STRATEGIC FACTORS INFLUENCING COMPETITIVENESS OF COMMERCIAL BANKS IN KENYA

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Strategic Factors Influencing Competitiveness of Commercial Banks In Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

I dedicate this thesis to my wife Dr Florence Kanorio who gave me all the support and encouragement without which I would not have been able to successfully complete the studies. I also dedicate this thesis to my children: Sarah Naserian, Grace Naanyu, Timothy Lemayian and Caleb Lekishon, who all gave me the encouragement throughout my studies. This thesis is also dedicated to our grand-daughter Joy Enkirotet for spicing our home. Further, I dedicate this thesis to my late parents Leperon Ole Kisirkoi and Esther Nangoruni for taking me to school, as well as my father-in-law, the late Henry Murwithania and mother-in-law, Tabitha Karimi- who made my life better in many ways.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
BBK	Barclays Bank of Kenya
CBK	Central Bank of Kenya
EFT	Electronic Funds Transfer
EPS	Earnings per Share
HRM	Human Resource Management
HC	Human Capital
FSP	Formal Strategic Planning
ICT	Information Communication Technology
KCB	Kenya Commercial Bank
IRI	Interpersonal Reactivity Index
IT	Information Technology
MIS	Management Information Systems
MVA	Market Value Added
NBK	National Bank of Kenya
NMP	Net Profit Margin

ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SMS	Short MessageService
TAM	Technology Acceptance Model
TOE	Technology, Organization and Environment
UTP	University Teknology of Petronas

DEFINITION OF TERMS

In this study, the underlisted terms are taken to mean as follows:

Bank failure – A bank failure occurs when a bank is unable to meet its obligations to its depositors or other creditors because it has become insolvent or too illiquid to meet its liabilities. More specifically, a bank usually fails economically when the market value of its assets declines to a value that is less than the market value of its liabilities.

Commercial Bank- is a type of bank that provides banking services such as accepting deposits, providing business loans and other advances as well as other financial services for a profit (Aywa, 2014).

Competitiveness – is the ability of a firm to do better thancomparablefirms in sales, market share or profitability (Lall, 2001); competitiveness is the capacity ofoffering goods and services with highcustomer value compared to competing ones (Chikan, 2008).

Strategic Leadership- refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, to motivate and persuade others to acquire that vision (May, 2013)

Strategic Planning-this refers to the process of setting the basic direction of the organization. Strategic planning is the process of clarifying what the organization is about;deciding what is and is not a priority for the use of resources;analyzing the internal and external environment; considering how best to deal with upcoming changes and transitions;setting out a clear direction,andsetting concrete goals for the future. (Thompson et al, 2012)

Strategic Adoption of Technology– refers to the adoption of systems (technologies)to reduce mental and physical efforts in solving problems andperformance of tasks to eliminate inefficiencies andimproveservicedelivery (Awe, 2007).

Strategic Innovativeness- is the ability of firms to come up with newknowledge, new products or services,inventions and commercialization (Cingula&Veselica, 2010).It is the implementation of interventions and discoveries to achieve new outcomes (Plessis, 2007).

Strategic Human Resource Competencies- refers tothe integrated skills, knowledge, abilities and experience of employees in an organizationthat facilitate the achievement of objectivities of the firm (Armstrong, 2009).

ABSTRACT

The problem of this study is that commercial banks face serious challenges which have resulted in failure of some banks. Commercial banks play a critical role in the well being of the Kenyan economy as well as any economy.This study aims at determining factors that influence competitiveness of commercial banks.Sustained competitiveness of commercial banks is of utmost importance in the well-being of the national economy. Competitiveness often represents business comparison and rivalry among firms for market share and/or the economic strength of a business entity relative to its competitors in the market. The researchsought to establish the influence of strategic leadership, strategic planning,strategic adoption of technology, strategic innovativeness and finally, the influence of strategic human resource competences on competitiveness of commercial banks in Kenya.To conceptualize competitiveness the study was guided by the following theories: Strategic Leadership Theory, Theory of Planning, Theory of Technology, Organization, and Environment, Industrial Organizational Theory and Resource-Based Theory. The study adopted a cross-sectional survey research design. The target population comprised of the 43 commercial banks in Kenya.The banking sector's employees as at December 2015 were 36,212. The 43 commercial banks also served as the study's unit of inquiry as well as units of analysis.The research used census method by collecting data from all the 43 commercial banks. The study mainly relied on primary data that was obtained by administering questionnaires and interview schedules to the respondents in the 43 banks.Secondary data was also used in this research, drawn from annual reports of the CBK and commercial banks. The collected data wasanalysed using SPSS software. Descriptive and inferential statistics were used to present the results. The main results of the study were that there was a positive and significant relationship between strategic leadership, strategic planning, and strategic adoption of technology, strategic innovativeness, strategic human resource competencies, and competitiveness of commercial banks in Kenya. It is therefore recommended that commercial banks should endeavor to build, on a continuous basis, their capabilities in strategic leadership, planning, innovativeness, technology and human resource competencies.To achieve competitiveness, managements of commercial banks should put in place effective and proactive leadership, strategic planning, adopt upto date technology,embrace innovativeness andensure they have a knowledgeable,skilfuland talented workforce. There is need for further research on what other factors influence competitiveness of commercial banks. Further research also needs to be undertaken on how the Central Bank of Kenya could enhance its oversight and regulatory mandate on commercial banks to ensure their long-term survival and stakeholder satisfaction.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

This research seeks to determine strategic factors that influence competitiveness of commercial banks in Kenya. Instability of the banking sector has far reaching implications on the country's economy. It therefore becomes critically important that stability and sustainability of commercial banks be a priority of all stakeholders. Business organizations now have to strive to achieve and maintain sustained profitability and competitiveness. Indeed there is a need to transform core competencies and leadership in organizations for long term economic survival (Gingerich,2014). It is apparent that current events which organizations are dealing with involve staying economically competitive in the global markets and providing an environmental workplace that inspires, encourages and spawns highly innovative ideas from employees. Gingerich also states that businesses now realize old structures supported a very different model and those must be revamped from leadership paradigms, practices to integration and life-long learning for employees. It requires thinking outside the box. Gingerich further pointed out that Researchers and Harvard school of business survey from 2012 indicates that this reasoning is due to the need to transform core compitencies and leadership in organizations.

1.1.2 Strategic factors

The period between the 1990s and 2007 was characterized by change in the banking industry.The main drivers of the change were the twin forces of deregulation and technological change, (Wilson et al., 2010). They further explain that deregulation removed

barriers to competition, while technological change revolutionized financial data processing and delivery systems. These developments opened the way to intense competition in the banking industry. In their study on retail banking, Pricewaterhouse Coopers (2015), established that there are powerful forces reshaping the banking industry. These forces are customer expectations, technological capabilities, regulatory requirements, demographics and economic factors- which are all creating the need for change. Pricewaterhouse Coopers (2015) studies further pointed out that given the emerging scenario, banks will need to choose what posture to adopt in order to manage to defensively deal with imminent change. They went on to conlude that winners of the future will have to innovate and transform themselves. According to them, the future will require institutions to be agile and open to be able to take different options given an uncertain environment.From the beginning of 1990s to 2007 there has been change in the banking industry which was driven by the twin forces of deregulation and technological change (Wilson, et al., 2010). They explained that deregulation removed barriers to competition. Technological change revolutionized the processing and analysis of financial data as well as delivery systems, which reduced costs, increased lending capacity and improved the quality and variety of banking services.After mid 2007, many banks in the UK which had appeared secure suffered large loses and had to raise additional capital either privately or through government bailout schemes (Wilson, et al., 2010). These developments have led academics and policy makers to re-examine the scale, scope, governance, performance and the safety and soundness of financial institutions.

For example, in Ghana, Biekpe (2011) stated that the banking sector had been battered by exposure to wanton political influence, weak and incompetent management, insufficient capital, obsolete information and accounting systems and poor internal controls. The government had to intervene by spearheading a series of reforms to revitalise the sector. The

situation obtaining in Ghana as described by Biekpe (2011) has been a common problem in financial institutions with some government control. Reforms in the sector are however changing the situation for the better. A competitive and efficient financial sector is a pre-requisite for economic development and growth. For this reason many countries have initiated financial sector reforms aimed at enhancing competitveness in the sector (Sunil,et al., 2009). They further state that financial sector reforms have been actively promoted and supported by the World Bank and IMF. The banking sector mobilizes savings and allocates creditaccross the markets and time, hence its critical role in the economic development of a country. In Kenya, the Government through the Central Bank of Kenya had to intervene from time to time to ensure customers' deposits do not get lost. Whichever direction, Government intervention can either encourage competition or stifle it with resultant effects of either efficiency, market distortions or inefficiency.

In Kenya's Vision 2030 – Second Medium Term Plan (2013-2017), commercial banks are identified as the main players of the financial sector in Kenya, and are therefore critical in achieving the required rate of growth to drive significant increase in the country's investment. The 43 commercial banks are the major source of investment funds in the country. Their survival and competitiveness is thus of great concern to the sector's stakeholders.The 21st century seems to have begun with events indicative of the turbulence, challenges and opportunities ahead. In the last three years, some financial institutions have collapsed in Kenya; this has been to the utter disappointment of their stakeholders.Survival and success in such turbulent times increasingly depends on the organization's competitiveness (Ajitabh &Momaya, 2004). It is of utmost importance that commercial banks achieve high levels of sustainability. A sustainable competitive advantage is vital for the longterm success and

viability of a business. Competitive advantages are the strengths an organization posseses which establish its basis for differentiation from its competitors,(Kokemuller,2015).

1.1.3 Firm competitiveness

For long term survival, it is necessary that commercial banks, like any other business organization should achieve stability and competitiveness. Competitiveness can be considered from two levels: national and enterprise. While the competitiveness of each is distinct, they are not exclusive of each other. Competitiveness does not generally refer to a win or lose situation, but rather a comparative advantage in a specific area (Garelli, 2006).

Firm-level competitiveness has been defined in many different ways and there is no universally accepted definition as yet. For the firm, competitiveness is productivity reflected in either low costs or differentiated products that fetch premium prices. Firm-level competitiveness is also defined as the firm's ability to design, produce and/or market products superior to those offered by competitors, considering price and non-price qualities (Ajitabha& Momaya, 2004), where non-price advantages may include quality, differentiation and brand image (Depperu & Cerrato, 2005); innovation, technology and internet connectivity (Kocak & Abimbola, 2009); productivity (Bbaale, 2011); agility; flexibility, adaptability and heritage (Jin & Moon, 2006).

