INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES
ON ISLAMIC BANKS PERFORMANCE IN KENYA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa for academic credit.

Signed: _________________________ Date: ____________________________

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This project has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

The general objective of the study was to examine the influence of strategic management practices on Islamic banks performance in Kenya. The study was guided by the following specific objectives: to examine if Islamic banks in Kenya practice strategic management, to examine if strategic management influences Islamic banks’ performance in Kenya, to analyze challenges faced by Islamic banks when implementing strategic management practices.

The research design that was adopted was a descriptive research design. The population of focus in this research was commercial banks in Kenya. The study worked with a sample of 60 respondents from two commercial banks offering Islamic Banking products and one Islamic bank in Kenya. These are Kenya Commercial Bank, Barclays Bank and Gulf African Bank. The sampling technique employed was stratified random sampling because of the heterogeneous nature of the population. In this case, convenience sampling was employed whereby the willingness of the respondents were key determinants of what constitutes the representative sample.

Primary data for the research was collected through use of questionnaires that comprised both closed and open ended questions that sought to measure strategic response for effective customer retention. Respondents were required to respond to questions developed from the three research questions which did provide substantial data for analysis to derive conclusions. The data was analyzed using SPSS Statistics in terms of percentages, mean, as well as regression tables and presented in form of tables and figures to elicit the findings in light of the three research objectives.

The study revealed that majority of the respondents agreed that the following are key strategic issue management practices: Globalization, New technology, Global financial crunch, Exchange rate fluctuation, Operation cost, ISO certification, Changes in government policy, Emergence of new competitors and finally Changes in top management.

The study further revealed that majority of the respondents agreed that among the benefits of strategic issue management include: improved performance, improved efficiency, insurance against risk and finally strategy effectiveness.
Finally, the study revealed that time taken in discussing and verifying strategic issues is a challenge to SIM the resources required for strategic issue handling are inadequate, refusal by top management to submit to SIM, systems delay in information flow, stakeholder resistance in SIM implementation, strategic issue management gets great deal of resistance from the impacted people in the organization. There is a feeling of less teamwork on the strategic issue management department in the organization.

The study recommends that the response to strategic issues for Islamic banks should involve all managers in the strategic planning to help them achieve its plan. Second, all managers should also be involved in strategic issue management to give them adequate decision making authority in the implementation of the strategies and have a documented procedure on how to handle strategic issues. Third, the document procedures to handle strategic issues should incorporate evaluation of strategic issue management for continuous improvement of the process.

The study recommends that Islamic banks need to focus on the benefits of strategic issue management such as improved performance, improved efficiency, insurance against risk, and finally strategy effectiveness. This should inform the decisions made by the organization.

The study recommends that all the stakeholders in the industry should incorporate the findings of this study, especially the identified strategic issue practices and challenges facing the industry in making their decisions.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Strategic management is a set of managerial decisions and actions that help to determine the long–term performance of an organization (Thomas et al., 2015). Strategy analysis will be our entry point to the strategic management process: it helps in analyzing and understanding the segments of the general environment. Most enterprises use their strategic planning to select the right strategies and manage both internal and external environmental factors which both lead to the appropriate identification of the enterprise’s vision and mission. This study looks at strategy formulation by highlighting business level strategy through determining its four areas: strategies for cost leadership, differentiation, focus, and integrated cost leadership/differentiation. Similarly, we discuss corporate level strategy and the applied levels of diversification: low, moderate, high and very high. Moreover, in this research consideration is given to functional strategies and co-operative strategies, In addition to Shar’iah compliance. Next, the study clarifies the strategy implementation which consists of a corporate governance mechanism to monitor and control managers’ decisions, applied leadership through empowering others, anticipation, envisions, and maintaining flexibility to create changes in strategy. In addition, three types of organizational structure and control are examined: simple, functional and multi-divisional(Thomas et al., 2015).

Strategic management therefore involves identifying of long-range targets, scanning of the organization’s operating environments, evaluating the organization’s structures and resources, matching these to the challenges the organization face, identifying stakeholders and building alliances, prioritizing and putting in place plan of actions, and making adjustments to fulfill performance objectives over time. Brinkerhoff (2014) characterizes strategic management practices as looking out, looking in, and looking ahead. “Looking out” means exploring beyond the boundaries of your organization to set feasible objectives, identify key stakeholders, and build constituencies for change.

“Looking in” implies critically assessing and strengthening your systems and structures for managing personnel, finances, and other essential resources. Finally, “looking ahead” entails
welding strategy with structures and resources to reach policy goals while monitoring your progress and adjusting your approach as needed (Ahmed, 2010).

Islamic banks are striving to capture the maximum number of customers to compete with conventional banks by providing a large number of financing strategies as an alternative for interest based products and services. They are performing multiple functions to provide a variety of products and service for different segments of the economy. Unlike conventional banking, Islamic banking is run under the principles of partnership, mutual solidarity and reciprocal social development (Ahmed, 2010). Islamic financial services industry has experienced a remarkable growth over the last four decades. However, Islamic banks are struggling against conventional banking and non-banking financial institutions, existing pool of Islamic commercial banks and insurance companies. To survive in this strategic rivalry, Islamic banks must understand and use the customer satisfaction issues under existing privileges given by Islamic Shari`ah (McIver, 2012).

An Islamic bank normally has three types of deposits that determine its capacity to raise the rates of shareholders’ return. These are current account deposits, unrestricted investment deposits in savings and Mudharabah accounts, and lastly, off-balance sheet deposits in investment funds and special or restricted investment accounts. It is erroneous to think of these deposits as independent of each other. According to Iqbal and Mirakhor (2011), numerous researches have proven the existence of usually positive links between them. This has also been confirmed by the reports of the 7 Islamic banks and therefore, in marketing and presenting any type of deposit to clients, its effect on other types of deposits should always be taken into account. In fact, Islamic banks must be able to measure this effect.

Although Islamic banks do not distribute returns to current account owners, the servicing of these accounts, despite their cost, not only increases the rate of profit, because the deposits are not subject to distribution as they are guaranteed, but these demand deposits also increase the multiplier of assets/equity rate which is reflected in the form even a greater increase in the rate of profit (Amin, 2008). On the other hand, off-balance sheet deposits are considered an attractive way to increase the number of clients in addition to being a very important vehicle to increase the rate of shareholders’ returns, because it increases the earnings from
the agency activities, keeping in mind that these earnings are less affected by investment risks to which other banking earnings are subjected.

It must be realized that maximization of profit is the objective of the highest priority for all investment institutions created by private individuals. Consequently, all private-sector financing institutions have one fundamental objective: to make as much profit as they can and Islamic banks are not any exception but require effective strategies that can ensure that they are as profitable as possible. However, some Islamic banks may pay little attention to the quality of services they offer to their clients, especially if such banks enjoy a position where it can exercise some monopolistic power in the market. Many Islamic banks were once in this situation when they were acting alone in their Islamic financial services’ markets (Mustafa, 2012).

In Kenya, there are fully-fledged Islamic banks that solely offer Shari’ah-compliant products; and main stream banks that provide products that are tailored to be in compliance with Islamic law. Examples of such banks targeting lower income and special customers are Jamii Bora Bank, which has carved a niche for itself not only by tailoring its banking services mainly to low-income customers but by also venturing into mortgage financing for low-income housing, and two fully-fledged Islamic banks; First Community Bank and Gulf African Bank, that have succeeded in bringing Shari’ah-compliant banking services to Kenya (KBA, 2013). Kenya Bankers Association (KBA) is committed to ensuring that customers make informed choices of different products and services offered by banks and which meet the diverse base of customers’ needs. It also ensures that banks give customers general information about the bank and the products and services they offer to meet the needs of the customers. Moreover, it ensures that banks offer niche services and products to meet the needs of a diverse customer base such as the Muslim community. For example, KBA is keen to ensure that Shari’ah-compliant banking (Islamic banking) is available to the Muslim community and other persons who may be interested (Mugambi, 2012). Although this is the case, Islamic banks need to give special care to their integrity and credibility. Some critics are disappointed that Islamic banks have deviate to a great extent from the philosophic and idealistic basis that inspired their originators in the 1970s. Islamic banks are evolving financial and investment instruments that are not only profitable but are also ethically
motivated. This study therefore seeks to examine the influence of strategic management practices on Islamic banks performance in Kenya.

1.2  Problem Statement

Strategic management emphasizes formal techniques for setting an organization’s long term course, developing plans in the light of internal and external circumstances, an undertaking appropriate action to reach those goals (Goldsmith, 1997). Local studies done on strategic management practices are; Kathuku (2004) noted that more Kenyan organizations have responded to the changing environmental conditions; Kan’goro (1998) in a study concentrating on aspects of strategy formulation, as opposed to entire strategic management process, observed that strategic management is practiced in the British Curriculum Schools in Kenya but recommended that a study be conducted to document aspects of strategy implementation, evaluation and control in the sector. Ateen’g (2007) also observed that strategic management is being practiced in the development institutions but suggested that there is need to undertake further research in strategy implementation in the sector in view of numerous well written strategic plans that are yet to be implemented.

