. As such, management has to take into account customer preferences and tastes during strategy formulation and implementation. In implementing strategic change, organization management needs to consider the processes that customers use to select, secure, and dispose of products, services, experiences, or ideas to satisfy their needs and the impact that these processes have on the consumer and the society at large (Kuester, 2012). The process of change management needs to consider the process that customers go through to make purchase decisions.

By doing this, the organization needs to consider the bargaining power of the customer on the market. According to Schiffman, Hansen & Kanuk (2008), consumer behaviour is oftenly changing, as well as needs and wants. Consumer behaviour involves of how customers think and feel between different alternatives like product, brand and the actions they perform in purchasing and consumption process. Therefore, the process of managing strategic change in an organization has to take into consideration the influence of consumers purchase behaviour. In the management of strategic change, organizations treat customers as the centre of focus because the manner in which the change programme is implemented affects the success of the organization on the market place. Customers’ buying characteristics are strongly affected by their culture towards a particular brand. Culture makes shape on customer deision making process and their overall daily activities and determines the demand for the Company products. The life style, beliefs, and attitudes of customers are key components of strategic management of any organization (Kotler & Lee, 2005). Therefore, management has to keenly consider the overall culture of the target customer segment in their change management process to ensure that they do not act against these life styles, beliefs and attitudes.

Employees and implementation of Strategic change

The ultimate goal of change management is to engage employees and encourage their adoption of a new way of doing their jobs. Change implementation is only successful if individual employees change their daily behaviors and workflows as envisaged in the change strategy (Nordin, 2014). This is the essence of change management which involves mobilizing the individual change necessary for an initiative to be successful and deliver value to the International Academic Journals.
organization. From the highest levels of leadership to front-line supervisors, effectively managing change requires a system of actors all moving in unison and fulfilling their particular role-based on their unique relationship to the change at hand.

Employees have a critical role to play in the change process and are often times, the first to know if a change is at risk. Employees play a key role in strategic change implementation. Like in any other strategies, employees play a critical role in the implementation of strategic change. Clear understanding of a strategy gives purpose of activities of each employee and allows them to link whatever task is at hand to the overall organizational direction (Jos, Marjolein, Caniëls, & Thijs, 2012). Lack of understanding a strategy is one of the obstacles of strategy implementation. Stoltzfus, Stohl & Seibold (2011) noted that the human resource element plays a big role in the design and administration of strategic plans. Their use as a “strategic weapon” to gain competitive advantage is essential together with adequate allocation of material resources to facilitate successful implementation.

The process of change means that employees lose something by stopping their previous ways of doing things into a new way suggested in the change strategy. Through the change process, employees would lose familiar processes and elements of their role that give them confidence and security (Rupert & Ebner, 2010). This is likely to cause a lot of discomfort among employees that may lead to high levels of resistance towards the change strategy proposed. The management need to work with the employees to make a good transition using discussion sessions designed to allow employees to share their feelings about the changes, scheduling one-on-one meetings with appropriately skilled members of the management team, or by making counselling available to help staff work through their emotional responses. Doing this would help reduce the level employee resistance to the implementation of change strategy (De Wit & Meyer, 2010). Effective strategy implementation requires a leader who can influence organization members to focus their efforts in the same direction through teamwork. The leader and key organizations players like the CEO and the directors should support each other for best results to be achieved. Hrebiniak (2013) says that companies often go wrong by creating a cultural distinction between executives who design a strategy and people lower down in the corporate hierarchy who carry it out. The alignment between human resource strategy and the Organizational strategy begins with a strategy-focused human resource professional (Hrebiniak, 2005). The human resource system needs to be created in line with the organization’s strategy and human resource department must ensure that employees are strategically focused. Becoming more strategic, though, does not mean that human resource can ignore its administrative duties, rather it means that human resource must expand its role beyond administration towards building a more strategic influence in the organization (Kaplan & Norton, 2005). An emphasis on human resource leads to understanding the role human resource plays in strategically building a competitive advantage. There is a link between strategy and human resource in that the greater the congruence between strategy and human resource, the more effective the organization would be.