Hence, competitive advantage is a firm's position of superiority or differential within the industry relative to its competitors (Cerrato & Depperu, 2011). In other words, firm-level competitiveness is related to the concept of competitive advantage, which is the heart of strategic management (Cerrato & Depperu, 2011; Raduan, Jegak, Haslinda, & Alimin, 2009).Secondly, the term competitiveness often represents business comparison and rivalry

among firms for market share and/or the economic strength of a business entity relative to its competitors in the market or industry (Dutta, 2007). With this view, the meaning of competitiveness seems to be synonymous with competition. However, Garelli (2006) suggeststhat "competition and competitiveness are two sides of the same coin". This implies that although competition and competitiveness are related, the two concepts are different in one way or another. Garelli (2006) further notes that competition is an external environmental factor over which the firm may not have control, whereas competitiveness is an internal capability or characteristic of the firm that can be developed, maintained and improved. Thus, competitiveness is a capability that enables a firm to sustainably meet customer requirements at a profit (Chikan, 2008). Further, this capability is achieved through offering goods and services with high customer value compared to competing ones. In other words, the two concepts are differentiated as outer and inner factors respectively (Dutta, 2007). Dutta also explains that competitiveness has become a fundamental force in management just like "gravity in physics". The term competitiveness describes the ability of firms and industries to stay competitive which, in turn, reflects their ability to improve or protect their position in relation to competitors which are active in the same market. Therefore competitiveness of a firm can be taken as its ability to do better than comparable firms in sales, market shares, or profitability (Lall, 2001).

1.1.4 Commercial Banking in Kenya

According to Schubert (2015), there are several challenges facing the banking industry, but four stand out. The first is inadequate profitability, in terms of low return on equity (ROE) and low return on investment (ROI) for shareholders. The second challenge placing pressure on banks is the inability to meet consumer expectations.The third challenge is the increasing

competition from financial technology companies. This has tended to disrupt the way traditional banking has been done. There is need for banks to adjust quickly to cope with the new developments.

Commercial banks provide safe keeping facilities for their clients and make it accessible when the need arises.They also facilitate transfer of money from one account to another or one bank to another. Banks offer investment services to their customers and facilitate international trade. They also offer financial advice and act as trustees to their customers. Banks dominate the financial sector in Kenya and as such the process of financial intermediation in the country depends heavily on commercial banks (Kamau, 2009). Oloo (2010) describes the banking industry in Kenya as the bond that holds the country's economy together. The agricultural and manufacturing sectors for example, which are key drivers of the Kenyan economy, depend on the banking industry for their very survival and growth. The performance of the banking industry in Kenya has improved over the last ten years (Mwega, 2009). This has been due to the many regulatory and financial reforms which have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country (Kamau, 2009). This study seeks toestablishthe factors influencing organizational competitiveness and close the gap in literature on the factors that drive the commercial banksto be more competitive.

Kenya's Vision 2030 outlines the strategic direction for financial services which purposes to create a vibrant and globally competitive financial sector that promotes high levels of savings for future financing of investment requirements. The Vision further states that it is the strong desire of the government of Kenya to make the country a regional financial hub. This objective will be achieved through the government undertaking legal and institutional

reforms to make Kenya be a more competitive financial centre. Further, reforms would be undertaken in the banking sector through consolidation of small banks in order to have strong and stable ones.

Commercial banks in Kenya have had a long history of challenges, in many cases leading to their collapse. The researcher's view is that most of the banks' failures have been caused by lack of effective, visionary and transformative leadership. Without effective top managers, banks cannot undertake meaningful strategic planning that give the institutions strategic direction; to keep pace with changing customer requirements banks need to adopt the right technology with agility. There is a lack innovativeness on the part most banks, hence tend lose customers due to failure to satisfy their needs. Most of the banks lack a workforce that is skilful, talented and committed to meeting the strategic objectives of the organization.

According to AIB Capital Banking Update (2017), Kenya's Banking sector prior to 2015 had been noted to be highly profitable and vibrant. The industry had been experiencing ROE averaging 22%. The sector grew impressively at 16% between 2011 and 2015. The sector was also characterized by increased adoption of technology and usage of alternative channels which helped aggressive banks to tap the unbanked population more efficiently and thus boosting profitability.

There have been various developments in the sector in the last two years which have changed expectations for the future. For example there were changes in the leadership of the CBK in mid 2015; further the sector experienced the unfortunate collapse of 3 banks. This had the effect of eroding consumer confidence. The situation deteriorated further after the introduction of interest rates cap in August 2015. This it has in effect lowered interest margins and slower credit growth.The AIB update further points out that non-performing

loans have also increased across the sector for an industry average of 5.2% before 2015 to an average of 7.9% as at September 2016. This has been attributed to a more challenging business environment and enhanced CBK's supervision. PricewaterouseCoopers (2015) point out that competition has intensified in the banking industry. Following the crisis trust in the traditional banks has been eroded and customers have turned to other organizations to meet their borrowing and investment needs. Governments and regulators have welcomed some of these organizations as a source of finance for small and medium sized businesses. Hence, as a consequence, banks must respond to this development to defend their positions for survival.

Commercial banks in Kenya have continued to compete for market share using various strategies, all aimed at enhancing service delivery and customer experience in order to expand market share. The main strategy is the use of information technology and innovation through their people.An analysis ofthevarious brochures of commercial banks in Kenya provide a whole range of products and services. These include: current accounts, fixed deposit accounts, goodwill accounts, business accounts, young innovators account, instant access accounts, savings accounts, *huduma*account and salary accounts. Some banks have embarked on cost-cutting measures to make them more efficient and agile. Kirimi (2016) pointed out that lenders have been forced to respond to the stiff competition in the banking sub-sector. Banks have been left with limited options other than addressing costs and optimization of use of limited resources to improve productivity and maintain profitability.

The Central Bank of Kenya's latest market data indicates that Kenya Commercial Bank has the largest market share which stands at 14.1%. It is noted that KCB's market dominance is attributed to its long established brand and strong government business support backed by the wider public sector. Kirimi (2016) further reports that KCB has undertaken successive

reforms and restructural movement. The bank has also undergone transformation which focused on improving operational efficiencies and enhancement of customer delivery platforms. Equity Bank comes third with 9.44% of the market share. The bank has a massive customer base of about 10 million. Equity Bank has a deep brand familiarity and enhanced re-tooling of the business which it refers to as 'next generation digitization named: Equity 3.0'. Standard Chartered and Barclays round up the top five banks in Kenya with 7.0% and 6.94% respectively. Standard Chartered Bank leverages on high-end SMEs corporate net-worth clients who they continue to serve supported by effective automation and online banking capabilities. Kirimi (2016) also explains that Barclays is fighting to retain its former dominance which has not been helped by its recent announcement of exit from Africa. The bank however still enjoys solid loyalty among select corporate, SMEs and retail clients.Commercial Bank of Africa and Diamond Trust Bank round up the top banks in Kenya.

Commercial banks in Kenya are classified into three peer groups done according to a weighted composite index which comprises of net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts.Banks that have a weighted composite index of 5% and above are classified as large. Those considered medium have a weighted composite index of between 1% and 5%. Banks considered small are those with a weighted composite index of less than 1%, (CBK, 2015). In effect these indicators become the critical measure of the market strength (competitiveness) of commercial banks. Some banks are more competitive than others.What brings about these differences in competitiveness is what this study seeks to determine.

According to Cytonn (2016), Kenya is overbanked with a relatively high ratio of 43 commercial banks to its total population of 44 million people compared to Nigeria with 22 banks serving 180 million people and South Africa with 19 banks serving 55 million people. Some of the commercial banks in Kenya may not be able to survive due to stiff completion and high regulatory requirements. Consequently some of these banks became targets of mergers and acquisitions. For example, I&M Bank acquired Giro Bank, GT Bank acquired Fina Bank and Mwalimu Holdings acquired Equatorial Bank, now called Spire Bank.

1.1.5 Statement of the Problem

The problem in this research is founded on the fact that Kenya's banking sector has faced a history of bank failures.For example, in the late 1980s and 1990s there were at least 50 cases of failure of financial institutions, (Olingo & Anyanzwa,2016). The fear of bank failure is further founded on the fact that the country has witnessed the collapse of over five banks that went under in the last five years. Olingo & Nyanzwa also reported that structural weaknesses in Kenyan banks were resurfacing following the placing of Chase Bank under receiver management in less than six months after the collapse of Chatterhouse, Imperial and Dubai banks.The collapse of the bank was blamed on weak supervision and outright fraud. They further reported that National Bank of Kenya was forced to restate its bad debt situation, and its top managers were senthome.The existence of a problem in the banking sector is confirmed by trend of NPLs.The banking sector has experienced increasing levels of non-performing loans from an industry's average of 5.2% before 2015 to an average of 7.9% as at September 2016, (Ruriga& Hussein, 2017). They also stated that the sector valuations have gone down significantly with industry P/B declining from 1.9x as at the end of 2014 to 0.8x as at the end of January 2017.

Further, this research is based on the emerging situation in the banking industry. In their study, Pricewaterhouse Coopers (2015) found that powerful forces are transforming the retail banking industry. They note that growth remains elusive, costs are proving hard to contain and return on equity remains persistently low. They further point out that regulation is impacting on business models and economics. Technology is rapidly morphing from an expensive challenge into a potent enabler of both customer experience and effective operations. Non-traditional players in the industry are challenging the established order, leading with customer-centric innovation.Pricewaterhouse Coopers also noted that much of the business landscape is changing in response to the emerging forces of customer expectations, regulatory requirements, technologicaldevelopments, demographic changes and entry of new competitors. This study therefore seeks to determine how commercial banks can achieve competitiveness for sustained survival for the benefit of banks' stakeholders. The sector has particularly faced challenges in the form of periodic banks collapses, liquidity crunches and political interference with indigenous banks mainly left to bear the brunt of the financial distress (Aywa, 2014). Stakeholders want assurance on the financial soundness of banks and that their money will always be safe. It is therefore apparent that the financial sector is facing challenges on several fronts, which include: how to cope with technological developments, how to come to a new level in an environment of low interest rate, how to rebuild asset adequacy, enriching and increasing value of customer relationship at a time when customers' behavior and expectations are more demanding, restoring public confidence in the industry, how to deal with aggressive and innovative non-bank competitors, and how to embed a risk management culture into thefabric and practices in daily operations,(Kidder, 2012). Customers aim at getting the most value from their money, while investors want to maximize their returns on a long term basis. Banking is anchored on trust

and confidence of the stakeholders; it is therefore necessary that commercial banks strive to maintain the trust by working towards highest possible levels of competitiveness.

1.2 Objectives of the Study

1.2.1 General Objective

The general objective of the study was to determine strategic factors influencing competitiveness of commercial banks in Kenya.

1.3 Specific Objectives

i. To determine the influence of strategic leadership on competitiveness of commercial banks in Kenya.
ii. To establish the influence of strategic planning on competitiveness of commercial banks in Kenya.
iii. To determine the influence of strategic adoption of technology on competitiveness of commercial banks in Kenya.
iv. To assess the influence of strategic innovativeness on competitiveness of commercial banks in Kenya.
v. To establish the influence of strategic human resource competencies on competitiveness of commercial banks in Kenya.