A study conducted by ElSiefy (2013) for the period 2006–2010 illustrated that Islamic banks’ market share had increased and they had maintained stronger asset growth and credit growth than had conventional banks before and after the financial crisis. In addition, he stated that there was a slowdown in Islamic banks’ profitability after the crisis and a significant low performance over most of the period of the research compared to the performance of conventional banks. This has led to the following questions: how do Islamic banks perform compared with one another? How has this arisen? On what basis? Are Islamic banks systemically applying strategy management or no? This study therefore seeks to examine the influence of strategic management practices on Islamic banks performance in Kenya.

1.3  General Objective

The general objective of the study was to examine the influence of strategic management practices on Islamic banks performance in Kenya.
1.4 Specific Objectives

1.4.1 To examine if Islamic banks in Kenya practice strategic management.
1.4.2 To examine if strategic management influences Islamic banks’ performance in Kenya.
1.4.3 To analyze challenges faced by Islamic banks when implementing strategic management practices.

1.5 Significance of the Study

1.5.1 Banks

The study is important in order to provide information to banks in Kenya, especially when it comes to selling their banking products; this automatically taps into their strategic goals.

1.5.2 Consumers

This study is beneficial to the consumers in that they will have more knowledge about banking products and the importance of Islamic banking. They will also learn about the different Islamic banking terminologies and the different Islamic banking products in Kenya.

1.5.3 Researchers and Academicians

This study is also helpful to other researches and academic institutions to learn about Kenya’s banking industry. This study will also be the centre piece idea to other students willing to pursue a research on a similar field. This is so because the final draft of the completed research will provide further areas of research.

1.6 Scope of the Study

The study will be limited to research on challenges of market penetration by Islamic banking in Kenya. The study will focus on the population that is located in Nairobi, comprising of all licensed banks offering Islamic banking products and services to their customers.

This study will be carried out in May 2017. A limitation expected in the course of the study is lack of co-operation from the respondents. This will be mitigated by obtaining clearance from the relevant university offices to ensure authenticity of the study. The respondents will also be assured of anonymity through a signed introductory letter.
1.7 Definition of Terms

1.7.1 Commercial Banks

A group of both Islamic banks and conventional banks accept deposits and make loans. They provide various financial services and products for depositors, including provision of cash and credit cards, storage foreign exchange, mortgage finance, and executor services (Black, 2013).

1.7.2 Conventional Bank

Conventional banking is essentially based on debtor creditor relationship between the bank and depositors on one hand and borrowers and the bank on the other. Interest is considered as the price of credit, reflecting the opportunity cost of money (Hafez, 2014).

1.7.3 Savings Cooperative and Credit Societies (SACCO)

These are institutions that mobilize members into a cooperative for the purpose of contributing money and then lending out the money to the members with their shares being the security.

1.7.4 Islamic Banks

These are also referred as free-interest banks. They are banks that operate in accordance with the Islamic principles and ethics (Mohammad, 2014).

1.7.5 Shari’ah

Codes of moral guidance and set of principles that govern all aspects of the daily economic and social activities of Muslims (Shahid, 2011).

1.8 Chapter Summary

This chapter has looked at the background of the study, problem statement, the purpose, scope, and importance of the study. The chapter also states the three specific objectives that formed the basis of the study. Chapter two presents a literature review. Further on, chapter three discusses the research methodology that was used in the execution of the study while
chapter four gives the findings of the study. The final chapter provides a summary, discussion, conclusions and recommendations that arise from the findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature with regards to the three objectives of the study which include the strategic issue management practice, the benefits of strategic issue management and the challenges of strategic issue management.

2.2 Islamic Banks in Kenya and their practice of Strategic Management

Organizations implement strategic issues management process by creating Strategic Issues Management Systems. It is a system that incorporates set of organizational procedures, routines, personnel and processes devoted to perceiving, analyzing and responding to strategic issues (Dutton & Ottensmeyer, 2014). The strategic issue management system requires that responsibilities are assigned to various groups within the organization. These may be the general management, the staff group and the workers group (Ansoff & McDonnell, 1990). The responsibilities of each group must be very clear to avoid the risk of strategic issue management system degenerating into “paralysis by analysis”. The groups should be resolvers, and not planners of issues.

2.2.1 Issue Identification

The first stage of SIM is scanning. This is the process of monitoring the environment and providing environmental data to managers. It is a process of information identification and collection by organization through different sources. The process of scanning depends both on individual’s perceptions and on organizational activities that influence organizational perception. On the individual level, the process of perceptual selection determines to which issues in their environment top-level decision-makers will devote their scarce cognitive processing capacities (Heugens, 2011).

There are two possible scanning modes. Prospective environmental scanning focuses on the identification of potential issues. It gives organization early warning about significant environmental changes. Another type of scanning behavior has passive nature, which lowered the possibility of early signs of important events and developments (Heugens, 2011).
Issues come to the attention of the organization when they are already mature. Organizations choose one or another mode of scanning depending on the managerial perception about organizational position in the environment.

Real time strategic issue response are necessary to facilitate the firm’s preparedness in handling the impending issues that may have profound impact on the firm (Ng’ang’a, 2011). In his presentation to the Issue Management Council (IMC), Jacques (2010) proposed a nine best issue management best practice indicators. He broadly classified them under structure, implementation and integration. Under structure, he recommended the establishment of a mechanism to identify current and future issues through environmental issue analysis. When reviewing the structure, management should consider the following reference points; there should be designated individuals to formally monitor key information sources such as news media, journals, research, website and external conferences and peer industry activities. The organization sought to actively participate in trade association including monitoring and lobbying of legislation, new regulation and relevant litigation at local, national and international levels, use phone or e-mail hotlines, allow employees to elevate issues with management, ensure community advisory panels or third party focus groups are actively promoted and existence of an established process is in place to receive, evaluate and prioritize scanning inputs from both internal and external sources.

The third factor requires that the responsibility for stewardship of the issue management process be clearly assigned and mechanisms put in place to build organizational expertise in the discipline. This should take care of the following reference points; job descriptions should show clear responsibility for the issue management process and issue management centers of expertise to provide resources and to improve issue management awareness and effectiveness at all levels of the organization. Then, the issue management process steward then formally monitors issue teams. To eliminate redundancy, promote consistency of policy, message and optimize resource deployment, conduct formal training so that it’s available to the issue teams to properly implement the process. The operational issue management process should then be regularly reviewed and benchmarked (Ali, 2008).

At the implementation stage, the fourth critical factor is “ownership” of each major issue being clearly assigned at an operational level with accountability and results linked to
performance reviews. The following preference points should be taken into account. The issue owner is clearly identified on all documentation and communication. Action plans and timelines are set out at both group and individual operational activity. The issue progress is assessed and evaluated against formalized operational or tactical goals while personal and learn issue achievement relate directly to salary and bonus assessment. The management authorizes resource such as task teams to address particular issues (Ng’ang’a, 2011).

Fifth, the progress against key issues should be formally reviewed with organizational owner on a regular basis and the status of each to be monitored at the highest management level. This ownership should take into account the following reference points. The issue teams meet and report on regular basis. They should have an existing recognized processes to formally evaluate progress against strategic objectives. The chief executive officer should be regularly briefed on key issues including status and plans (e.g. weekly or fortnightly). The process should then be established to record and implement management feedback while management formally reviews issue position statements and actively participate in regular status updates (Jones, 2010).

The executive committee or board of directors has fiduciary oversight of the issue management, has mechanisms in place to report progress to directors and/or external stakeholders and authority to intervene in the event of non-compliances or misalignment. The following reference points should be considered; Board level management has direct issue involvement (e.g. public policy or environmental affairs committee or nominated director to lead or maintain the issue process and related policy). The issue reports are available to external stakeholders (e.g. annual reports, corporate social responsibility report) while organization external web-site provide issue updates and mechanisms for stakeholders feedback, have established procedures existing for the board to intervene where necessary and to penalize non-complain. The board utilizes an executive level external issue or stakeholder advisory board (Ali, 2008).

The final phase would then constitute the integration stage. The top management should ensure that formal channels exist for managers at all levels to identify and elevate potential issues for possible integration into broader strategic planning including external stakeholder management which must be done in light of the following reference points: that strategy
planning should specifically review current and future issues and then financial impact throughout the business life-cycle. The external stakeholder then advocate formally reports findings and feedback. Business or new products reviews identify and address potential issues while “issue scanners” are formal identified and trained. Managers should then actively encourage outside in perspectives and employee participation (Ansoff & McDonnel, 1990).