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Shareholders and implementation of Strategic change

Shareholders make a financial investment in the corporation, which entitles those with voting shares to elect the directors (McDonald, 2010). Shareholders do not normally have any rights to be involved directly in company management. Their connection to company management is typically via the Board of Directors. If shareholders are not satisfied with the performance of the directors, they may remove the directors or refuse to re-elect them. Boards have numerous responsibilities: they oversee management, finances, and quality; set strategic direction; build community relationships; establish ethical standards, values, and compliance; and select a CEO and monitor his or her progress (Dow & Raposo, 2005). Through these responsibilities, they influence the manner and the speed of change implementation in their respective organizations.

The advisory board model emphasizes the helping and supportive role of the Board and frequently occurs where the CEO is the founder of the organization (Jitendra 2005). The Board's role is primarily that of helper/advisor to the CEO. Board members are recruited for three main reasons: they are trusted as advisors by the CEO; they have a professional skill that the organization needs but does not want to pay for; they are likely to be helpful in establishing the credibility of the organization for fundraising and public relations purposes. Individual board members may be quite active in performing these functions and consequently feel that they are making a valuable contribution to the organization (Pearce & Zahra, 13).

Board meetings tend to be informal and task-focused, with the agenda developed by the CEO. Therefore, the board of directors may only participate in the approval of policies which would guide the management in change process. By law, the board has the obligation to manage the affairs of the organization and can be held accountable for certain actions of employees and committees. It must therefore maintain a superior position to the CEO. Although the board is permitted to delegate many of its responsibilities to staff or committees, it cannot make itself subordinate to them. Therefore the shareholders have to be very keen in the formulation of change strategies to be adopted by management and companies at large because they are held responsible for the operations of the firm (Wiley, 2013).

Boards have three primary roles: to establish policies, to make significant and strategic decisions, and to oversee the organization's activity. Effective execution of policy is necessary to fulfill the other two roles (Choi & Ruaua, 2011). Policies define focus and differentiate responsibilities among the board, the management, and other staff within the organization. Well-written policies lead to more efficient board functioning (Payne & Frow, 2006). Instead of having the same matter or very similar matters on the agenda repeatedly, the board can develop a policy that covers the issue and leave implementation of the policy to management. Board-level policies need to be reviewed regularly to take charge of the changes in the operating environment. Through this process of policy making, the shareholders are able to impact the process of change implementation in their respective organizations.
Shareholders are also involved in the decision making process of the organization. Decision making involves making choices about the organization's vision, mission, and strategies. Boards make decisions about issues that are strategic and significant, such as whether to enter an affiliation agreement with another organization (Johnson, Scholes & Whittington, 2008). As decision makers, boards can also delegate nongovernance types of decisions to others. Therefore, through this role of decision making, shareholders through the boards are able to influence change implementation in the organization. They determine the level of resources set aside for the implementation of change process.

The shareholders are responsible for the financial oversight in their organization. They have control on how financial resources are utilized. Boards do this by ensuring the use of financial controls; ensure that funds are prudently invested, considering cash management, banking, and contracting parameters; and establish policies related to budgets (Choi & Ruaua, 2011). Their goal is to protect the community's assets. Oversight of the quality area often involves utilization and risk management in addition to continuous quality improvement (Pearce & Zahra, 2013).

**Regulators and implementation of Strategic change**

Governments create the rules and frameworks in which businesses need to operate. The regulatory policies, rules and framework seek to promote market competition and control the market power of large firms over customers and smaller firms, or to mitigate the adverse effects of business activity on individuals and other organizations (Willey, 2013). The regulations impose costs as well as benefits to businesses. From time to time the government would change these rules and frameworks forcing businesses to change the way they operate. Business is thus keenly affected by government policy. Regulations on business can benefit a range of stakeholders, including corporate and financial institutions, interest groups, employees, customers, and the general public. Government regulations play an important role in the determination of organizational performance. These government regulations would dictate how organizations have to go about implementing strategic changes within the provisions of the law (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2009).