1.4 Research Hypotheses

The study was guided by the following hypotheses:

i. Strategic leadership has apositive significant influence on competitiveness of commercial banks in Kenya.

ii. Strategic planning has a positive significant influence on competitiveness of commercial banks in Kenya.

iii. Strategic adoption of technology has a positivesignificant influence on competitiveness of commercial banks in Kenya.

iv. Strategic innovativeness has a positive significant influence on competitiveness of commercial banks in Kenya.

v. Strategic human resource competencies have a positive significant influence on competitiveness of commercial banks in Kenya.

1.5 Significance of the Study

The financial sector is the catalyst for economic development in the country and as a result efficientand effective management of financial services is of critical importance to all the stakeholders who include the Kenya Government, investors and the commercial banks themselves. Commercial banks are an important part of the financial sector which is the main source of development credit to various economic sectors. The banking sector's significance is illustrated by the increasing trend of loans. For example, gross loans increased from Ksh1.94 trillion in December 2014 to Ksh2.17 trillion in December 2015, (CBK,2015). Furthermore, commercial banks credit to National Government accounted for 22.7% in 2013, while credit to private enterprises increased from 61.2% in December 2012 to 64.4% in December 2013, (Kenya National Bureau of Statistics,2014). These figures indicate the important role played by commercial banks and hence the need for their sustained competitiveness.

Findings from this study will help to provide guidance to managers of commercial banks on the possible strategies that would enhance their competitiveness in a turbulent environment.Secondly, the findings of the study would help inform the Government on key areas that can helpcommercial banks to be competitive. A good knowledge of these areas would enable them to come up with policies that can further enable and/or enhance organizational competitiveness.Thirdly, the findings of the study can provide insights on how commercial bankscan enhance their competitiveness. It would in the same breadth provide insights into the growth trends and the state of competitiveness among commercial banks in Kenya, which can be used by decision makers in planning, designing and integrating activities that would enhance the financial institution's competitiveness. Fourthly, the findings can serve as a guide to investors, equity funders and business developers to make prudent and informed investment decisions. Finally, this studywillprovidepractitioners with strategies of addressing performance challenges and in implementing strategic management plans, in order to make their banks more competitive.

According to the Medium-Term-Plan 2013-2017, the goal of financial services' sector can be achieved by deepening the financial markets through enhancing its access, efficiency and stability. The financial sector continues to be dominated by the banking sub-sector. Consequently, efficient performance of the banking sub-sector is of great concern to the Kenya Government for the country's economic development. For example, at the end of December 2012, the sector's assets stood at about 66.2 per cent of gross domestic product. Good performance of commercial banks can have a positive impact in the whole economy.This study will thus have positive impact as it will add value to the body of knowledge in the field of business administration. The study will also help to further expose

existence of the knowledge gaps for purposes of further research as new economic realities and challenges emerge.

1.6 Scope of the Study

The study population was the 43 commercial banks that are licensed by the Central Bank of Kenya to carry out business in the country as at 2015. Further, this study focused on the strategic factors that influence competitiveness of commercial banksin Kenya. The study undertook to determine how strategic leadership, strategic planning,strategicadoption of technology, strategic innovativeness and strategic human resource competencies all combine to influence competitiveness of commercial banks in Kenya. Finally, this study was conducted in the years 2015 and 2016.

1.7 Limitations of the Study

Some bank managers could not cooperate fully to provide the required information due to their restrictive internal policies. There were also others who simply referred the researcher to their website for information. To overcome these limitations, the researcher got information through studying secondary data such as banks' annual reports and getting information by observation of the interaction between customers and bank employees.

Three banks were under receivership when the study commenced. The researcher could not access the key managers for interview because the banks were not in full operation. The researcher had to be content with the earlier collected data and the one obtained from the banks' annual reports. The other limitation was that some banks would not provide full financial reports on their performance in their annual financial statements. The researcher had to find alternative sources of information such as Central Bank of Kenya and from other reports.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides the theoretical foundation of the study and also reviews relevant conceptual and empirical literature relating to the variables of the study. The purpose of this is to highlight what earlier researchers found as per the objectives of the study. A summary highlighting the research and knowledge gaps is also provided. The study's conceptual frameworkmap showing the variables underpinning the studyis presented in this chapter. Highlights of the research gaps and critique of existing literature are also provided here.

2.2 Theoretical Framework

According to Thompson et al., (2012), there is a tight connection between competitive advantage and profitability. The quest for sustainable competitive advantage always ranks high in the crafting of strategic framework for an organization. They further explain that the key to successful strategy making is to come up with a market to draw customers and that market place. A particular chosen strategy will be based on one or more theoretical foundations. Theories are formulated to explain, predict and understand phenomena and in many cases to challenge and extend existing knowledge. The theoretical framework is the structure that can hold a theory of a research study and guide the entire research. Thus, the theoretical framework is but a theory that serves as a basis of conducting research. (Khan, 2015).The following theoriesform the framework on which this study is anchored.

2.2.1 Strategic Leadership Theory

The Strategic Leadership Theory is linked to the first study objective on the influence of strategic leadersip on competitiveness of commercial banks.The essence of strategic leadership is the capacity to learn, the capacity to change and managerial wisdom (Boal & Hooijberg, 2001). It is further pointed out that strategic leadership theories are "concerned with the leadership of organizations and are marked by a concern for the evolution of the organization as a whole, including its changing aims and capabilities" (Selznick, 1984). Boal &Hooijberg also state that strategic leadership focuses on the people who have overall responsibility for the organization and includes not only the head of the organization but also members of the top management team. Activities associated with strategic leadership include making strategic decisions, creating and communicating the vision of the future, developing key competencies and capabilities, developing organizational structures, processes and controls; sustaining effective organizational cultures and infusing ethical value systems into the organization (Hunt, 1991; Ireland & Hitt, 1999). They further explained that strategic leaders with cognitive complexity would have a higher absorptive capacity than leaders with less cognitive complexity.

To the extent that these leaders also have a clear vision of where they want their organization to go the absorptive capacity will have a greater focus. That is, strategic leaders look at the changes in the environment of their organization and then examine those changes in the context of their vision (Boal & Hooijberg, 2001). This theory is relevant to the study as it highlights the functions of a leader and how they manage change and maintain proper organizational structures, processes and culture for success. The theory also emphasizes that the environment's turbulence can be maintained through strategic leadership. The new

leadership theories focus on charismatic, transformational and visionary leadership. Boal & Hooijberg (2001) stated that theories of charismatic leadership emphasise the personal identification of the folloers which the leaders and tend to focus on individual level outcome such as effect, loyalty, identity, commitment. According to them transformational theories, emphasize such factors as intellectual stimulation, individual consideration, and inspiration. It is the vision of the leader and articulation for change that the past, present and the future come together. Thus in this study, the theory is the basis of the variable of strategic leadership and competitiveness of commercial banks.

2.2.2 Theory of Planning

The Theory of Planning, in this study is linked to the influence of strategic planning on competitiveness of commercial banks. Planning is about crafting an appropriate strategy to achieve a desired position for the organization. It is about what manager of companies must do and do well to make the organization the winner in the market place. One of the theories underlying this study is the theory of planning.There are four major planning theories. These are (a) Philosophical synthesis, (b) Rationalism, (c) Organizational Development, and (d) Empiricism (Adams, 1991). Philosophical synthesis emphasizes a broad approach to planning which considers information on social, economic and ethical conditions as well as the environmental background of the institution or organization for which planning will be undertaken. Rationalism looks at people as a utility and defines human relations in instrumental terms (Andrews, Boyne&Walker, 2003). Rational planning models assume a sequential, observable cycle that includes setting of goals, determining objectives, making plans, implementing the plans, and reviewing results.

Organizational development as a planning approach focuses primarily on ways to achieve necessary organizational change. The organizational development approach includes a human relations approach to innovation and change in management style, employee satisfaction, decision-making processes, and the general health of the organization. Empiricism acknowledges the importance of studies on system behavior by public administrators, economists and other social scientists concerned with planning theory. Empiricism is less normative; less concerned with planned social change, and uses a positivistic framework for analysis (McNeece & Thyer, 2004).

This theory is considered relevant since it elaborates how strategic planning in the different organizational levels can be adopted to ensure that setting of goals, determining of objectives, making plans, implementing the plans, and reviewing results are done.Thisisdoneso as to enhance organizational competitiveness in a business environment with a lot of competition.

2.2.3 Technology, Organizationand Environment Theory

In this study, the Theory of Technology, Organization and Environment is linked to the influence of strategic adoption of tehnology on competitiveness of commercial banks. Managing an organization's strategy execution process normally entails, interalia, building and strengthening strategy-supporting resources and competitive capabilities. Ample resources must be allocated to the activities to facilitate the realization of the strategic objectives of the company (Strickland et al., 2012). The next theory that underpins the study is the Technology Organization and Environmental Theory. At this point in time, information technology (IT) is universally regarded as an essential tool in enhancing the competitiveness of the economy of a country. It is commonly accepted today that IT has significant effects on

the productivity of firms. These effects will only be fully realized if, and when, IT is widely spread and used (Oliveira & Martins, 2011).

The Technology, Organization, and Environment (TOE) framework was developed in 1990 (Tornatzky & Fleischer, 1990).It identifies three aspects of an enterprise's context that influence the process by which it adopts and implements a technological innovation: technological context, organizational context, and environmental contextas indicated in the Figure 2.0 below. The technological context describes both the internal and external technologies relevant to the firm. This includes current practices and equipment internal to the firm (Starbuck, 1976), as well as the set of available technologies external to the firm (Thompson, 1967. Khandwalla,1973.Hage,1980). Organizational context refers to descriptive measures about the organization such as scope, size, and managerial structure. Environmental context is the arena in which a firm conducts its business, its industry, competitors, and dealings with the government (Tornatzky & Fleischer, 1990), Adopted from: Tornatzky & Fleischer, (1990).

The TOE framework as originally presented, and later adapted in IT adoption studies, provides a useful analytical framework that can be used for studying the adoption and assimilation of different types of IT innovation. The TOE framework has a solid theoretical basis and the potential of application to IS innovation domains. This theory according to Rogers (2002) emphasizes the individual characteristics, and both the internal and external characteristics of the organization, as drivers for organizational innovativeness. The Technology, Organization and Environment (TOE) theory as formulated by Tornatzky & Fleischer (1990) is considered very important for the current study as it informs on the third variable of the study which is the influence of information technology adoption on the

organizational competitiveness. Organizations that adopt information technology are able to increase their productivity and thus are considered competitive compared to its competitors who partially or do not adopt information technology at all.