2.2.2 Strategic Issue Management Systems

Ansoff and McDonnel (1990) point out that SIMS is a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. This system is real time and involves continuous preoccupation with strategic issues first it involves continuous surveillance, both inside and outside the enterprise. The senior management is responsible for managing the system for fast response since they have the resources and authority to initiate prompt action. They assign responsibility for individual issues directly to units which are best equipped to deal with the issues and resources allocated directly to senior management. The Strategic Issues Management (SIM) system is deployed using the following Processes; A firm's top management team continuously surveys their potential future external environment (technology, economic, political, social, competition), and intra-firm environment (strengths and weaknesses), from which they evaluate which issue will likely have a significant effect on the firm. Management evaluates each discontinuity on the firm, its effect, level of urgency, and immediacy of response required. Those determined as high impact on the firm are, labeled as strategic issues.

For high impact and high urgency issues, immediate action is required to resolve the issue. Management assigns a rapid response unit with necessary resource allocation to resolve the issue. High impact and moderate issues, a delayed response is requires where strategic issue are designated for review in the next scheduled planning session. High impact but low urgency issues, continuous monitoring and evaluation is carried out. If the urgency increases, a task force leader is assigned to deal with the problem. Discontinuities that are both low on impact and urgency on the firm, no changes are expected to be put in place (Jones, 2010).
2.2.3 Impact Estimation

Ansoff and McDonnell (1990) proposed four analytical techniques to be used in Strategic Issue Management practices; Simple Environmental impact analysis looks into one event at a time without taking into account of inter dependence. Threats, opportunities and strengths/weaknesses are identified from continuous surveillance of external environment trends, internal capability trend and performance trend. Issue ranking approach involves a continuous environmental surveillance through trend analysis. Impact and urgency of the trends are estimated and presented as key strategic issues to top management; issues are then prioritized as issues requiring immediate action, postponable issues, delay able issues and minor issues (Yeibei, 2014).

Cross impact analysis estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produce cluster of events/trends, thereby facilitating identification and preparedness of probable future disaster or opportunity scenarios. A case where both strength and weaknesses are useful in pursuing future opportunities to minimize the impact of the threats is called the positive synergy case. The negative synergy is where the SWOT synergy will have the opposite effect. Secondly, organizations adopt a formal process to assign and manage issues. The following reference pints are important; establish policies or procedures describing the issue management process including roles and responsibilities and documentation, have formal prioritization analysis, ensure that issue strategy development tools or worksheets are consistently used make sure that issue status files and position statements are regularly updated and information to be maintained to facilitate future access to the last status and lessons learned (Ali, 2008).

The eight factors for consideration is the management of current and future issues to be well embedded within the strategic planning and implementation process of organizational clients or owners. The following reference points should be considered; training programs to promote issue management as a standard operating procedure. The leadership of the business or operating unit owns the issue and receives regular updates. Issue owners should be members of core management while issue management plans are fully aligned with business plans to ensure optimum synergy and minimize duplication or internal conflict. The Chief Executive Officer briefing must then integrate issues into Annual General Meetings, analyst
briefings and other shareholder communication evaluations, which is all done for the issues impact and issue urgency. A positive synergy occurs when strengths and or weaknesses are applicable to responding to threats and opportunities. A negative synergy occurs when neither strengths nor weaknesses help in with threats and opportunities (Jones, 2010).

2.3 Influence of Strategic Management on Performance

Strategic management is a set of managerial decisions and actions that help to determine the long–term performance of an organization (Thomas et al., 2015). Strategy analysis will be our entry point to the strategic management process: it helps in analyzing and understanding the segments of the general environment. Most enterprises use their strategic planning to select the right strategies and manage both internal and external environmental factors which both lead to the appropriate identification of the enterprise’s vision and mission. This study looks at strategy formulation by highlighting business level strategy through determining its four areas: strategies for cost leadership, differentiation, focus, and integrated cost leadership/differentiation. Similarly, we discuss corporate level strategy and the applied levels of diversification: low, moderate, high and very high. Moreover, in this research consideration is given to functional strategies and co-operative strategies, In addition to Shar’iah compliance. Next, the study clarifies the strategy implementation which consists of a corporate governance mechanism to monitor and control managers’ decisions, applied leadership through empowering others, anticipation, envisions, and maintaining flexibility to create changes in strategy. In addition, three types of organizational structure and control are examined: simple, functional and multidivisional(Thomas et al., 2015).

Strategic management therefore involves identifying of long-range targets, scanning of the organization’s operating environments, evaluating the organization’s structures and resources, matching these to the challenges the organization face, identifying stakeholders and building alliances, prioritizing and putting in place plan of actions, and making adjustments to fulfill performance objectives over time. Brinkerhoff (2014) characterizes strategic management practices as looking out, looking in, and looking ahead. “Looking out” means exploring beyond the boundaries of your organization to set feasible objectives, identify key stakeholders and build constituencies for change.
2.3.1 Improved Performance

A number of studies related to strategic issue management have been done (Lawal et al., 2012). In their study on effects of strategic issue management on organizational performance, they reported some evidence that adoption of issues management techniques can improve the performance and relative standing of organization that are with different societal and political issues. Heugens (2011), in his study on strategic issues management and organizational outcomes, assessed whether strategic issues management activities contribute anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the recent introduction of genetically modified ingredients. He concluded that the implementation of issues management activities by firms that are exposed to societal or political predicaments significantly and positively influences organizational outcome variables.

Perrott (2011) documented Ramsay healthcare, a case example of how a health care organization implemented the process of strategic issue management. The Ramsey case demonstrates how the use of a carefully designed and implemented strategic issue management practices facilitated and improved the identification of priority strategic issues to drive the change and adaption agenda for that organization.

Ali (2008), in his study of strategic issue management practices by Commercial Banks in Kenya, found out that Management understand how critical it is to address strategic issues and that in order to be able to effectively deal with the discontinuous and surprising environment organization should embrace strategic issue management system to enhance their capacity to adapt and learn. Wambutura (2010) studied strategic issue management in Kenya Maritime Authority and recommended that SIM should be highly implemented in public institutions for them to realize their set goals and objectives.

Chembalain (2012) studied strategic issue management by shipping companies in Kenya and recommends consistent application of SIM practices and a regular review of the techniques in order to match the environmental changes both locally and globally. All these studies have established that SIM is being practiced even though the level of appreciation varies among the different contexts.
2.3.2 Improved Efficiency

The strategic issues facing the organization and its response to them will call on the organization’s skills in strategic management - its ability to recognize and deal successfully with strategic issues. In the private sector, these will include ensuring greater efficiency and value for money, improved and innovative product and service delivery to the customers, increased communication with customers and partners, and greater organizational coordination (Jones, 2010).

Although the strategy process may incorporate timetabled events which fit into the wider management processes, strategic management is a continuous process (Jakab & Preker, 2013). Managers at all levels in the organization may need to make decisions on business issues at any time, and some of these decisions could be regarded as ‘strategic’ - even though they may not appear so at the time. Any business-focused strategy must be flexible enough to accommodate the demands of continuous change (Jakab & Preker, 2013).

According to Abdullahi (2010), a manager must be able to identify the strategic issues facing the organization such as issues it must address if it is to meet its business objectives. These might include social inclusion, for example, or environmental issues. The responses to strategic issues will be incorporated in the themes of the business strategy. There is not necessarily a one-to-one relationship between strategic issues and the themes of the business strategy, since themes will be chosen as the basis for programs of business change, and one such program may address several strategic issues.

The strategic issues facing the organization and its response to them will call on the organization’s skills in Strategic Management – its ability to recognize and deal successfully with strategic issues (Hittetet et al., 2010). One benefit of strategic issue management is that it enables swift response to environmental surprises. SIM systems detect surprising changes as they become evident and respond in real time without waiting for annual planning (Ansoff & McDonnell, 1990). An organization that is preoccupied with environmental surveillance throughout the year will notice a discontinuity way ahead of reactive ones. Ansoff (1980) argues that how quickly an organization will respond is determined among other factors by how much knowledge the organization has about an issue. If the knowledge
level is high, an organization may have time to execute an appropriate response as opposed to when information about the issue is still vague.

### 2.3.3 Insurance against Risk

Related to the above point is the issue of insurance against risk. An organization with a high level of information about an impending threat or opportunity is more likely to execute an appropriate response than one which is operating on a vague signal (Ansoff, 1980). This way SIM reduces uncertainty. It shields organizations from strategic shocks with unknown origins. It therefore prevents accumulated losses and extraordinary costs (Ansoff & McDonnell, 1990). Dutton and Ottensmeyer (2014) observed that SIM systems can have a symbolic meaning. This way, they produce, manage and resolve meanings for strategic issues thus preserving the image of an organization as it conveys an image of a rational and effective organization. They sort and extract meaning from organization context when they are used by decision makers to create and communicate shared meanings.

Although the strategy process may incorporate timetabled events which fit into the wider management processes, strategic management is a continuous process. Managers at all levels in the organization may need to make decisions on business issues at any time, and some of these decisions could be regarded as ‘strategic’ – even though they may not appear so at the time. Any business-focused strategy must be flexible enough to accommodate the demands of continuous change (Kuehner-Hebert, 2010).