Government regulations would determine how an organization goes about its change management. For instance, it would dictate how the organization has to control its operations in as far as the environmental conservation is concerned. Although many environmental laws regulating business were shaped with an eye toward regulating large companies, there are several reasons to expect firm size to be an important consideration in formulating and evaluating environmental policy. Compliance with environmental regulations can require firms to respond in several ways, such as by installing pollution control equipment, monitoring and reporting waste streams and pollutant releases, and developing emergency response plans (Lines, 2004). Some firms might be at a disadvantage due to the cost of pollution control equipment or the resources needed to complete required paperwork hence affect the rate of change implementation. High initial compliance costs and beaurcracies involves in the acquisition of
approvals may make it more difficult for firms to enter the industry and operate competitively (Allen, Jimmieson, Bordia & Irmer, 2007).

Government policies may also restrict the employee skills accessible by the organization. This is achieved through having an employment policy which may favour local employees at the expense of organizational efficiency. Employment laws, regulations, and policies, which can range from minimum wage laws and anti-discrimination laws to non-compete agreements and regulations on workers’ compensation and unemployment insurance, can protect or benefit one party (usually employees), but typically impose some cost on the other party (Rowden, 2001). In designing employment laws and regulations, policymakers strive to strike a balance between costs and benefits to organization. For instance, employers are required either to purchase workers’ compensation insurance to cover potential workers’ compensation losses or to demonstrate sufficient financial resources to self-insure. Large firms typically have a greater ability to self-insure and thus opt-out of the system (Adeniji & Osibanjo, 2012). In addition, small firms often face higher insurance premiums due to the imperfect application of experience rating. Unemployment taxes are typically determined by a firm’s experience with unemployment. All these regulations would affect the manner in which change is implemented in an organization (Abdullah & Muhammad, 2011).

**Implementation of Strategic Change**

Successful strategy implementation in organizations is through effectively managing these six key factors; Action Planning, Organization Structure, Resources, The Annual Business Plan, Monitoring and Control, and Linkage. The successful implementation of strategy develops detailed action plans, chronological lists of action steps (tactics) which add the necessary detail to their strategies and assign responsibility to a specific individual for accomplishing each of those action steps. Also, they set a due date and estimate the resources required to accomplish each of the action steps. Thus, they translate their broad strategy statement into a number of specific work assignments governed by time and resources (Birnbaum, 2009).

In strategy planning and implementation, resource allocation decision is necessary for using the available resources, especially human resources to achieve organizational goals. It is the of allocating resources among the various projects or business units. Resource allocation has two parts: the basic allocation decision and the contingency strategic planning mechanism. The basic allocation decision is the choice of which items to fund in the process and to what level of funding it should receive, and which to leave unfunded: the resources are allocated to some items to others (Tan & Nasurdin, 2010). The two contingency mechanisms are priority ranking of items excluded from the process which would be funded if more resources become available and priority ranking of resources included in the process which could be sacrificed if the total funding must be reduced. Resource allocation is a major management activity that allows for strategy implementation. In organizations that do not use strategic management approach in decision making, allocation of resources is likely based on personal or political factors thus
hindering proper implementation of strategies. All organizations have at least four types of resources that can be used to achieve desired objectives; financial resources, physical resources, human resources and technological resources. There are various factors that hinder effective resource allocation; overprotection of resources, vague strategy targets, organizational politics, insufficient knowledge and fear to take risks (Lamm & Gordon, 2010).