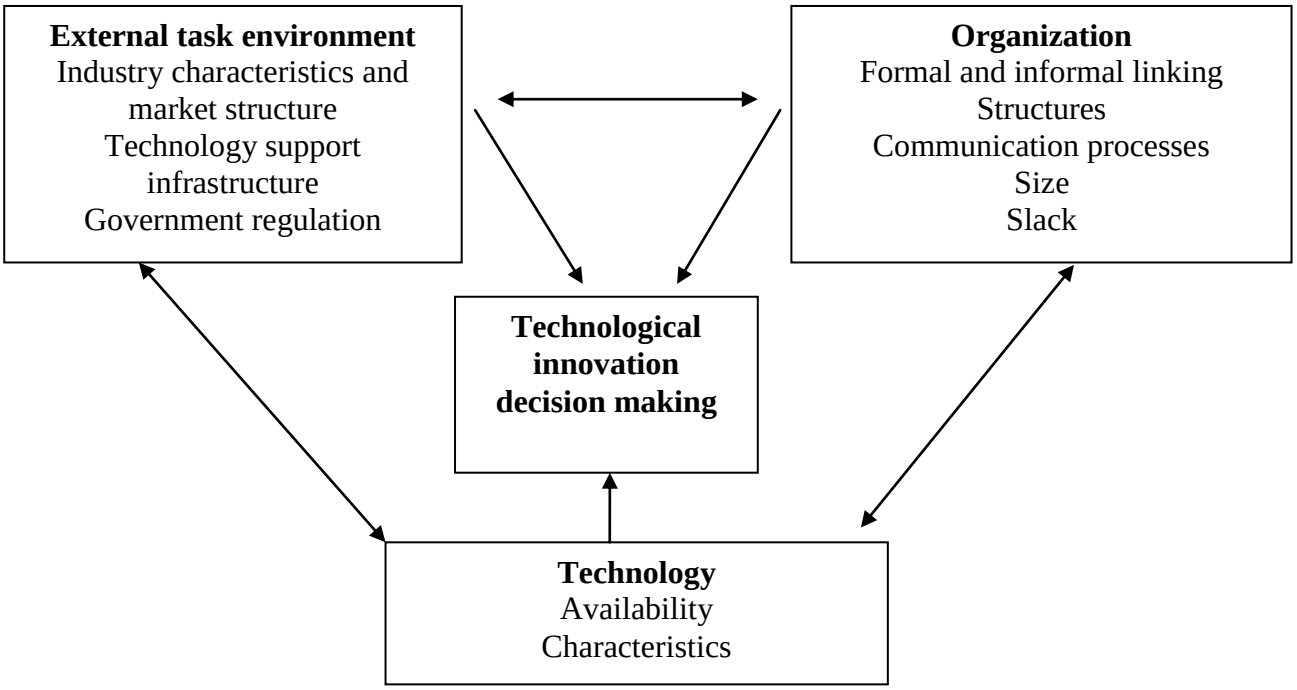

Figure 2.1 Technology, Organization and Environment Framework

2.2.4 Industrial Organizational Theory

The Industrial OrganizationTheory in this research is linked to the influence of strategic innovativeness on competitiveness of commercial banks. For an organization to successfully execute its strategy for the purpose of achieving success in the industry, among

otherkeythings, it must install an appropriate information and operating system that enable company personnel to carry out that role effectively and efficiently, (Thompson et al., 2012).

Thus the next theory underlying this study is the Industrial Organization Theory.TheIndustrial Organization Theory specifically attributes competitiveness to the influence of factors in the industry or sector the firm belongs to (Grant, 1991) and specifically Porter's five-forces model plays a very important role in analyzing and explaining competitiveness in this perspective (Wills-Johnson, 2008). The idea here is that the firm's behavior and competitiveness is driven by the market structure and/or intensity of competition in the industry. That is, superior performance is achieved when the firm is positioned in an attractive market that enables it defend itself against competitors. However, the Industrial Organization Theory has been faulted for attributing firm competitiveness more to the external environment, disregarding the influence of internal firm factors (Grant, 1991; Wernerfelt, 1984). This theory then only gives part of the explanation of the basis of an organization's competitiveness.

2.2.5 The Resource-Based Theory

In this study the Resource-Based theory is linked to the influence of strategic human resource competencies on competitiveness of commercial banks. For a company to achieve sustained success in the market place and maintain a competitive edge over its rivals, it has to be underpinned by an appropriate set of superior resources and capabilities (Strickland et al., 2012).This is the foundation of strategic capability, which is the resources and competences of an organization needed for it to survive and prosper. This is what forms the basis of the Resource-Based Theory as applied to this study.

The Resource-Based Theory (RBT) shifts the focus from external to internal sources of competitiveness (Cerrato & Depperu, 2011; Raduan et al., 2009) and posits that competitive advantage is the primary source of superior firm performance relative to competitors (Grant, 1991). According to this theoretical framework, competitiveness is derived through deployment of internal resources and capabilities that allow the company to perform activities better than competitors in terms of low cost and/ordifferentiated strategies that enable firms to competently and differently respond and adapt to the external environmental forces and changes (Barney, 1991; Collis &Montgomery, 1995; Grant, 1991; Porter, 1985; Wernerfelt, 1984). In particular, The Resource-Based View promotes the significance of resources and capabilities the firm has control over and/or can access as a source of sustainable competitiveness (Barney, 1991; Kor& Mahoney, 2004).

Although resources have been named differently to include competences (core or distinctive) and capabilities which is sometimes interchanged with skills, literature consistently classifies the firm's internal resources to include both tangible and intangible resources and capabilities (Fahy &Smithee, 1999; Wernerfelt, 1984).

The theory assumes that resources and capabilities are in a position to generate competitive advantage when they are heterogeneously distributed across firms and the differences are sustained over time (Barney, 1991; Barney, Wright, &Ketchen, 2001).Furtherand most important is that these resources and capabilities should be highly valuable, rare, non-substituTable and difficult to imitate by other competing firms (Barney, 1991). In particular, a valuable resource may be an organizational capability embedded in a company's routines, processes and culture (Collis & Montgomery, 1995). Other characteristics of advantage generating resources and capabilities highlighted in the literature include durability, appropriatability, complementarity, transparency, transferability and replicability (Collis

&Montgomery, 1995; Grant, 1991). However, based on the overlap in the different classifications, Fahy & Smithee, (1999) suggest that these resource characteristics should be broadly viewed in terms of value, barriers to duplication and appropriatability.

There is no doubt that part of an organization's knowledge resides in the people who form it. The employees' knowledge value depends on their potential to contribute to the achievement of an organization's competitive advantage, (Pablos et al., 2008). Human capital attributes which include their training, experience and skills and in particular the executives' human capital have a clear impact on organizational results. (Barney 1991,Huselid, 1995). They further explain that the RBT receives great attention due to its orientation towards internal analysis of the firm which offers to human resource strategic management a valuable conceptual framework to analyze their human resource with the aim of of transforming them to sustained competitive advantage.

2.3 Conceptual Framework

According to Bogdan&Biklen (2007) a conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical or synthetical aspects of a process or system being conceived. It is intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate the situation.A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought.Through the conceptual framework the researcher can be able to show the relationships of the different constructs that he wants to investigate.

2.3.1 Variables of the study

The independent variables in this study are: strategic leadership, strategic planning,strategicadoption of technology, strategic innovativeness and human resource competencies. The dependent variable is competitiveness, while the intervening variable is government regulation of the sector as depicted in the conceptual framework presented in Figure 2.2

The sub-variables for strategic leadership are leadership competences, commitment and ability to manage change. The sub-variables for strategic planning are setting of a clear vision, mission and strategic direction, strategic goal-setting, formulating and implementation, monitoring and evauation of strategic plans. The sub-variable for strategic adoption of technology are installation of ATMs, use of debit and credit cards, electronic funds transfer, internet banking, mobile banking and agency banking. The sub-variable for strategic innovativeness are service innovation, product differentiation and speed in service delivery.The sub-variables for human resource competences are skills and talents, knowledge and creativity of people. These improve with more training and experience. The sub-variables for competitiveness are market share, profitability, return on investment or equity and asset base.A steady improvement of the sub-variables for the independent variables will positively impact on growth of the sub-variables of competitiveness. The strength of a bank's competitiveness will be reflected by the trend of the sub-variables, whether or not they are increasing . A competitive bank will enjoy sustained profitability, increasing market share and improving returns on investment.