According to Abdullahi (2010), a manager must be able to identify the strategic issues facing the organization – those issues it must address if it is to meet its business objectives. These might include social inclusion, for example, or environmental issues. The responses to strategic issues will be incorporated in the themes of the business strategy. There is no necessarily a one-to-one relationship between strategic issues and the themes of the business strategy, since themes will be chosen as the basis for programs of business change, and one such program may address several strategic issues.

### 2.3.4 Strategy Effectiveness

A number of studies in the strategic management literature, for example Aosa (1992), are based on a broad approach of the content of strategies in which organizational features are
considered as evidences of adopted strategic orientations. According to this approach, studying strategic orientations implies to evaluate organizational characteristics simultaneously. Some of these studies identify major strategic behaviors allowing organizations to succeed. In addition, they focus on the content of the strategic orientations. Their typology shows how organizations choose specific strategies that allow them to realize an adequate fit with their environment.

A comprehensive analysis of environmental trends and prospects identifies additional strategic issues. Resolution of these strategy and environment-driven issues become the central preoccupation of the annual planning process. Thus strategic issues analysis (analysis of impact and response to significant developments was added to strategy analysis – determination of thrusts for the future development of the enterprise.

2.4 Implementation Challenges of Strategic Management Practice

According to Ansoff and McDonnell (1990), installation and acceptance of SIM is not likely to be simple. The difficulties come from different sources. Right from planning/formulation and implementation of strategic issue management, challenges do occur normally at certain stages. Limiting funds to support strategic issue management is one of the greatest challenges facing many organizations. A good resource base is a critical success factor in making sure that the strategy and the environment are aligned in the same direction (Mbogo, 2007). Lack of funding therefore may make the management feel that strategic issue management is not taken seriously, thus may engage in more of reacting to emergent issues in environment rather than planning in advance; hence compromising competitive advantage.

A number of studies related to strategic issue management have been done (Lawal et al., 2012) in their study on effect of strategic issue management on organizational performance reported some evidence adoption of issues management techniques can improve the performance and relative standing of organization that are with different societal and political issues. Heugens (2003), in his study on strategic issues management and organizational outcomes assessed whether strategic issues management activities contribute anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the recent introduction of genetically modified
ingredients. He concluded that the implementation of issues management activities by firms that are exposed to societal or political predicaments significantly and positively influences organizational outcome variables.

2.4.1 Differing Opinion among People

The differing opinion of the people involved also limits the implementation of Strategic Issues Management. This would tend to support the view that Strategic Issues Management implementation may not be very smooth if the organizational structure is tall instead of a lean structure which can follow faster flow of information. Learning organizations have to look for ways of accommodating varying opinions and focusing on common goals to avoid aborting opinions that could impact on an organization.

Prahalad and Hamel (1990) have stated that strategic thinking needs to be a core competency of an organization, requiring that managers need to develop strategic insights to guide the company. In Strategic Management itself, which is theory-oriented, Ansoff is talking about perception of the environment by the organization according to the level of turbulence (Martinet, 2010). The effective management of emerging issues has never been more important to the success of business organizations than it is today. An increasingly global marketplace means that corporate performance in one region of the world directly impacts its regulatory burden, brand image, reputation and financial wellbeing not only there, but across the globe. To head off crises and take advantage of emerging business opportunities, you need an effective issues management process (Laufer, 2006).

2.4.2 Resistance to Change

Resistance to change is another common challenge in strategic issue management especially at the implementation stage. Resistance comes in because strategic issue management requires real time systems. Muya (2006) asserts that real time wrecks hierarchical organizations by making possible instant access to activities of all types- anywhere, anytime all the time. Refusal to take charge is frequently coupled with a mentality problem, a refusal by top management to accept new and unfamiliar issues as relevant to the enterprise. Thus the acceptance of SIM by top management is the major problem to solve. The solution is a ‘sales campaign’ by the ‘converted’ subgroup of general managers. Careful education and an
involvement in confrontation of issues by the top group, is more promising course of action. In cases where the new realities require a transformation of mentality of key managers the firm will probably need external help.

2.4.3 Refusal by Top Management to submit itself to Discipline

Refusal of the top management group to submit itself to the discipline of SIM can be a taunting challenge. Periodic planning is frequently used for organizing ‘the others’ in the enterprise. If top management refuses to become part of the process, periodic planning can still make a useful contribution to the enterprise. But if top management pay a lip service to SIM, it will not work.

According to Ansoff and McDonnell (1990), installation and acceptance of SIM is not likely to be simple. The difficulties come from different sources. The first is the refusal of the top management group to submit itself to the discipline of SIM. SIM systems it will only function in an organization if managers accept to play a central role in it (Ansoff&McDonnell, 1990). This is a tall order in most organizations as managers normally prefer the familiar over the unfamiliar. Ansoff and McDonnell (1990) observed that it is also difficult to get managers to submit to the disciplines demanded by the system. Installation of SIM in organization usually meets enormous resistance from the impacted group. In the implementation stage, the strategy itself may be changed so the expected results may not be attainable. In the highly competitive, technologically driven environment, scarce resource may hinder the installation of SIM (Ansoff& McDonnell, 1990).

2.4.4 Requisite Networks within and Outside the Organization

The other challenge of SIM systems is that it requires managers to build networks within and outside the organization (Mkanduli, 2005). Oomens and Bosch (1999) noted that implementation of effective SIM cannot guarantee that a company will never experience a crisis situation. It is important for firms to develop crisis awareness and crisis management capabilities. However, sound issue management reduces the number of occasions when crisis management is needed. This is brought about by failure to effectively assess the impact of external changes on existing plans.
According to Ansoff (1980), implementation of SIM is not easy. The list of issues to be dealt with and monitored keeps on changing due to the turbulence of the operating environment. This may lead to thrashing of resources among solving of issues due to ever changing priority lists resulting to lost energy, time and money. The situation is worsened when the new realities to be confronted are drastically different from the past. This may require the enterprise to seek for external help which may prove very expensive to the organization. Oomens and Bosch (1999) noted that SIM and stakeholders management are related concepts because for every issue, a stakeholder analysis is required to determine who the most important stakeholders are for a particular issue and estimate their influence. This creates a problem since interest of stakeholders is always conflicting. This poses a great challenge especially when implementing SIM. Therefore top management has to exercise caution in order to meet the various needs of their stakeholders.

2.4.5 The Business Environment

The environment in which a firm operates is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed and society’s expectation and the demands it makes to companies are now higher than before (Oomens & Bosch, 1999).

For a firm to implement its strategy in an increasingly turbulent environment, Ansoff and MacDonnell (1990) have proposed three conditions that should be met: First, that the aggressiveness of the firm’s strategic behavior should match the turbulence of its environment. This means that if the environment is stable, strategic aggressiveness can be based on historical facts or precedents. As one moves along the continuum of turbulence to surprising levels, the strategic aggressiveness of the firm changes to reactive anticipatory, entrepreneurial and to being creative. This means as the level of turbulence increases, the creativity and innovativeness of the firm should match.

Secondly, that responsiveness of the firm’s capability should match the aggressiveness of its strategy. When the environment is repetitive, precedents drive the firm. This works well in a closed system. However, when the environment is very turbulent (unforeseen) the firm should adopt an open system, which entails, embracing a total commitment to creativity.
Thirdly, that the components of the firm’s capability must be supportive of one another the firm’s internal capabilities such as financial base and research and development coupled with the strategic formulation process should adapt to the environmental turbulence or charge. If one of the factors shifts to a higher level the rest should follow suit.

According to Ansoff and MacDonnell (1990), strategic issue management (SIM) relies heavily on strategic surveillance through environmental scanning and special alert controls. It employs the technique of object gap analysis to ensure that operational controls are in place. This requires organizational capabilities, which facilitate management response to surprising changes. They propose that for a firm to deal effectively with the surprising changes it requires to invest in a strategic surprise system.

For a firm to be able to invest in a strategic surprise system to enable it close the environment and capability gap, it is paramount to design the capabilities (managerial as well as functional), which will enable it to initiate and support the new strategic response (Ansoff& McDonnell, 1990). The planned response and the capability design must be put in practice to avoid organizational resistance (Ansoff& McDonnell, 1990).

2.5  Chapter Summary

This chapter has presented a review of literature with regards to the three objectives of the study which include the strategic issue management practice, the benefits of strategic issue management and finally the challenges of strategic issue management. The next chapter presents the research methodology that will be adopted in this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the methodology and procedures used in the collection and analysis of data in the study. It describes the research design, the population of the study, the sample, and the definition of the sample size and sampling procedures. The chapter further describes the research instrument, data collection methods and also the data analysis techniques used.

3.2 Research Design

Research design refers to the logical structure of the inquiry. It articulates what data is required, from whom, and how it is going to answer the research question. Research design deals with a logical problem and not a logistical problem (Yin, 2009). The design of this study is descriptive survey. Descriptive research is an effective way to obtain information used in devising hypotheses and proposing associations (Monsen & Horn, 2008). The design is appropriate as it allows the description, interpretation of existing relationships, and comparison of variables under study. Descriptive research design is employed so as to attain an in-depth description of the state of affairs.