Organizations successful at implementation are aware of their need to fund their intended strategies. And they begin to think about that necessary financial commitment early in the planning process. First, they "ballpark" the financial requirements when they first develop their strategy. Later when developing their action plans, they "firm up" that commitment. Finally, they "dollarize" their strategy. That way, they link their strategic plan to their annual business plan and their budget. And they eliminate the "surprises" they might otherwise receive at budgeting time due to insufficient capital (Husain & Farooq, 2013).

Another important factor in strategy implementation is monitoring and control. The governing factor is time to ensure timely delivery of the strategy. Monitoring and controlling the plan includes a periodic look to see if you're on course. It also includes consideration of options to get a strategy once derailed back on track. Those options (listed in order of increasing seriousness) include changing the schedule, changing the action steps (tactics), changing the strategy or (as a last resort) changing the objective (Schaap, 2006).

**Review Literature and Implementation of Strategic Change**

Strategic change arises out of the need for organization to exploit existing or emerging opportunities and deal with threats within the environment in which they operate in; change in organization comes about as a response to the shocks of rapidly evolving markets and technology (Schaap, 2012). A primary difference between organizations that succeed and those that fail is the ability to adapt to change. Management of organizational change is a complex process due to various negative aspects of change within the organization and the ability to implement the proposed change (De Wit & Meyer, 2010).

Rouleau & Balogun, (2011) classified change by the extent of the change required and the speed with which the change results are achieved. The speed is about change is implemented, ranging from an-all-at- once big bang type of change to a step by step incremental kind. The extent of change required brings about four types of strategic changes: Adaption, reconstruction, evolution and revolution with implementation on how change may be managed. In terms of scope of the change process, they focused on whether change can occur within the paradigm which they referred to as realignment of strategy or whether there is need for a fundamental change of strategic.
EMPIRICAL REVIEW

Several studies have been done of the role of stakeholders in the implementation of strategic change. For instance, Gelter (2009) examined the dark side of shareholder influence by reviewing managerial autonomy and stakeholder orientation in comparative corporate governance. The study sought to advance the argument that increased shareholder influence on managerial decision making exacerbates holdup problems regarding other constituencies, particularly employees. This study reviewed the influence of shareholders on corporate governance from a legal perspective and not in policy formulation and strategic change management. In addition, the study was conducted United States which presents a different operating environment from those in Kenya.

A study by Ackermann and Eden (2011) examined strategic management of stakeholders both in theory and practice. The study explored how top management teams can increase the robustness of their strategies by attending to important concepts emerging from the stakeholder literature. Analysis of three themes emanating from this literature led to the development of a method composed of three techniques which elaborated how stakeholder management concepts could be applied in practice. The research, which spanned a 15 year time period, was based on working with 16 top management teams while they were developing their strategies, so that the method which developed incrementally in response to the teams’ reactions to its utility was grounded in both theory and practice.

Roberts & Dowling (2002) examined stakeholders and strategic management by reviewing the misappropriation of discourse. Stakeholder approaches to strategic management have been presented as capable of delivering enhanced business performance and social responsibility, though empirical studies of such capability are rare and their results inconclusive, and the debate goes on. Critics of stakeholder theory dismiss it as little more than a pipe dream arguing that, within the context of capitalist modes of production and the strategic management logic of action, stake holding would not provide a means to radical or even reformist change. The study focused on the ways in which stakeholder theory is represented in popular strategic management texts and examined the in contextual relations between this material and managerial practice using Critical Discourse Analysis (Adams, Hermalin & Weisbach, 2008). The study revealed how stake holding could become a crude means of manipulation which provides a surface gloss to managerial decision making but leaves fundamental inequalities unchanged. Further, it was argued that the concept may heighten these inequalities, especially within organizations, by providing managers with more sophisticated and rhetorically powerful means of organizational domination.