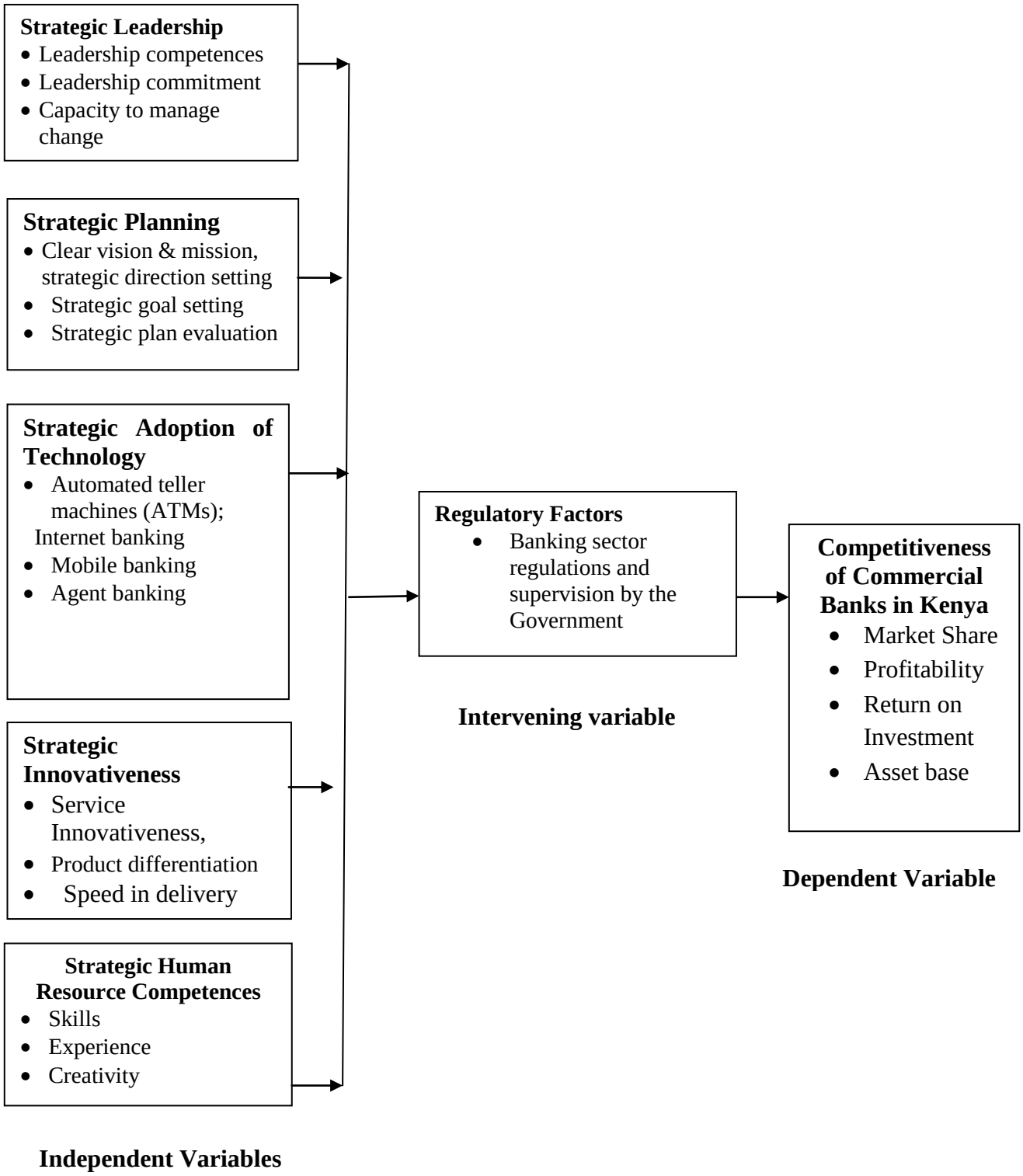

Figure 2.2 Conceptual Framework

The intervening variable in the conceptual framework is government regulation and supervision. In Kenya this is mainly carried out by the Central Bank of Kenya. Nyantakyi (2015) explained that governments have to define regulatory rules and create various authorities to supervise banks. These are all aimed at ensuring well- functioning of banking systems. They further expound that regulation is the body of law establishing rules while supervision is the implementation and monitoring of the regulations and the rules. Banks have to be regulated because of the crucial role they play in the economy as financial intermediaries; this helps to ensure financial stability. For example, in its report on banking, Cytonn (2016) stated that the Central Bank of Kenya has tightened its control and regulations on the banks with emphasis on transparency on lending rates, governance and capitalization.

2.4 Empirical Review

2.4.1 Strategic Leadership

Redmond, (2015) defined strategic leadership as the managerial ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as nececessary. Redmond further asserts that top management set the direction for the organization, energise the creation of innovative strategies and drive the effective implementation of those strategies. This is the process of using well considered tactics to communicate a vision for an organization or one of its parts. Strategic leadership typically manages, motivates and persuades staff to share that same vision, and can be an important tool for implementing change or creating organizational structures within a businessenterprise.Shafie, Baghersalimi & Barghi (2013) investigated the relationship between leadership style and performance in the Real Estate Registration in Tehran province. Using a descriptive correlation method, the study was conducted on 277 staff of Tehran Real Estate Registration. The results showed that development-oriented and pragmatic-oriented leadership style has a positive impact on

employee performance. Transformational leadership style had a higher association with performance. Pragmatic leadership proved more successful in stationary environment and more unsuccessful in the dynamic environment than transformational leadership. Laissez-faire leadership led to chaos in the organization.

Koech & Namusonge (2012) investigated the effects of leadership styles on organizational performance of state-owned corporations in Kenya by looking at laissez-faire, transactional and transformational leadership styles. The descriptive studytargeted the perceptions of middle and senior managers in thirty state-owned corporations using questionnaires. From the findings, correlations of 0.518 to 0.696, $P < .05$ was established between the transformational-leadership factors and organizational performance; correlations of 0.219 to 0.375, $P < .05$ was established between the transactional-leadership behaviors and organizational performance was laissez-faire leadership style was not significantly correlated to organizational performance.

Zakaria&Taiwo (2013) conducted a study on the effect of team leader skills and competencies team based on the assumption that leadership skills do affect team performance. The study was conducted in UniversitiTeknologiPetronas (UTP) using a survey method on 176 faculty staffs. Structural equation modeling (SEM) technique was employed to analyze the data. The outcomes of the study revealed that team leaders' human skills and team self-evaluation significantly influence the effective performance of the team. Also, the team's self-evaluation had a direct effect on technical skills.

Moore & Rudd (2011) sought to identify the major leadership skill areas and specific leadership competencies within each skill area needed by extension leaders. Purposive sampling of 7 administrative heads of agriculture was used. The findings identified six major

leadership skill areas needed by extension leaders: human, conceptual, technical, communication, emotional intelligence, and industry knowledge skills.Rahmanand& Castelli (2013)undertook a study on the impact of empathy on leadership effectiveness by testing four hypotheses to determine the relationships betweenempathy, leadership effectiveness, and leaders' backgrounds usinga sample of 216 business leaders located in the United States (51.9%), and Malaysia (48.1%). They explained that Davis's Interpersonal Reactivity Index (IRI) was used to measure tothe impact of empathy on leadership effectiveness in the United States and Malaysia. The results indicate that American business leaders have significantly higher empathy than Malaysian business leaders, and that leaderswith higher empathy tended to be more effective. They concluded that multinational organizations need to develop leaders with high empathy skills.

O'Reilly, Caldwell, Chatman, Lapiz & Self (2010) conducted a study on the effects of leaders' alignment on strategy implementation. The study was conducted in the context of large health care organization physicians in eight specialty departments - emergency medicine, head and facial surgery, ophthalmology, orthopedics, pediatrics, surgery, and urology - working in six medical centers for a total of 46 departments which were targeted. The findings showed that most organizations not have multiple layers of leaders, and that no single leader does leads in isolation. The study confirmed that leader behavior influences group and organizational behavior. The findings also established that it was only when leaders' effectiveness at different levels was considered in the aggregate, significant performance improvement occurred. Marion & Bien (2007) pointed out that leadership offers a competitive advantage to human systems.

Yasin (2004) pointed out that leading is the influencing of people so that they can contribute to organization and group goals. It involves motivation, leadership styles and approaches and communications. According to Lawler III (2008), managers should adopt a leadership style that enhances the brand of the organization as a desirable employer prevalent in human capital-centred organizations. In such Human-Centric organizations, managers understand and use sound principles when making decisions about motivation, development, hiring, organization change, organization design and performance management.

Lawler (2008) further explains that strategic leadership is mainly based on transformational leadership and that such leaders motivate and inspire their followers to do more than they are expected; they help them to increase their sense of importance and value of tasks, stimulating them to surpass their own interests and direct themselves to the interests of the team and the organization. They also differentiated transformational leadership from transactional leadership in terms of: qualities of change- ability to stimulate changes and to realize them successfully. Transformational leaders are able to assume an appropriate attitude to take calculated risks and face the status quo in the organization. Their intellectual abilities allow them to face the reality; they demonstrate openness and faith in the followers. Transformational leaders are open and sincere and ready to give confidence; led by values that are essential to be followed; engage in lifelong learning – drawing lessons from their own experience to deal with emerging situations; have the ability to face the complex and uncertain future; they possess visionary ability to successfully create a future state. Lawler further asserts that transformational leaders should have the four Is: idealized influence, inspirational` motivation, intellectual stimulation and individualized consideration.

Dess & Picken (2009) also argue that the demands of the changing 21st century present a complex set of challenges which require a shift in focus and emphasis. They advise that for organizations to meet the challenges, leaders should "loosen up" the organization to stimulate innovativeness, creativity and responsiveness and instead learn to manage continuous adaptation to change. This should be done without loosening strategic focus or spinning out of control. Kouzes & Dosner (2007) have explained that leadership is the creation of a unique legacy, and creation of valued institutions that survive over time. They further explained that the most significant contributions of leaders is to the long-term development of people and organizations. They point out that the process entails the progressive improvement of their capabilities.

The ultimate outcome of this process is that they would facilitate institutions to adapt to change, prosper and grow. Keith (2011) stated on his part that "leadership is ultimately about creating a way for people to contribute to making something extra-ordinary to happen". While Lindsay (2013) stated that vision, convictions and courage made the difference for all of us. Lindsay demonstrated exemplary leadership skills by showing how to build and guide a talented and committed team to accomplish exceptionally challenging goals. She therefore serves as a model for how leadership can get extra-ordinary things done in an environment of constant change.

Kouzes &Dosur (2007), through their case analysis,uncovered five practices common to personal best leadership experiences. They found that to get extraordinary things done in organizations, effective leaders engage in five practices of exemplary (strategic) leadership model: inspire a shared vision, challenge process, enable others to act and encourage the heart. Kouzes & Dosur (2007) thus concluded that success in leadership and in business will

be dependent upon the capacity to build and sustain those human relationships that enable people to get extraordinary things, thus making them competitive. In their study to determine the perceived role of strategic leadership in strategy implementation in South African organizations, Jooste & Fourie (2015) concluded that the most important driver of strategy implementation is strategic leadership.

2.4.2 Influence of Strategic Planning

According to Davis (2015), strategic planning is critical to an organization's growth. He explained that if done properly strategic planning can increase profitability. Strategic plans provide organizations with a vision and direction towards achievement of predetermined goals. Northup (2005), pointed out that successful CEOs understand that strategic planning utilizing the combined skills, knowledge and experience of the workforce is an effective means of creating the firm's competitive advantage. He further states that a strategic plan identifies the key success factors the company needs to effect to attain plan goals.Taiwo et al., (2007) who stated that majority of the studies that have examined the relationship of strategic planning and performance have concluded that firms that undertake strategic planning process outperform those that do not and that firms taking a proactive strategic approach have better performance than those taking a reactive approach.

According to Lee (2015) banks of all sizes face radically altered economic and regulatory realities and that to survive and thrive in this new environment,banks have to be more proactive than before. Lee further explained that done right good strategic planning is the backbone around which an organization can evaluate managerial effectiveness, orchestrate tam building and decision making and ensure that infrastructure is in place well in advance and position itself to take advantage of unexpected opportunities and challenges.

The relationship between formal strategic planning (FSP) and an organization's economic performance is "a controversial, problematic and unresolved issue" (Pearce, Freeman & Robinson, (2007). Research on the relationship between FSP and organizational performance has proved inconclusive. Early studies suggested that FSP enhanced performance. Later studies concluded that there was no clear systematic relationship between FSP and firm performance (Shrader et al., 2004). Some have argued that FSP may be dysfunctional if it introduces rigidity and encourages excessive bureaucracy. It is recognized, however, that there may be non-financial consequences of strategic planning which provides benefits to the organization (Greenley, 2004).

Rohm & Wilsley (2013) stated that strategic planning is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment. It can also be defined as a disciplined effort that produces fundamental decisions and actions that shape and guide what an organization is, who it serves, what it does, and why it does it, with a focus on the future. Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful.

Moutinho & Phillips (2008) conducted a study on the impact of strategic planning on the competitiveness, performance and effectiveness of bank branches. In their study they noted that the banking distribution system was going through a rapid process of change. As a result their study focused on the analysis of the perceptions of 58 bank branch managers selected from 14 branches belonging to two major Scottish banks, of the impact of a variety of

planning practices on competitiveness, overall performance, strategic planning effectiveness and marketing effectiveness. The gathered data were then subjected to a number of learning iterations as part of a specifically designed neural network topology. Major findings derived from the study revealed that: bank branch effectiveness is affected by effective management practices; the overall performance of the branch depends highly on both long term thinking and innovation; long-term thinking seems to have also a high degree of impact on strategic planning effectiveness; and finally, the degree of precision attached to planning, programming, budgeting and control seems to trigger high levels of marketing effectiveness.