3.3 Population and Sampling Design

3.3.1 Population

Population is sometimes referred to as a “target population”, is the set of elements that the research focuses upon and to which the results obtained by testing the sample should be generalized (Bless, Smith & Kagee, 2007). This in itself is a good description but is slightly varied by Mugenda and Mugenda (2003) who define a population as the entire group of individuals, events, or objects having in common observable characteristics. The study will focus on the population that is located in Nairobi, comprising of three (3) licensed banks offering Islamic banking products and services to their customers these are KCB, Barclays Bank and Gulf African Bank.
Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Bank</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCB</td>
<td>720</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>540</td>
</tr>
<tr>
<td>Gulf African Bank</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1363</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame could be a list of geographical areas, institutions, individuals, or other units added (Brown, 2008). The study will collect the sample frame from the twenty fully-fledged banks involved in the study. In each institution, the head of operations or branches will provide the names of management and members of staff of their respective offices.

3.3.2.2 Sampling Technique

A sampling technique is the method of selecting elements from the population that represented the population (Collins & Hussey, 2006). A sample is a group from the population that will be representative of the population (Coopers & Schindler, 2008).

A stratified random sampling (probability sample) technique will be employed to collect the data. This is the process by which the sample is constrained to include elements from each of the segments. Another definition by Bryman (2008) is that the stratified random sampling is the probability of selection in which units are randomly sampled from a population that has been divided into categories. This method was chosen because it increased the sample’s statistical efficiency; provided adequate data for analyzing the various subpopulations and enabled different research methods and procedures to be used in different strata (Cooper & Schindler, 2008). The study worked with a sample of 60 respondents from three commercial
banks offering Islamic Banking products and one Islamic bank in Kenya. These are Kenya Commercial Bank (KCB), Barclays Bank and Gulf African Bank. The choice of 60 respondents was because this represents 10% of the target population. According to Mugenda and Mugenda (2003), a sample size of 10% of the target population is considered representative enough.

3.3.2.3 Sampling Size

Thietart (2001) defines a sample size as the set of elements from which data is collected. The sample size enables the researcher to have adequate time and resources in piloting and designing the means of collecting data. Cooper and Schindler (2008) aver that how large a sample should be is a function of the variation in the population parameters under study and the estimating precision needed by the researcher. The sample size ensures that the information is detailed and comprehensive. The study will work with a sample of 60 respondents from three banks offering Islamic Banking products in Kenya. These are KCB, Barclays Bank and Gulf African Bank.

3.4 Data Collection Methods

Structured questionnaires will be used to collect data. There are various reasons for the choice of questionnaires as the primary data collection instrument; they are not only versatile but also the most popular instrument and a relatively inexpensive way of getting information. Primary data will be collected through a questionnaire with both closed and open ended questions. According to Bryman & Bell (2011), a questionnaire which has both closed and open ended questions allow every possible question to have an answer. Saunders, Lewis and Thornhill (2003) state that questionnaires are used for descriptive or explanatory research. Descriptive research which are undertaken using attitude and opinion questionnaires will enable the researcher to identify and describe the variability of the various phenomena. The questionnaire will be structured in four parts. The first part will provide the general demographic characteristics and information of the responded. The second, third and fourth part will seek to answer the three research questions. A sample of the questionnaire is enclosed in the appendix.
3.5 Research Procedures

A pilot test will be undertaken to detect the weaknesses in the design and instrumentation, and to give proxy data for selection of a probability sample. One is also able to determine whether the questionnaire is exhaustive. The questionnaire will be refined based upon the comments received and will be used in the study. Salikind (2012) argues that pretesting provides a useful feedback mechanism on the phrasing, clarity, focus and intelligence of the questions administered to the respondents. Depending on the feedback obtained from the pilot test, the questionnaire will be adjusted and re-designed. Respondents in the pilot test will be requested to be keen on any ambiguity or duplication in the questions, how lucid they are, and ease of understanding and consistency in interpretation by all respondents or if there is any research bias. The final version of the questionnaire will be distributed to respondents in the sample size, leaving out the respondents who took part in the pilot test. In order to ensure higher response rate, follow up phone calls will be made.

3.6 Data Analysis Methods

The collected data will be first checked for completeness and accuracy then coded before being statistically analyzed using the Microsoft Excel program available in Microsoft Office and the Statistical Program for Social Scientists (SPSS). The following statistical tools will be employed in the analysis: frequency tables; cross tabulations, percentages, variance, standard deviations, and regressions will be generated to analyze the respondents’ measure to the various aspects in the questionnaires. Tables, pie charts and bar graphs will be used to present the data to enable ease in the understandability, analysis and interpretation of the results.

3.7 Chapter Summary

The chapter described the research methodology that was used to carry out this study. First, it has defined the population and the sampling technique and size. This was followed by a description of the method that will be used to conduct the research and the justification of the use of the chosen method. There is also further discussion on the data collection methods and the instruments used. So as to ensure there is easy replicability, the research procedures have been clearly described and indicate that a pilot test will be conducted. At the end, the chapter
looked at the data analysis methods which will be used by the researcher to analyze the collected data and make conclusive remarks on the study. The following chapter presents the findings of the data that was collected using the questionnaires.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter explains the processes, techniques and procedures adopted to analyze, present and interpret data gathered using the questionnaires. The chapter elaborates quantitative data analysis, cross tabulation tables, percentages and mean. This will be attained through the following specific objectives. A total of 60 questionnaires were issued out of which 50 of them were returned indicating 83% response rate.

4.2 Background Information

The following subsection presents a summary of findings with regards to the background information. This includes age of the respondents, gender, years of experience as well as the highest level of education.

4.2.1 Age of the Respondents

Table 4.1 reveals that 14% of the respondents were aged 18-25 years while 32% were of the age of 26-35 years. Another 34% of the respondents were of the age of 36-45 years, 12% were 46-55 years old and 8% were above 55 years.

Table 4.1 Age of Respondents

<table>
<thead>
<tr>
<th>Age of the Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 Years</td>
<td>7</td>
<td>14%</td>
</tr>
<tr>
<td>26-35 Years</td>
<td>16</td>
<td>32%</td>
</tr>
<tr>
<td>36-45 Years</td>
<td>17</td>
<td>34%</td>
</tr>
<tr>
<td>46-55 Years</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>Above 55 Years</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.2.2 Gender of the Respondents

Table 4.2 shows that male respondents accounted for 52% of the respondents while female respondents accounted for the remaining 48%. This indicates that majority of the respondents were male.

Table 4.2 Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>24</td>
<td>48</td>
</tr>
<tr>
<td>Male</td>
<td>26</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Highest Level of Education

Table 4.3 indicates that 50% of the respondents have undergraduate qualifications, as their highest education level. 26% reported that they had attained a Masters as their highest level of education while 14% have doctorate qualifications. Those who reported as having attained a diploma or any other qualifications as their highest education level made up 8% of the respondents.

Table 4.3 Respondents Level of Education

<table>
<thead>
<tr>
<th>Highest Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Masters</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Bachelors</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Diploma</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.4 Years of Experience

Table 4.4 discloses that 30% of the respondents had worked for 2-4 years at the organization while 30% had worked for 5-7 years and 24% for 8-10 years. The remaining 16% had worked for 10 years and above. The findings imply that most of the respondents had substantial experience in the industry owing to their number of years in the organization.

Table 4.4 Years of Experience

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-4 Years</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>5-7 Years</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>8-10 Years</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>Above 10 Years</td>
<td>8</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3 Strategic Management Practices

The first objective of the study was to examine the strategic management practices in the Islamic banking industry in Kenya. The following subsection presents findings with regards to how the respondents reacted to this issue.

4.3.1 Globalization

Figure 4.1 reveals that globalization is a key strategic issue to a very high extent (55%), high extent 36%, moderate extent (5%), low extent (2%) and very low extent (2%).
4.3.2 New Technology

Figure 4.2 reveals that majority of the respondents agreed that new technology is a key strategic issue to a very high extent (50%), high extent (30%), moderate extent (12%), low extent (8%) and very low extent (0%).
4.3.3 Global Financial Crunch

Figure 4.3 reveals that majority of the respondents agreed that the global financial crunch is a key strategic issue to a very high extent (60%), high extent (33%), moderate extent (3%), low extent (3%) and very low extent (1%).

![Figure 4.3: Global Financial Crunch](image)

4.3.4 Exchange Rate Fluctuation

Figure 4.4 reveals that majority of the respondents agreed that the exchange rate fluctuation is a key strategic issue to a very high extent (65%), high extent (30%), moderate extent (5%), low extent (0%) and very low extent (0%).

![Figure 4.4: Exchange Rate Fluctuation](image)
4.3.5 Operation Cost

Figure 4.5 reveals that majority of the respondents agreed that the operation cost is a key strategic issue to a very high extent (60%), high extent (30%), moderate extent (3%), low extent (4%) and very low extent (3%).