Macharia (2011) studied stakeholders’ involvement in the success of strategy implementation among public secondary schools in Nairobi, Kenya. Macharia acknowledges that the organization is envisioned as the centre of a network of stakeholders, a complex system of exchanging services, information, influence and other resources. Successful stakeholder
involvement fosters strategic development of partnership, results in collaborative problem solving in which it ultimately results in broader support for decisions. However, the goals of the stakeholders may be in conflict with each other; they may threaten business organizations. At the same time conflicts arising among the stakeholders, if well managed, can act as a synergy factor leading to a better cooperation and participation of the stakeholders. Organizations need to satisfy stakeholders’ demands as an unavoidable cost of doing business. An institution’s strategy aims at the determination of the basic long-term goals and objectives of an enterprise, adoption of courses of action and the allocation of resources necessary for carrying out those goals. The objective of the study was to establish stakeholders’ involvement and success of strategy implementation among public secondary schools in Nairobi, Kenya. The conclusion from the study was that the management of the schools should continue involving the stakeholders in the implementation of their strategies so that they can continue achieving their objectives. The schools should adopt the parameter which suits their institution goals when gauging their strategies achievement.

Abuya (2011) studied strategy implementation challenges at Actionaid Kenya. This study focused on the strategy implementation challenges and measures used to address the challenges at ActionAid. Both primary and secondary data were used. Primary data was collected using a self-administered interview guide while the secondary data was collected from the collected from the organizations document such as annual reports, website and strategic plan. This study recommends a radical change in Action Aid if the organization is to reposition itself to brace competition and deliver results. Active participation of the Board is crucial. The rules of engaging Board members should be clear and the recruitment process professionally done. Use of psychometric test would be commendable to enhance the selection of members with the desirable personalities. The board should be evaluated during the span of their membership or agreed intervals.

RESEARCH METHODOLOGY

Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aimed to combine relevance to the research purpose with economy in procedure (Kothari, 2009). This study adopted a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive case study research design was chosen because it enables the study to generalise the findings to a larger population. According to Chandran (2004), allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics (Saunders, Lewis & Thornhill, 2003). A descriptive approach in data collection is able to collect accurate data on and provide a clear picture of the phenomenon under study (Groenewald, 2004). Saunders et al (2003) stated that a descriptive method in data collection in qualitative research is central to open, unstructured qualitative research interview investigations.
Population of the Study

Mugenda and Mugenda (2003) define population as the entire group of individuals, events or objects CBD having a common observable characteristic. The study population would constitute of 120 staff working at all levels of management at NBK branches in Nairobi’s Central Business District. National Bank of Kenya Limited has a total of 13 branches within the. The branches within the CBD were chosen because of their ease of reach by the researcher. The study focused on the role of stakeholders in the implementation of strategic change in commercial banks in Kenya with a case study of National Bank of Kenya Limited.

Sampling Frame

The study used a case study of the National Bank of Kenya. National Bank of Kenya Limited has a total of 13 branches within the CBD. The branches within the CBD were being chosen because of their ease of reach by the researcher. The study focused on the role of stakeholders in the implementation of strategic change in commercial banks in Kenya with a case study of National Bank of Kenya Limited.

Census

A sample as a finite part of a statistical population whose properties are studied to gain information about the whole sample (Kombo and Tromp, 2006). Saunders et al (2003) define sampling as the process of selecting a number of individuals for a study from the larger group referred to as the population. Following the small number of NBK branches in Nairobi’s CBD, the study included all the 120 members of the population in the study hence a census study would be carried out. Stratified random sampling was used in the study. The sample was taken from the three groups in each bank which would include Senior Managers and Middle level Managers and employees. Stratified random sampling method was preferred in this preferred in this study because it would lead to selection of a representative sample from each group.

Data Collection Procedure

The data collection process involves reaching out to all the respondents in order to collect the required information about the study (Cooper & Schindler, 2003). This study would use questionnaire to collect primary data as used in various previous research projects (Lumpkin & Dess, 2001). A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. The study considered questionnaires for they have advantages over other types of research instruments in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data. The questionnaires was distributed using the drop and pick method after upon dropping them at the respondents place of work. The respondents were self administer the questionnaires and return them upon completion.
In the case where the respondents are too busy to complete the questionnaire in one sitting, the researcher were left with the respondents and pick it once completed.