Falshaw, Glaister & Tatoglu (2006) noted that strategic planning is one tool to manage environmental turbulence, which has been adopted by a wide range of organizations. Further, formal strategic planning is an explicit and ongoing organizational process, with several components, including establishment of goals and generation and evaluation of strategies. An effective strategic planning system will link long-range strategic goals with both mid-range and operational plans. Planners collect data, forecast, and model and construct alternative future scenarios. Ostensibly, these activities should allow organizations to outperform other firms, which did not engage in planning.

Capon, Farley & Hulbert (2004) argue that the greater the degree of sophistication of the planning process, the better the performance. In their view, strategic planners should perform better than financial planners because of their focus on adaptation to the environment, and the formal thinking through of strategic issues and resource allocation priorities. This practice should lead to a better identification of opportunities and threats, and appropriate firm action. Similarly, corporate planners should outperform division planners since an integrated corporate perspective should offer advantage over individual subunit perspectives. They also

expect division strategic planners to outperform corporate financial planners because the adaptive environmental focus, albeit at a divisional level, should outweigh the benefits of corporate-wide financial integration. Overall they hypothesize that planners should outperform non-planners.

Despite the presumed positive association between strategic planning and company performance in the prescriptive literature, Boyd (2001) notes that after decades of research, the effect of strategic planning on a firm's performance is still unclear. While some studies have found significant benefits from planning, others have found no relationship, or even small negative effects. The results from the prior research appear mixed, largely due to different conceptualizations and measurement of both planning system dimensions and organization performance (Pearce et al., 2007; Veliyath & Shortell, 2003).

Strategic planning is about setting the organizations strategic direction with a clear vision, mission and strategic objectives. There should be appropriate strategies on how objectives are to be achieved. Peteraf & Strickland (2012) point out that competitive business requires an organization's managers to make strategic choices about key building blocks of its planning that are different from the choices made by their competitors. The top management has to set the organization's long term direction and charting and articulating the strategic vision, which should be effectively communicated to stakeholders.

O'Reagan & Ghobadian (2004) in their study found that 81% of companies worldwide reported doing strategic planning and in the US, for example, 89% practice it. Baker, Addams & Davis (2005) in their study of the practice of strategic planning in small US high-growth firms found that strategic planning has positive influence on company performance. On their part Grinyer & Norburu (2005) assert that some of the characteristics of strategic planning

include: goals and objectives set for at least three years into the future, its relationship with the environment, a formal strategic plan consisting of written plans and takes into account alternative strategic options, identifies future resource requirements, encompass procedures for on-going monitoring and modification, and also includes environmental scanning. Schayek (2011) in his study on the effect of strategic planning on SMEs,examined three characteristics of strategic planning that is: (a) whether plans have been written; (b) the detailed scope of strategic planning and; (c) the period of time covered. The study established the important role of strategic planning in the effective management of organizations.

Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos et al., 2005). Previous studies have operationalised strategic planning as a multidimensional concept consisting of goals and objectives set for at least three years into the future, its relationship with the environment, formal or written plans, monitoring and modification, and taking into account unanticipated environmental and firm characteristics as moderating factors (Kraus et al., 2006). This study extends this concept and identifies strategic planning‘s key variables as its formality, time horizon, and strategic planning processes that entail internal and external environmental assessment, strategies adopted, and implementation and control.

2.4.3 Influence of Strategic Adoption of Technology

Agboola (2006) in his study on Information and Communication Technology (ICT) in banking operations in Nigeria using the nature and degree of adoption of innovative technologies, degree of utilization of the identified technologies, and the impact of the adoption of ICT devices on banks, found out that technology was the main driving force of competition in the banking industry. During his study he witnessed an increase in the

adoption of ATMs, EFT, smart cards, electronic, home and office banking, and telephone banking. He indicates that adoption of ICT improves the banks' image and leads to a wider, faster and more efficient market. He asserts that it is imperative for bank management to intensify investment in ICT products to facilitate speed, convenience, and accurate services, or otherwise lose out to their competitors.

Technology adoption is the willingness of users to accept and make use of available information systems which is determined primarily by the perceived usefulness- that is indicated by the degree to which the user believes their performance will be enhanced through use of the systems; perceived ease of use, which is defined as the degree to which the user believes their use of the system will be free of effort (Davis, 2009). It is therefore apparent that due to the dynamic nature of the economic environment and changing customer requirements, strategic adoption of technology is critical for firms to remain competitive.

Shirley & Sushanta (2006) in their study established the positive impact of information technology on the banking industry from their analysis both theoretically and empirically. Information technology-related products include: internet banking, electronic payments, security investments, information exchanges. Berger (2005) stated that spending can affect bank profits via competition in financial services that are offered by the banks. Using a panel of 68 US banks for a period of over 20 years to estimate the impact of IT on profitability of banks, Shirley & Sushanta (2006), found out that though IT might lead to cost saving, higher IT spending can create network effects lowering bank profits. They further contend that the relationship between IT expenditures and bank's financial performance is conditional to the extent of network effect. They explained that if network effect is too low, IT expenditures are likely to: reduce payroll expenses, increase market share and increase revenue and profit.

Mabrouk & Mamoghli (2010) in their study on Dynamics of Financial Innovation and Performance of Banking Firms, analyzed the effect of the adoption of two types of financial innovations namely; product innovation (telephone banking and SMS banking etc.) and process innovation (magnetic strip card, and credit card), automatic cash dispenser; (automatic teller machine; electronic payment terminal etc.) on the performance of banks. Their analysis included two adoption behaviors: first mover in adoption of the financial innovation and imitator of the first movers. They found out that first mover initiative in product innovation improves profitability while process initiative has a positive effect on profitability and efficiency. Banks that imitate are less profitable and less efficient than first movers.

Looking at the influence of technology on the Jordanian banks Akram & Allam (2010) used a Pooled Data Regression using Pooled Least Square to measure the level of investment in information technology on improving the matrix of financial and operational performances. The results of measurements using test of hypothesis showed that there is an impact on the use of Management Information Systems (MIS) in Jordanian banks in the market value added (MVA), Earnings Per Share (EPS), Return on Assets (ROA) and Net Profit Margin (NMP). However, the test of hypothesis also showed that there was no impact of the use of MIS in Jordanian banks to improve the Return on Equity (ROE). They concluded that due to the increased costs of investment in information technology, there might be a reduction in the return on property.

Nyangosi & Arora (2011) argue that commercial banks adopted different electronic distribution channels to meet the demands of customers. In their study to examine the adoption of information technology in Kenyan banks focusing on services provided through

internet and mobile banking, they found out that inclusion of information technology in banking business was necessary to achieve excellence in performance. The study further revealed that ATM technology is the most available technology while SMS banking was also found useful. They also found out that customers use bank websites to know the products, use internet banking to check balances, know after-sale services and buy products, an indication that internet banking is gaining popularity and becoming important in financial transaction events.

Technology refers to having state- of- the art operating systems, information systems and real time data as an integral part of operations aimed at light levels of efficiency. This will clearly boost organizational competitiveness. On their part, Feurer & Chaharbaghi (2006) stated that technological innovation can be regarded as the driver for changes in a competitive position of an organization. They asserted that this hinges on its ability to drive or at least keep abreast with such changes.

Information technology is defined as " technologies that ensure a more accurate and cost-effective knowledge to support decision making, reduces mental and physical efforts in solving certain tasks; reduces or eliminates inefficient practices; it rivals the manual system and improves services and convenience rendered to customers", (Awe,2007). Information and Communication Technology has provided self-service facilities (automated customer service machines) from where prospective bank customers can complete their account opening documents direct online. It assists customers to validate their account numbers and receive instruction on when and how to receive their cheque books, credit and debit cards (Agboola, 2001).Thus, technological innovation deals with the physical devices and software

that link various computer hardware components and transfer data from one physical location to another (Laudon&Laudon; 2001 & 2010).

In their research on banks, Pricewaterhouse Coopers (2015), pointed out that technology will change everything and that it is becoming a potent enabler of increased services and reduced costs. This in turn has the effect of improved competitiveness and profitability. They further explain that technology big data, cloud computing, smart phones and high bandwith will enhance effectiveness and competitiveness. They also note that digital is now focused on current products and services and therefore there is an enhanced data capture and analysis which drives more targeted customer offerings. This implies mobile banking will increasingly disrupt distribution models. It is also observed that technology has enhanced security and verification and this has enabled all aspects sales service and delivery to be conducted online. In the 21st century information technology is considered as a new source of competitive advantage crucial for sustainable survival. IT enhances management processes and operations as well as productivity and flexibility. Thus information technology has the potential of improving operational efficiency and effectiveness, (Moghavveni, et al., 2012).

2.4.4 Influence of Strategic Innovativeness

Innovativeness reflects a firm's tendency to engage in, and support, new ideas, uniqueness, experimentation and creative processes that may result in new products, services, or technological processes (Clark, 2010). Innovative firms have capabilities to monitor the market changes and respond quickly, thus capitalizing on emerging opportunities (Wiklund & Shepherd, 2003).

A framework for strategic innovation is the process of blending strategy and creative exploration to discover futurebusiness opportunities.Strategic innovation is the creation of growth strategies, new product categories, services or business models that change the game and generate significant new value for consumers, customers and the corporation (Palmer & Kaplan 2010). Strategic innovation is the creation of new knowledge and ideas which enable new business outcomes which are geared to improve internal business structures and processes as well as create market driven products and services. It is the implementation of interventions and discoveries to achieve new outcomes (Plessis, 2007). For long-term survival and competitiveness firms have to be more innovative in the manner thy conduct their business activities.

According to Huse et al.(2005), firms operating in turbulent environments are often characterized by rapid and frequent new product creation and high levels of research and development. Such environments appear to play a crucial role in influencing corporate entrepreneurship in an organisation. Environmental changes stimulate firms to innovate by introducing new technologies, new products, service and processes to take advantage of opportunities arising from the dynamic environment. Environmental change can cause the firm to search for new means to remain competitive, which foster process innovation activities. Innovation keeps firms ahead of their competitors, thereby gaining a competitive advantage that leads to improved financial results (Wiklund & Shepherd, 2003). Clark (2010) found that companies that are clearly innovators based their focus on new innovations, the number of new innovations and levels of investment in new innovations.

Venter et al.,(2008), state that at the center of entrepreneurship is innovativeness. An organization that innovates is classified as being entrepreneurial. Entrepreneurial activities

influence a company's commitment to innovation (Miller, 1983; Lumpkin & Dess, 1996) by offering innovative products and processes. According to Huseet al (2005), innovation has become a source of international competitive advantage. Further, Zahra & Garvis (2000) stated that innovation can also lead to the development of key capabilities that can improve a firm's performance. They also put emphasis on the fact that innovation generates products, goods, processes, services and systems that can be used to meet customer needs and build a strong market position. Thus innovation can improve the firm's profitability and fuel its growth. Better profitability and sustainability are also realized from continuous innovation by the entrepreneurial organization. Huse et al.,(2005) stated that innovation can be distinguished in three ways: the development of new products and services, the adoption of new technologies with an intention to improve production methods, the establishment of novel organizational structures and administrative systems.