Figure 4.5: Operation Cost

4.3.6 ISO Certification

Figure 4.6 reveals that majority of the respondents agreed that the ISO certification is a key strategic issue to a very high extent (60%), high extent (29%), moderate extent (1%), low extent (3%) and very low extent (7%).

Figure 4.6: ISO Certification
4.3.7 Changes in Government Policy

Figure 4.7 reveals that majority of the respondents agreed that changes in government policy is a key strategic issue to a very high extent (50%), high extent (43%), moderate extent (7%), low extent (0%) and very low extent (0%).

Figure 4.7: Changes in Government Policy

4.3.8 Emergence of New Competitors

Figure 4.8 reveals that majority of the respondents agreed that emergence of new competitors policy is a key strategic issue to a very high extent (50%), high extent (34%), moderate extent (10%), low extent (3%) and very low extent (3%).

Figure 4.8: Emergence of New Competitors
4.3.9 Changes in Top Management

Figure 4.9 reveals that majority of the respondents agreed that emergence of new competitors policy is a key strategic issue to a very high extent (45%), high extent (44%), moderate extent (6%), low extent (3%) and very low extent (2%).

![Figure 4.9: Changes in Top Management](image)

4.4 Benefits of Strategic Management Practices

The second objective was to determine the benefits of strategic issue management in the Islamic banking industry in Kenya.

4.4.1 Improved Performance

Figure 4.10, shows that 30% of the respondents strongly agreed 36% agreed, 17% were uncertain 15% disagreed while 2% strongly disagreed that strategic issue management leads to improved performance.
4.4.2 Improved Efficiency

Figure 4.11, shows that 62% of the respondents strongly agreed, 31% agreed, 4% were uncertain, 2% disagreed, while 1% strongly disagreed that strategic issue management leads to improved efficiency.
4.4.3 Insurance against Risk

Figure 4.12, shows that 53% of the respondents strongly agreed 39% agreed, 6% were uncertain 2% disagreed while 0 % strongly disagreed that strategic issue management leads to insurance against risk.

![Figure 4.12: Insurance against Risk](image)

4.4.4 Strategy Effectiveness

Figure 4.13, shows that 52% of the respondents strongly agreed 28% agreed, 16% were uncertain 2% disagreed while 2% strongly disagreed that strategic issue management leads to strategy effectiveness.

![Figure 4.13: Strategy Effectiveness](image)
4.5 Challenges of Strategic Issue Management

The third and final objective of the study was to examine the challenges of strategic issue management. The following subsection presents findings with regards to this element of study.

4.5.1 Time Taken in Discussing and Verifying Strategic Issues

Figure 4.14, shows that 36% of the respondents strongly agreed 35% agreed, 13% were uncertain 13% disagreed while 3% strongly disagreed that time taken in discussing and verifying strategic issues is a challenge to strategic issue management.

![Figure 4.14: Time Taken in Discussing and Verifying Strategic Issues](image)

4.5.2 Resources Required For Strategic Issue Handling Are Inadequate

Figure 4.15, shows that 42% of the respondents strongly agreed 26% agreed, 17% were uncertain 13% disagreed while 2% strongly disagreed that resources required for strategic issue handling are inadequate.
Figure 4.15: Resources Required For Strategic Issue Handling Are Inadequate

4.5.3 Refusal by Top Management to Submit to SIM

Figure 4.16, shows that 30% of the respondents strongly agreed 31% agreed, 25% were uncertain 10% disagreed while 4% strongly disagreed that refusal by top management to submit to SIM is a challenge to strategic issue management.

Figure 4.16: Refusal by Top Management to Submit to SIM
4.5.4 Systems Delay in Information Flow

Figure 4.17, shows that 28% of the respondents strongly agreed, 35% agreed, 30% were uncertain, 5% disagreed while 2% strongly disagreed that systems delay in information flow is a challenge to strategic issue management.

Figure 4.17: Systems Delay in Information Flow

4.5.5 Stakeholder Resistance in SIM Implementation

Figure 4.18, shows that 30% of the respondents strongly agreed, 32% agreed, 25% were uncertain, 11% disagreed while 2% strongly disagreed that stakeholder resistance in SIM implementation is a challenge to strategic issue management.

Figure 4.18: Stakeholder Resistance in SIM Implementation
4.5.6 Resistance to Change

Figure 4.19, shows that 50% of the respondents strongly agreed 30% agreed, 11% were uncertain 7% disagreed while 2% strongly disagreed that strategic issue management gets great deal of resistance from the impacted people in the organization.

![Figure 4.19: Resistance to Change](image)

4.5.7 Less Team Work

Figure 4.20, shows that 34% of the respondents strongly agreed 25% agreed, 20% were uncertain 14% disagreed while 7% strongly disagreed that there is a feeling of less teamwork on the strategic issue management department in the organization.

![Figure 4.20: Less Team Work](image)
4.6 Chapter Summary

This chapter sought to present a summary of the findings with regards to the specific objectives of the study. The beginning of the chapter presented findings with regards to the background information of the respondents; second part was on strategic management practices; third part was on the benefits of strategic management practices and the fourth part of the chapter presented findings with regards to the challenges of strategic management practices. Chapter five presents a summary of findings, discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary and discussions on the findings of the research as well as interpretations and relevance in relation to the literature review in chapter two looking at the implications of the findings to the existing body of knowledge in the field of strategic management. The chapter first summarizes the findings starting with objectives of the study; gives a discussion and thereafter, the conclusion recommendations for the study presented.

5.2 Summary of the Study

The general objective of the study was to examine the influence of strategic management practices on Islamic banks performance in Kenya. The study was guided by the following specific objectives: to examine if Islamic banks in Kenya practice strategic management, to examine if strategic management influences Islamic banks’ performance in Kenya, to analyze challenges faced by Islamic banks when implementing strategic management practices.

The research design that was adopted was a descriptive research design. The population of focus in this research was commercial banks in Kenya. The study worked with a sample of 60 respondents from three commercial banks offering Islamic Banking products and one Islamic bank in Kenya. These are Kenya Commercial Bank, Barclays Bank and Gulf African Bank. The sampling technique employed was stratified random sampling because of the heterogeneous nature of the population. In this case, convenience sampling was employed whereby the willingness of the respondents were key determinants of what constitutes the representative sample.

Primary data for the research was collected through use of questionnaires that comprised both closed and open ended questions that sought to measure strategic response for effective customer retention. Respondents were required to respond to questions developed from the three research questions which did provide substantial data for analysis to derive conclusions. The data was analyzed using SPSS Statistics in terms of percentages, mean, as well as regression tables and presented in form of tables and figures to elicit the findings in light of the three research objectives.
The study revealed that majority of the respondents agreed that the following are key strategic issue management practices: Globalization (91%), New technology (80%), Global financial crunch (93%), Exchange rate fluctuation (95%), Operation cost (90%), ISO certification (89%), Changes in government policy (93%), Emergence of new competitors (84%) and finally Changes in top management (99%).

The study further revealed that majority of the respondents agreed that among the benefits of strategic issue management include: improved performance (66%), improved efficiency (93%), insurance against risk (92%) and finally strategy effectiveness (80%).

Finally the study revealed that time taken in discussing and verifying strategic issues is a challenge to SIM (71%), the resources required for strategic issue handling are inadequate (68%), refusal by top management to submit to SIM (61%), systems delay in information flow (63%), stakeholder resistance in SIM implementation (62%), strategic issue management gets great deal of resistance from the impacted people in the organization (80%), there is a feeling of less teamwork on the strategic issue management department in the organization (59%).

5.3 Discussion

5.3.1 Strategic Issue Management

The study revealed that majority of the respondents agreed that the following are key strategic issue management practices: Globalization (91%), New technology (80%), Global financial crunch (93%), Exchange rate fluctuation (95%), Operation cost (90%), ISO certification (89%), Changes in government policy (93%), Emergence of new competitors (84%) and finally Changes in top management (99%). Ansoff and McDonnel (1990) point out that SIMS is a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. This system is real time and involves continuous preoccupation with strategic issues, it involves continuous surveillance both inside and outside the enterprise. The senior management is responsible for managing the system for fast response since they have the resources and authority to initiate prompt action. They assign responsibility for individual issues directly to units which are best equipped to deal with the issues and resources allocated directly to senior management.
The findings are also an affirmation that indeed the eight factors for consideration is the management of current and future issues to be well embedded within the strategic planning and implementation process of organizational clients or owners. The following reference points should be considered; training programs to promote issue management as a standard operating procedure. The leadership of the business or operating unit owns the issue and receives regular updates. Issue owners should be members of core management while issue management plans are fully aligned with business plans to ensure optimum synergy and minimize duplication or internal conflict. Cross impact analysis estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produce cluster of events/trends, thereby facilitating identification and preparedness of probable future disaster or opportunity scenarios. A case where both strength and weaknesses are useful in pursuing future opportunities to minimize the impact of the threats is called the positive synergy case. The negative synergy is where the SWOT synergy will have the opposite effect. Secondly, organizations adopt a formal process to assign and manage issues. The following reference points are important; establish policies or procedures describing the issue management process including roles and responsibilities and documentation, have formal prioritization analysis, ensure that issue strategy development tools or worksheets are consistently used to make sure that issue status files and position statements are regularly updated and information maintained to facilitate future access to the last status and lessons learned(Ali, 2008).