**Data Analysis and Presentation**

The study generated both qualitative and quantitative data thus descriptive statistics data analysis method was used for analysis. The data were edited and coded to enable the responses to be grouped into various categories. The descriptive statistical tools such as SPSS and MS Excel helped the researcher to describe the data and determine the extent used. The Likert scales was used to analyze the mean score and standard deviation. This helps in determining the extent to which stakeholders were involved in strategy implementation in the commercial banking sector.

The data was entered into a computer for analysis using descriptive statistics with the help of Statistical Package for Social Sciences (SPSS) version 20.0 which offers extensive data handling capabilities and numerous statistical analysis procedures that analysis small to very large data statistics (Field, 2009). Descriptive statistics helped to compute measures of central tendencies and measures of variability (Field, 2009). Qualitative data were analyzed using content analysis. The analyzed findings were then be presented inform of frequency tables since they are user friendly and gives a graphical representation of the different responses given by the respondents while tables were used to summarize responses for further analysis and facilitate comparison. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

In addition, the study conducted a multiple regression analysis using the following model:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \epsilon \]

Where

- \( Y \) = Implementation of strategic change
- \( X_1 \) = Role of customer influence
- \( X_2 \) = Role of regulators influence
- \( X_3 \) = Role of employee influence
- \( X_4 \) = Role of shareholders influence
- \( b_1, b_2, b_3, b_4 \) = Coefficients of the predictor variables
- \( \epsilon \) = Error Term
RESEARCH RESULTS

Customers influence on the Implementation of Strategic Change

The study found out that customers preferences and tastes are key factors affecting the implementation of strategic change and that customers provide the indispensable influence to the bank in terms of competitive advantage, revenue and profits. The study further found out that customers form key stakeholders of the bank, a sound base of satisfied customers allows the bank to growth and enhance profitability and the bargaining power of the customer has an influence on implementation of strategic change.

Regulators influence on the Implementation of Strategic Change

The study found that high initial compliance costs and beauracracies involved in the acquisition of approvals make it difficult for the bank to operate competively and that government regulations play an important role in the determination of banks performance. It also found out that employment laws and regulations strive to strike a balance between costs and benefits to the banks performance, employment laws, regulations and policies impose some costs on the the bank and the regulations impose costs as well as benefits to the bank.

Employees influence on the Implementation of Strategic Change

The study also found out that employees are involved in the change management process. The study noted that the bank engages employees and encourage their adoption of a new way of doing their jobs and change implementation mobilizes the employees to be successful and deliver value to the bank. It was also realized that employees have a critical role in the change process of the banks performance strategy.

Stakeholders influence on the Implementation of Strategic Change

The study found that National Bank of Kenya Limited had involve all stakeholders during the change management process from the planning stage to the implementation stage as this would bring about a sense of involvement and ownership by all stakeholders which would play a big role in ensuring successful implementation of the selected strategy. Communication also needs to be continuous as shareholders connection to the bank’s management is through the board of directors.

REGRESSION ANALYSIS

The study conducted a multiple regression. The findings are shown in Table 1 below

Table 1: Model summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.823a</td>
<td>.677</td>
<td>.651</td>
<td>1.06729</td>
</tr>
</tbody>
</table>

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Table 2 above shows a model summary of regression analysis between four independent variables, employee influence, regulators influence, shareholders influence and customer influence. The value of R was 0.823; the value of R square was 0.225 and the value of adjusted R square was 0.677. From the findings, 67.70% of changes in the effectiveness of the strategies were attributed to the 4 independent variables in the study. Positivity and significance of all values of R shows that model summary is significant and therefore gives a logical support to the study model.