According to Lumpkin & Dess (2006), a level of expenditure and a number of resources dedicated to research and development represent a firm's involvement in innovation activities. Innovation stimulates firms to behave entrepreneurially. According to Venter et al.,(2008), most technological firms use innovation to achieve objectives such as maximum profits, gaining market share, creating niche markets and adding value for stakeholders.

This is the organization's ability to come up with new knowledge and skills to offer a new product or service that customers want. It is about inventions and commercialization (Cingula & Veselica, 2010). Innovativeness brings about new products, low costs, improved product attributes and new attributes. Innovativeness also helps in adaption of new technology, improved competencies and skills of getting into new markets.They assert that for an organization to be competitive, it has to be proactive and innovative.

Innovativeness reflects a firm's tendency to engage in, and support, new ideas, uniqueness, experimentation and creative processes that may result in new products, services, or technological processes (Clark, 2010). Innovative firms have capabilities to monitor the market changes and respond quickly, thus capitalising on emerging opportunities (Wiklund, 2009). According to Huse et al.,(2005), firms operating in turbulent environments are often characterized by rapid and frequent new product creation and high levels of research and development. Such environments appear to play a crucial role in influencing corporate entrepreneurship in an organization. Environmental changes stimulate firms to innovate by introducing new technologies, new products, service and processes to take advantage of opportunities arising from the dynamic environment (Huse et al.). Environmental changes can cause the firm to search for new means to remain competitive, which foster process innovation activities. Innovation keeps firms ahead of their competitors, thereby gaining a competitive advantage that leads to improved financial results.

Zahra & Garvis (2000) define innovation as the firm’s ability to create new products and successfully introduce them to the market. Innovation also revises the firm’s knowledge base, allowing it to develop new competitive approaches, which can be exploited in new markets to achieve growth and profitability (Zahra & Garvis, 2000). Clark (2010), found that companies that are clearly innovators based their focus on new innovations, the number of new innovations and levels of investment in new innovations. Venter et al.,(2008), state that at the centre of entrepreneurship is innovativeness”. An organization that innovates is classified as being entrepreneurial. Entrepreneurial activities influence a company’s commitment to innovation by offering innovative products and processes. According to Huse et al.,(2005), innovation has become a source of international competitive advantage. Frost & Sullivan (2015) also concluded that office automation solutions allow companies prioritize and

efficiently manage customer demands from any channel. This has the effect of increasing the number and quality of interactions with customers. It is no wonder that the use of mobile and internet banking is gaining ground among leading commercial banks in Kenya.Nyantakyi et al., (2015) pointed out that mobile banking has been more successful in Kenya notably because of a highly developed telecommunication network, the M-pesa money transfer and payment system developed by Safaricom in 2007 now serves over 17 million clients with more than 40,000 agents across the country. Kenya's success in mobile banking technology is also attributed to a favourable regulatory system that allowed Safaricom to develop its system un- interrupted till later when the authorities came in ensure efficiency through appropriate regulations.

2.4.5 Influence of Strategic Human Resource Competencies

Human resource competencies have an impact on organizational effectiveness provided other supporting structures and systems are in place,(Lawler 2008). Traditional sources of competitiveness, such as production capacities, financial resources, raw materials, distribution channels, are considered necessary, but no longer sufficient for organizational success. Human resources, their knowledge, skills and competencies as well as synergy among them, have become the most valuable asset, the new source of wealth, and the key ingredient of competitive advantage. The Resource-Based View suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm-specific, produce complex social relationships, are embedded in a firm's history and culture, and generate tacit organizational knowledge (Lado & Wilson, 2004).

Katou&Budhwar (2006) in their study of 178 manufacturing firms found support with the universalistic model and reported that human resource policies of recruitment, training, promotion, incentives, benefits, involvement and health and safety are positively related to organizational performance. Using a sample of banks, Richard & Johnson (2001) examined the impact of strategic human resources management effectiveness on a number of performance variables. They found that strategic human resource effectiveness was directly related to employee turnover and the relationship between this measure and return on equity was stronger among banks with higher capital intensity.

Tessema & Soeters (2006) examined how, when and to what extent human resource competencies affect performance in Eritrea, Africa's youngest and poorest country. They reported that successful implementation of human resourcepolicies could enhance individual and the civil service organization of Eritrea, but the economic and political environment within which human resourcepoliciesoperate are not conducive. Their study tried to shed some light on the human resources' performance debate within the context of a developing country. On the other hand, Singh (2003) from his survey of 84 companies found a significant relationship between strategic human resource orientation index and firm performance.

Paul & Anantharaman (2009) in their study of 35 Indian software companies determined, developed and tested a causal model linking human resource management with organizational performance through an intervening process. They observed that not even a single human resource practice has direct causal connection with organizational financial performance, though human practices have an indirect influence on the operational and financial performance of the organization.

According to Lawler III (2008) the new source of competitiveness is shifting to the softer side of business the people who create products, they define borders and raise capital and the organizations in which they work. Talent is certainly critical to an organization's innovation, change and high performance. Talent is the source of needed expertise and creative ideas to an organization. This is fundamental to innovation, ability to adapt to change and capable of learning and executing new processes. Having the right talent is the foundations to the creating of an organization that is capable of creating innovativeness and ability to manage change to which will ultimately be a source of competitive advantage. The workforce itself has become more global, virtual and diverse than it ever has been and that organizations that excel at talent management will continue to enjoy a competitive advantage. Lawler further points out that finding, acquiring and retaining the right talent are good but are not sufficient in creating an organization with a sustainable competitive advantage. In addition, an organization has to have the right structures, systems, processes and practices. People should not be shifted by systems, and processes that restrict experimentations, limit learning, hinder the transfer of knowledge, fail to motivate and suppress innovation. The world is moving more and more towards one in which competitive advantage for organizations depends on the firms performing in ways that require being human-capital centric. Lawler further states that the way to keep up with the rate of change, the amount of innovation, and the focus on customers that is required in an ever increasing number of businesses is only by adopting the human-capital centric approach to the management of human resources. That is, how people in an organization are sourced and managed is critical to its survival and effectiveness.

Cascio (2008) pointed out that organizations are managed by staff/people and that without people organizations cannot exist. Every organization is made up of people, who perform specialized work, that are coordinated to enhance the value of services or goods that are

wanted by customers. Cascio (2008) further explains that as economies become global the most important organizations' asset becomes the skills and cumulative learning of its workforce. A workforce that is skillful and knowledgeable at doing complex tasks keeps an organization competitive and attracts foreign investments. Consequently, how the workforce is selected, trained and managed determines to a large extent how successful and competitive an organization will be. Greater employee productivity benefits organizations and ultimately improves their competitive position relative to that of rivals, and also improves workers' welfare due to higher purchasing power.

Human resource competencies (capital) represent the human factor in organizations which is the combined intelligence, skills and expertise that gives the organization a distinctive place in the market place, Armstrong (2009). The added value that human resources can contribute to an organization is emphasized by human capital theory. The human capital theory is associated with the resource-based view of the firm as developed by Barney (2009). It points out that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by rivals. Armstrong also stated that the worth of a company, which according to studies represent over 36% of total revenue for a typical organization. Johnson et al.(2014) asserted that effective management of an organization's human resources is a key source of competitive advantage and that technology has become a major enabler of the delivery, support and management of human resources.

Strong partnerships need to be focused on outcomes and development of innovative people-strategies that champion competitiveness and ensure overall business success. Deighan (2009), pointed out that human resource competencies can be used in strategy execution and

alignment with the organization's strategy. Deighan also explained that through administrative growth and resilience an organization's competitiveness can be enhanced.

2.4.6 Competitiveness of commercial banks

Sustainable competitive advantage generally results from an organization's foundational assets. According to Kokemuller, (2015), such assets include loyal customers, trusted suppliers, and efficient operating systems, all of which are difficult to steal.Some of measures of competitiveness of financial institutions include: efficiency - rate of return on assets (ROA) and rate of return on equity (ROE) and financial management. Others are: size of market share (share of deposits and lending), size in terms of retail sales (number of branches, size of assets and deposits). These ultimately measure efficiency, prices and profitability, (Wilson et al., 2010). These are indices and standard indicators of how well assets are employed in the operation of a firm; while the second component is size,that is considering the size of the corporation in relation to competitors. Economies of scale could be an important factor, as well as having a well-known presence in the market, to determine the competitiveness of a financial institution. The indicators of size will change as the market moves towards being a service-oriented economy. Innovation and research will be essential for a firm to remain competitive and at the forefront of the market. The third component is on information technology (research and development, financial technology, accumulation of information and database), and the fourth is on resource management (management of human resources and corporate management) (Garelli, 2006).

Nyankaki (2015) has pointed out that the African banking system has also benefited from the growing precense and participation of foreign banks across the contitnent. These include Citi Bank and Bank of Africa. The presence of foreign banks across Africa was the outcome of

the wave of banking reforms that swept across the continents. They assert that the foreign banks have helped bolster competitive pressure in the industry and allowed banking techniques such as good corporate gorvernance and innovations to spill over to domestic banks. Nyantakyi (2015) also explains that the presence of larger foreign banks is usually associated with greater access to finance, and that unfair competition can arise in cases where foreign banks disproportionately dominate the banking industry in terms of assets and branches. The West African banking environment is much more competitive than that of other regions. They further point out that North and East Africa have a lower competitive environment.

Vault (2009) stated that identifying and addressing employees' most important concerns is something that a; business leaders and managers need to hold themselves accountable for. This should not be left mainly or soley to the Human Resource department to deal with, as employees needs to feel genuine caring and concern from all leaders, especislly from theior immediate managers . What that feeling is lacking , employees quickly become dissatisfied, and productivity and business results suffer.

Surveys conducted by *The Gallup Organization* indicate that the employees' feelings as to whether their organizations care about them correlate with their levels of "engagement" and "disengagement" at work . *Gallup* calculated that on average, 14-19 percent of U.S. employees reported being "actively disengaged, or fundermentally checked ou" over the past two years, and this level of disengagement has resulted in lost productivity and other costs to U.S. businesses/ economy amounting to approximately $300 billion annually. Generally employees who feel their manager/ employer cares about their needs tend to report higher levels of engagement, and the companies with higher levels of employee

engagement also benefit from having higher levels of employee retention, customer retention, organizational growth , market share and profitability.

2.5 Critique of existing literature relevant to the study

Although there are some studies on competitiveness, the focus has been on large and older multinational firms originating from advanced economies (Cerrato & Depperu, 2011; Liu & Hsu, 2009; Momaya, Ajitabh & Shee, 2001; Rugman & Oh, 2008).A survey of past studies indicates that there are very few studies that have been conducted in developing economies especially in Kenya.