The findings also agree organizations implement strategic issues management process by creating strategic issues management system. It is a system that incorporates set of organizational procedures, routines, personnel and processes devoted to perceiving, analyzing and responding to strategic issues (Dutton & Ottensmeyer, 2014). The strategic issue management system requires that responsibilities are assigned to various groups within the organization. These may be the general management, the staff group and the workers group (Ansoff & McDonnell, 1990). The responsibilities of each group must be very clear to avoid the risk of strategic issue management system degenerating into “paralysis by analysis”. The groups should be resolvers, and not planners, of issues. Ansoff and McDonnel (1990) point out that SIMS is a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. This system is real time and
involves continuous preoccupation with strategic issues, it involves continuous surveillance both inside and outside the enterprise. The senior management is responsible for managing the system for fast response since they have the resources and authority to initiate prompt action. They assign responsibility for individual issues directly to units which are best equipped to deal with the issues and resources allocated directly to senior management. The Strategic Issues Management (SIM) system is deployed using the following processes; A firm's top management team continuously surveys their potential future external environment (technology, economic, political, social, competition), and intra-firm environment (strengths and weaknesses), from which they evaluate which issue will likely have a significant effect on the firm. Management evaluates each discontinuity on the firm, its effect, level of urgency, and immediacy of response required. Those determined as high impact on the firm are labeled as strategic issues.

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For high impact and high urgency issues, immediate action is required to resolve the issue. Management assigns a rapid response unit with necessary resource allocation to resolve the issue. High impact and moderate issues, a delayed response is required where strategic issue
are designated for review in the next scheduled planning session. High impact but low urgency issues, continuous monitoring and evaluation is carried out. If the urgency increases, a task force leader is assigned to deal with the problem. Discontinuities that are both low on impact and urgency on the firm, no changes are expected to be put in place (Jones, 2010).

Finally the findings affirm that adoption of issues management techniques can improve the performance and relative standing of organization that are with different societal and political issues. Heugens (2011), in his study on strategic issues management and organizational outcomes, assessed whether strategic issues management activities contribute anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the recent introduction of genetically modified ingredients. He concluded that the implementation of issues management activities by firms that are exposed to societal or political predicaments significantly and positively influences organizational outcome variables.

Perrott (2011) documented Ramsay healthcare, a case example of how a health care organization implemented the process of strategic issue management. The Ramsey case demonstrates how the use of a carefully designed and implemented strategic issue management practices facilitated and improved the identification of priority strategic issues to drive the change and adaption agenda for that organization.

Ali (2008), in his study of strategic issue management practices by Commercial Banks in Kenya, found out that Management understand how critical it is to address strategic issues and that in order to be able to effectively deal with the discontinuous and surprising environment organization should embrace strategic issue management system to enhance their capacity to adapt and learn. Wambutura (2010) studied strategic issue management in Kenya Maritime Authority and recommended that SIM should be highly implemented in public institutions for them to realize their set goals and objectives.

Chembalain (2012) studied strategic issue management by shipping companies in Kenya and recommends consistent application of SIM practices and a regular review of the techniques in order to match the environmental changes both locally and globally. All these studies have established that SIM is being practiced even though the level of appreciation varies among the different contexts.
5.3.2 Benefits of Strategic Issue Management

The study further revealed that majority of the respondents agreed that among the benefits of strategic issue management include: improved performance (66%), improved efficiency (93%), insurance against risk (92%) and finally strategy effectiveness (80%). The study agreed a number of studies related to strategic issue management have been done (Lawal et al., 2012) in their study on effect of strategic issue management on organizational performance reported some evidence adoption of issues management techniques can improve the performance and relative standing of organization that are with different societal and political issues. Heugens’s (2003) study on strategic issues management and organizational outcomes assessed whether strategic issues management activities contribute anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the recent introduction of genetically modified ingredients.

The findings agreed with Ali (2008) in his study of strategic issue management practices by Commercial Banks in Kenya, which found out that the management understands how critical it is to address strategic issues and that in order to be able to effectively deal with the discontinuous and surprising environment, organizations should embrace strategic issue management systems to enhance their capacity to adapt and learn. Wambutura(2010) studied strategic issue management in Kenya Maritime Authority and recommended that SIM should be highly implemented in public institutions for them to realize their set goals and objectives. According to Abdullahi (2010), a manager must be able to identify the strategic issues facing the organization such as those it must address if it is to meet its business objectives. These might include social inclusion, for example, environmental issues. The responses to strategic issues will be incorporated in the themes of the business strategy. There is not necessarily a one-to-one relationship between strategic issues and the themes of the business strategy, since themes will be chosen as the basis for programs of business change, and one such program may address several strategic issues.

The strategic issues facing the organization and its response to them will call on the organization’s skills in Strategic Management – its ability to recognize and deal successfully with strategic issues (Hittet al., 2010). One benefit of strategic issue management is that it
enables swift response to environmental surprises. SIM systems detect surprising changes as they become evident and respond in real time without waiting for annual planning (Ansoff & McDonnell, 1990).

A number of studies in the strategic management literature, for example Aosa (1992) and Njanja (2002), are based on a broad approach of the content of strategies, in which organizational features are considered as evidences of adopted strategic orientations. According to this approach, studying strategic orientations implies to evaluate organizational characteristics simultaneously. Some of these studies identify major strategic behaviors allowing organizations to succeed. In addition, they focus on the content of the strategic orientations. Their typology shows how organizations choose specific strategies that allow them to realize an adequate fit with their environment.

The findings agreed with Abdullahi (2010) who affirms that a manager must be able to identify the strategic issues facing the organization – those issues it must address if it is to meet its business objectives. These might include social inclusion, for example, environmental issues. The responses to strategic issues will be incorporated in the themes of the business strategy. There is no necessarily a one-to-one relationship between strategic issues and the themes of the business strategy since themes will be chosen as the basis for programs of business change, and one such program may address several strategic issues. This is in line with a number of studies in the strategic management literature, for example Aosa (1992) and Njanja (2002), which is based on a broad approach of the content of strategies in which organizational features are considered as evidences of adopted strategic orientations. According to this approach, studying strategic orientations implies to evaluate organizational characteristics simultaneously. Some of these studies identify major strategic behaviors allowing organizations to succeed. In addition, they focus on the content of the strategic orientations. Their typology shows how organizations choose specific strategies that allow them to realize an adequate fit with their environment.

The findings further affirm that an organization with a high level of information about an impending threat or opportunity is more likely to execute an appropriate response than one which is operating on a vague signal (Ansoff, 1980). This way SIM reduces uncertainty. It shields organizations from strategic shocks with unknown origins. It therefore prevents
accumulated losses and extraordinary costs (Ansoff & McDonnell, 1990). Dutton and Ottensmeyer (2014) observed that SIM systems can have a symbolic meaning. This way, they produce, manage and resolve meanings for strategic issues thus preserving the image of an organization as it conveys an image of a rational and effective organization. They sort and extract meaning from organization context when they are used by decision makers to create and communicate shared meanings.

Although the strategy process may incorporate timetabled events which fit into the wider management processes, strategic management is a continuous process. Managers at all levels in the organization may need to make decisions on business issues at any time, and some of these decisions could be regarded as ‘strategic’ – even though they may not appear so at the time. Any business-focused strategy must be flexible enough to accommodate the demands of continuous change (Kuehner-Hebert, 2010).

According to Abdullahi (2010), a manager must be able to identify the strategic issues facing the organization – those issues it must address if it is to meet its business objectives. These might include social inclusion, for example, or environmental issues. The responses to strategic issues will be incorporated in the themes of the business strategy. There is no necessarily a one-to-one relationship between strategic issues and the themes of the business strategy, since themes will be chosen as the basis for programs of business change, and one such program may address several strategic issues.

5.3.3 Challenges of Strategic Issue Management

Finally the study revealed that time taken in discussing and verifying strategic issues is a challenge to SIM (71%), the resources required for strategic issue handling are inadequate (68%), refusal by top management to submit to SIM (61%), systems delay in information flow (63%), stakeholder resistance in SIM implementation (62%), strategic issue management gets great deal of resistance from the impacted people in the organization (80%), there is a feeling of less teamwork on the strategic issue management department in the organization (59%). Mwangi (2008) asserts that real time wrecks hierarchical organizations by making possible instant access to activities of all types- anywhere, anytime all the time. Refusal to take charge is frequently coupled with a mentality problem, a refusal
by top management to accept new and unfamiliar issues as relevant to the enterprise. Thus the acceptance of SIM by top management is the major problem to solve. The solution is a ‘sales campaign’ by the ‘converted’ subgroup of general managers. Careful education and an involvement in confrontation of issues by the top group, is more promising course of action. In cases where the new realities require a transformation of mentality of key managers the firm will probably need external help.