**Table 2: ANOVA**

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>19.869</td>
<td>4</td>
<td>4.967</td>
<td>6.178</td>
<td>.004b</td>
</tr>
<tr>
<td>Residual</td>
<td>68.346</td>
<td>85</td>
<td>0.804</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>88.215</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVA statistics of the processed data at 5% level of significance shows that the value of calculated F is 6.178 and the value of F critical at 5% level of significance with numerator degrees of freedom 4 and denominator degrees of freedom 89 was 2.474. Since F calculated is greater than the F critical (6.178 > 2.474), this shows that the overall model was significant.

**Table 3: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.837</td>
<td>.570</td>
<td>4.982</td>
<td>.000</td>
</tr>
<tr>
<td>Customers influence</td>
<td>.109</td>
<td>.267</td>
<td>.051</td>
<td>.407</td>
</tr>
<tr>
<td>Regulators influence</td>
<td>.581</td>
<td>.176</td>
<td>.453</td>
<td>3.308</td>
</tr>
<tr>
<td>Employee influence</td>
<td>.684</td>
<td>.223</td>
<td>-.421</td>
<td>-3.068</td>
</tr>
<tr>
<td>Shareholders influence</td>
<td>.094</td>
<td>.138</td>
<td>.097</td>
<td>.679</td>
</tr>
</tbody>
</table>

From the table 3, the regression model can be written as:

\[ Y = 4.312 + 0.109X_1 + 0.581X_2 + 0.684X_3 + 0.094X_4 \]

Where \( Y \) = Implementation of strategic change, \( X_1 \) = Customers influence, \( X_2 \) = Regulators influence, \( X_3 \) = Employee influence, \( X_4 \) = Shareholders influence

The regression equation above has established that taking all factors into account constant at zero, implementation of strategic change would have an autonomous value of 2.837. The findings presented also show that taking all other independent variables at zero, a unit increase in customers influence would lead to 0.109 implementation of strategic. A unit increase in

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regulators influence would lead to a .581 increase in implementation of strategic. A unit increase in employee influence would lead to .684 Implementation of strategic while unit increase in shareholders influence projects would lead to .094 increases in implementation of strategic. All the variables were significant as the P-values were less than 0.05.

CONCLUSIONS

The study concludes that the role of customers had allowed development of new products which are inline with the customers tastes and preferences thus led to improved satisfaction. The customers played a key role in organization performance by providing market for the company’s products.

The study further concludes that regulators influence implementation of strategy through laws, policies and regulations that would impose some cost to the bank and the employees. The regulators provide a framework that guides the operations of all organizations for a healthy banking sector in Kenya.

From the study it is evident that the level of competency empowerment of employees should be observed in order to improve their level of confidence in the implementation process. Critical skills required for strategy implementation must be identified depending on the complexity and nature of the strategy as employees have critical role in the change process.

The study concludes that shareholders oversee management, finances, and quality and set strategic direction monitoring the banks progress by influencing the manner and the speed of change through approval of policies.

RECOMMENDATIONS

The study recommends that customers should be involved in the implementation of strategic change because they are the key stakeholders, customers provide the indispensable influence to the bank in terms of competitive advantage, revenue and profits and that the role of customers may be allowed in development of new products which is inline with their tastes and preferences thus improve satisfaction.

The study recommends that regulators compliance costs and beauracracies involved in the acquisition of approvals could be made easier for the bank to operate competitively and that government regulations play an important role in the determination of banks performance and that laws, policies and regulations that would impose some cost to the bank and the employees could be minimize.

The study further recommends that the level of competency empowerment of employees could be enhanced in order to improve their level of confidence in the implementation process. Critical skills required for strategy implementation must be identified depending on the complexity and nature of the strategy as employees have critical role in the change process.
The study recommends that there needs to be stakeholder involvement in all stages of planning and implementation to bring a sense of ownership by all parties so that they can feel the strategy has not been forced on them. This would also increase the chances of successful implementation of the selected strategy because through their responsibilities in the bank, shareholders influence the manner and the speed of change implementation in the bank.

REFERENCES


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