The findings also agrees with Ansoff (1980) who states that implementation of SIM is not easy. The list of issues to be dealt with and monitored keeps on changing due to the turbulence of the operating environment. This may lead to thrashing of resources among solving of issues due to ever changing priority lists resulting to lost energy, time and money. The situation is worsened when the new realities to be confronted are drastically different from the past. This may require the enterprise to seek for external help which may prove very expensive to the organization.

Additionally, the findings also affirm that a firm to be able to invest in a strategic surprise system to enable it close the environment and capability gap, it is paramount to design the capabilities (managerial as well as functional), which will enable it to initiate and support the new strategic response (Ansoff & McDonnell, 1990). The planned response and the capability design must be put in practice to avoid organizational resistance (Ansoff & McDonnell, 1990).

For a firm to implement its strategy in an increasingly turbulent environment, Ansoff and MacDonnell (1990) have proposed three conditions that should be met: First, that the aggressiveness of the firm’s strategic behavior should match the turbulence of its environment. This means that if the environment is stable, strategic aggressiveness can be based on historical facts or precedents. As one moves along the continuum of turbulence to surprising levels, the strategic aggressiveness of the firm changes to reactive anticipatory, entrepreneurial and to being creative. This means as the level of turbulence increases the creativity and innovativeness of the firm should match.

The findings also affirm that SIM systems is that it requires managers to build networks within and outside the organization (Mkanduli, 2005). Oomens and Bosch (1999) noted that implementation of effective SIM cannot guarantee that a company will never experience a crisis situation. It is important for firms to develop crisis awareness and crisis management
capabilities. However, sound issue management reduces the number of occasions when crisis management is needed. This is brought about by failure to effectively assess the impact of external changes on existing plans.

According to Ansoff (1980), implementation of SIM is not easy. The list of issues to be dealt with and monitored keeps on changing due to the turbulence of the operating environment. This may lead to thrashing of resources among solving of issues due to ever changing priority lists resulting to lost energy, time and money. The situation is worsened when the new realities to be confronted are drastically different from the past. This may require the enterprise to seek for external help which may prove very expensive to the organization. Oomens and Bosch (1999) noted that SIM and stakeholders management are related concepts because for every issue, a stakeholder analysis is required to determine who the most important stakeholders are for a particular issue and estimate their influence. This creates a problem since interest of stakeholders is always conflicting. This poses a great challenge especially when implementing SIM. Therefore, top management has to exercise caution in order to meet the various needs of their stakeholders.

Secondly, that responsiveness of the firm’s capability should match the aggressiveness of its strategy. When the environment is repetitive, precedents drive the firm. This works well in a closed system. However, when the environment is very turbulent (unforeseen) the firm should adopt an open system, which entails, embracing a total commitment to creativity. According to Ansoff and MacDonnell (1990), strategic issue management (SIM) relies heavily on strategic surveillance through environmental scanning and special alert controls. It employs the technique of object gap analysis to ensure that operational controls are in place. This requires organizational capabilities, which facilitate management response to surprising changes. They propose that for a firm to deal effectively with the surprising changes it requires to invest in a strategic surprise system. For a firm to be able to invest in a strategic surprise system to enable it close the environment and capability gap, it is paramount to design the capabilities (managerial as well as functional), which will enable it to initiate and support the new strategic response (Ansoff & McDonnell, 1990). The planned response and the capability design must be put in practice to avoid organizational resistance (Ansoff & McDonnell, 1990).
Thirdly, that the components of the firm’s capability must be supportive of one another’s internal capabilities such as financial base and research and development, coupled with the strategic formulation process, should adapt to the environmental turbulence or charge. If one of the factors shifts to a higher level, the rest should follow suit.

5.4 Conclusion

5.4.1 Strategic Issue Management

The study concludes that majority of the respondents agreed that the following are key strategic issue management practices: globalization, new technology, global financial crunch, Exchange rate fluctuation, operation cost, ISO certification, changes in government policy, emergence of new competitors and finally changes in top management.

5.4.2 Benefits of Strategic Issue Management

The study further concludes that majority of the respondents agreed that among the benefits of strategic issue management include: improved performance, improved efficiency, insurance against risk, and finally strategy effectiveness.

5.4.3 Challenges of Strategic Issue Management

Finally the study concludes that time taken in discussing and verifying strategic issues is a challenge to SIM, the resources required for strategic issue handling are inadequate, refusal by top management to submit to SIM, systems delay in information flow, stakeholder resistance in SIM implementation, strategic issue management gets great deal of resistance from the impacted people in the organization, there is a feeling of less teamwork on the strategic issue management department in the organization.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Strategic Issue Management

The study recommends that the response to strategic issues for Islamic banks should involve all managers in the strategic planning to help them achieve its plan. Second, all managers should also be involved in strategic issue management to give them adequate decision
making authority in the implementation of the strategies and have a documented procedure on how to handle strategic issues. Third, the document procedures to handle strategic issues should incorporate evaluation of strategic issue management for continuous improvement of the process.

5.5.1.2 Benefits of Strategic Issue Management

The study recommends that Islamic banks need to focus on the benefits of strategic issue management such as improved performance, improved efficiency, insurance against risk, and finally strategy effectiveness. This should inform the decisions made by the organization.

5.5.1.3 Challenges of Strategic Issue Management

The study recommends that all the stakeholders in the industry should incorporate the findings of this study, especially the identified strategic issue practices and challenges facing the industry in making their decisions.

5.5.2 Recommendations for Further Studies

In the process of performing this study, additional areas of research were brought to light that may have theoretical and/or practical implications. Those areas of research should be addressed in hopes that they will eventually be pursued in a separate study. Thus, this section offers further discussion on survey generalizability, additional organizational factors, “judging the tone” of stakeholders as well as the connection between new media utilization and organizational title.
REFERENCES


APPENDICES

APPENDIX I: QUESTIONNAIRE

Section I: General Information

1. Age
   a. 18-25 [ ]
   b. 26-35 [ ]
   c. 36-45 [ ]
   d. 46-55 [ ]
   e. Above 55 [ ]

2. Gender
   a. Male [ ]
   b. Female [ ]

3. Highest level of education
   a. Doctorate [ ]
   b. Masters [ ]
   c. Bachelors [ ]
   d. Secondary [ ]
   e. Others (Please specify) _______________________________

4. Years of experience in the industry?
   a. 2 - 4 years [ ]
   b. 5 – 7 years [ ]
   c. 8 – 10 years [ ]
   d. Above 10 years [ ]
Section II: Strategic Management Practices

1. Using a scale of 1-5, tick the appropriate answer from the alternatives provided for each of the respondents.

5=Very High Extent, 4=High Extent, 3=Moderate Extent, 2 = Low Extent and 1 = Very Low Extent

<table>
<thead>
<tr>
<th>Strategic Issue</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tr>
<td>Globalization</td>
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<td>New technology</td>
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<td>Global financial crunch</td>
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<td>Exchange rate fluctuation</td>
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<td>Operation cost</td>
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<td>ISO certification</td>
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<td>Changes in government policy</td>
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<td>Emergence of new competitors</td>
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<td>Changes in top management</td>
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</table>

2. Kindly indicate the methods you use in scanning both the internal and external environments (Rank 1 being the method used most and 10 being the method least used).

- Print media
- Electronic media
- Marketing research
- Customer analysis
- Competitor analysis
- Market intelligence
- Internet research
- Scouting the external environment
- Performance monitoring
- Informal contacts
Section III: Influence of Strategic Management Practices

1. Using a scale of 1-5, tick the appropriate answer from the alternatives provided for each of the respondents. 5=Strongly Disagree, 4=Disagree, 3=Uncertain, 2=Agree and 1=Strongly Agree.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>1</th>
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<tr>
<td>Improved performance</td>
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<td>Improved efficiency</td>
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<td>Insurance against risk</td>
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<td>Strategy effectiveness</td>
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Section IV: Challenges of Strategic Issue Management

1. Using a scale of 1-5 tick the appropriate answer from the alternatives provided for each of the respondents. 5=Strongly Disagree, 4=Disagree, 3=Uncertain, 2=Agree and 1=Strongly Agree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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<tbody>
<tr>
<td>Time taken in discussing and verifying strategic issues</td>
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<td>The resources required for strategic issue handling are adequate in our organization</td>
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<td>Refusal by top management to submit to SIM can adversely affect our organization performance</td>
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<td>Systems delay in information flow within our organization</td>
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<td>Stakeholder resistance in SIM implementation</td>
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<td>Strategic issue management gets great deal of resistance from the impacted people in our organization</td>
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<td>There is a feeling of less teamwork on the strategic issue management department in our organization</td>
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<td>Refusal by top management to accept new/unfamiliar issues as relevant has strategic and tactical implications in our organization</td>
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