Earlier studies on organizational competitiveness have not been comprehensive enough. Mostofthe previous studies focused on one or two aspects that enhance performance of firms. There have been no clear studies on factors that enhance competitiveness of banks in Kenya. The studies by Cytonn in 2015 and 2016 focused on general performance of the banking sector without getting deeper into factors that influence competitiveness. Another example is the studies by Lawler III (2008)which targeted human resources and pointed out that people's talents are the main source of competitive advantage, thus the main focus was only on the role of the human resource, and yet a multiphase of factors count on competitiveness in consumer organizations. Lawlerfurther emphasized that acquiring and retaining the right talent is not good enough in creating an organizations sustainable competitive advantage. Indications from earlier studies confirm the factors count in competitiveness-these include: processes, structures and systems. Most studies have not been specific to commercial banks' competitiveness. It is the considered view of the researcher that long-term sustainability and or competitiveness has not received the attention in researchas the matter deserves. There are gaps that need to be filled by further research on competitiveness.

In Kenya, the Central Bank mainly plays a regulatory role over commercial banks. Most studies have not delved into serious matters of concern to stakeholders of commercial banks who expect to have strong organizations that are able to survive in all economic conditions. The study by Tessema & Soeters (2006) on the extent to which human resources affect performance in Eritrea did not produce results to explain their effect on competitiveness. Lumpkin & Dess (2006) on their part stated that innovation stimulates firms to behave entrepreneurially. However, they did not give a comprehensive explanation on the factors that can account for sustained competitiveness. The rapidly changing economic conditions call for serious research to determine factors that enhance continuous competitiveness of commercial banks. From the foregoing, most studies have provided only partial explanations of factors that account for organizational competitiveness.

2.6 Research Gaps

There is need to undertake further research to ensure the banking sector matches its increased use of technology with development of effective controls to prevent incidences of fraud, as noted in the Central Bank of Kenya supervision Report of 2015. Most of the earlier studies on the competitiveness of banking institutions have been donein the US and Europe. Traditional theories of older firms fail to sufficiently explain organizational competitiveness (Oviatt & McDougall, 1994) in relation to commercial banks. It is also important to note that most previous studies on competitiveness have focused on international competitiveness and more so within the manufacturing firms. The majority of contributions coming from the textile industry whereas service firms and/or cross sector research is lacking (Bbaale, 2011; Dutta, 2007; Jin & Moon, 2006; Kenny & Fahy, 2011; Mesquita, Lazzarini, & Cronin, 2007; Momaya, 1998, 2001; Momaya et al., 2001; Singh et al., 2008). Furthermore, methodological gaps generally exist in the study of firm competitiveness. It is also noted that previous studies

on strategic human resource management have shown that the indicators and drivers of competitiveness have multidimensional constructs and complex relationships. From the foregoing it is apparent that more research is required to resolve on-going theoretical controversy as alsoconluded by Wilson et al., (2015). They further assert that no work has been done linking technology to factors like market returns or financial stability. There is still lack of sufficient research on satisfactory explanation for sustained competitiveness of commercial banks. Pricewaterhouse Coopers (2015) studies found that the pace of change is increasing and banks therefore need to do even more to ensure they are well positioned to succeed in the future.Taiwo et al.,(2007) & Lee (2015) only focused on how strategic planning affects organizational performance without getting into specific elements of strategic planning. Ulrich et al (2010) in their studies focused on competences of human resource professionals and not for the whole workforce of an organization. More needs to be done to establish how strategic leadership can contribute to competitiveness of commercial banks.Pablos et al., (2008) pointed out that there is a knowledge gap in that though human capital is an important factor in a competitive environment, it is not enough to maintain long term competitive advantage. This is because of the constant changes in customers' demands, in industry's structure or in technology. Hence the need for more research in the subject.This study therefore is a step in the right direction to fill the knowledge gap through the determination of the strategic factors influencing competitiveness of commercial banks in Kenya.

2.7 Summary

Chapter Two reviewed the various theories that explain the independent and dependent variables in line with the objectives of the study. The study is based on: Strategic Leadership

theory; Theory of Planning; Technology, Organization and Environment Theory; Industrial Organizational Theory, and The Resource-Based theory.The theories were reviewed in an effort to link them to the variables of the study. It has been established that each of the theories guiding the resarch has a link to the variables of the study. The chapter also presented the conceptualization of the independent and the dependent variables as well as the respective sub-variables. An analysis of the relationships between the two set of variables was provided. The variables were a representation of the objectives of the study. To add value on the study an intervening variable has been introduced and explained. In addition, an empirical review of related literaturehas been provided as per specific objectives of the study. Despite the many studies undertaken on the subject, there are still knowledge gaps that call for further research, hence this study, given the rapidly changing business environment.The studies by Redmond (2015) on strategic leadership only focused on aspects of leadership, leaving out other factors that determine competitiveness of commercial banks. Both global and local researches were considered to give adequate coverage exposure.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in the study, covering the research philosophy,design, study population, sampling frame and sample size, data collection instruments pilot-testing and data collection procedure. Further, validity, reliability and hypotheses tests were also covered. An explanation on how the collected data was analyzed and presented is also provided in this chapter.

3.2 Research Philosophy

In research methodology, philosophical aspect, social science research is classified into two main opposites which are namely objectivism and subjectivism. Objectivism originated from an American writer Ayn Rand (1905–1982). From a philosophical point of view, objectivism is the belief that certain things, especially moral truths, exist independently of human knowledge or perception of them (Anthony, 2005). Subjectivism on the other hand is that knowledge is merely subjective and that there is no external or objective truth. Subjectivism accords primacy to subjective experience as fundamental of all measure and law. This study exercises objectivity aspect. Further, two common variations are phenomenology and positivism. Phenomenology seeks to understand social contexts by focusing on the immediate experience (Ridenour & Newman, 2008). The underlying assumption of this philosophy is to uncover meanings and understanding of a phenomena being studied. It starts from a premise of no theory and observes evolving patterns from collected data to arrive at a theory.

Positivism contends that only “factual” knowledge from observation (the senses) is trustworthy. Further a positivist approach to research is based on knowledge gained from 'positive' verification of observable experience where there is an objective reality and ability of people to know this reality. The disadvantage of positivism is that many things are not concrete. These methods ensure that there is a distance between the subjective biases of the researcher and the objective reality she or he studies. This generally involves hypothesis generation and testing: proving or refuting (Cohen & Crabtree, 2006). This study adopts the positivist the approach as it aims at testing hypotheses derived from a predetermined conceptual framework.

3.3 Research Design

Research design is a plan that guides the research in the process of collecting, analyzing and interpreting observations. In essence, the research design is the researcher’s blueprint for the methods and instruments used to gather information and to evaluate it, in order to respond to the research questions of the study (Eriksson & Kovalainen, 2008). The study adopted a cross-sectional survey research design. Lavrakas (2008) describes a cross-sectional survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composed of closed-ended and/or open-ended questions, observations, and interviews. A cross-sectional survey research is one in which data are collected from selected individuals at a single point in time. Cross-sectional designs are effective for providing a snapshot of the current situation prevailing in a particular population (Gay, Mills &Airasia, 2009).

It is one of the most widely used non-experimental research designs across disciplines to collect large amounts of survey data from a representative sample of individuals sampled

from the targeted population. The cross-sectional survey design was adopted for this study because it would help to provide answers to the research question of how and to what extent strategic factors influence competitiveness of commercial banks in Kenya. Hence, its success depends on a well-articulated population, sample size, sampling frame, sampling method and procedure (Connaway & Powell, 2010).

3.4Target Population

According to Castillo, (2009) a research population is a well-defined collection of individuals or objects known to have similar characteristics and usually have a common, binding characteristic or trait. The target population for this study comprised ofallthe forty threecommercialbanks licensed by the Central Bank of Kenya.In this study the43commercial banks were the units of analysis from which the research data was collected. The informants were drawn from management employees of the 43 commercial banks.As at December 2015 the banking sector had 10,000 managerial staff, while the total number of employees in the banking sector was 36,212 (CBK, 2015).

3.5 Sampling Frame

Lavrakas (2008) defines a sampling frame as a list of the target population from which the sample is selected and that for descriptive survey designs a sampling frame usually consists of a finite population. Further, a sampling frame is a list of members of the research population from which a random sample may be drawn. The sampling frame of the study was the 43 commercial banks licensed by the Central Bank of Kenya.

3.6 Sampling Technique and Sample Size

The study used census method, which is used to collect information from every member of the population, given that commercial banks were only 43. All the banks were included in the

research. This study used purposive sampling to pick the informants from the 43 banks. This method was found appropriate because strategic information about an institution can be accessed from staff at managerial positions. This is in agreement wth Mugenda (2008) who pointed out that purposive sampling technique allows the researcher to use cases that have required information. For this study 3 respondents were drawn from the managerial staff in each of the commercial banks.The sample size was therefore 129 managers.

A sampleis a set of individuals selected from a population and is usually intended to represent the population in a research study. Also according to Hyndman (2008), a sample is a subset of a population. How accurately we can generalize results from a given sample to the population depends on the representativeness of the sample.

Strategic management activities are mostly coordinated by top managers of organizations. Strategic direction is initiated and led by top management. This study collected data from the banks using 3 managers (informants)from each of the 43 commercial banks which comprisedthe head manager, operations manager and customer care manager given that they are more informed about strategicand operational matters in the organization. It was the view of the researcher that the 3 bank employees had required information on their bank since they were drawn from the managerial ranks. The informantswere purposively selected for the research by virtue of their positions in relation to this study.As indicated inTable 3.1, the banking sector in 2015 had 10,310 manangement staff.

Table 3.1: Distribution of staff in the banking sector

Categories of staff in the banking sector (43 commercial banks)	**No. of staff as at 2015**
Management	10,310
Supervisory	6,973
Clerical and Secretarial	16,503
Support Staff	2,426
Total	**36,212**

3.7 Data Collection Instruments

The study mainly relied on primary data. The primary data was collected using interview and 129 questionnaires which comprised both open and closed- ended questions. The use of structured questionnaire ensures consistency of questions and answers from the respondents. A questionnaire was more preferred by respondents due to anonymity. In addition to questionnaires the study also used interview guides to collect data. According to Mugenda (2008) an interview guide is a set of questions that the researcher asks when interviewing. It makes it possible to obtain data required to meet specific objectives of the study. Secondary data was collected with the use of a data collection form. Such data was obtained from the annual reports of the banks.

There were 43 interviewguides that wereused to collect data in addition to questionnaires. Interviews were conducted on selected managers in the commercial banks. Interviews assist the researcher to clarify issues from people with expertise or deep knowledge on specific

aspects of the study. Interview guides were administered to the top managers of the commercial banks. This was because they generally have deeper understanding of strategic information about the organization. Questionnaires were administered to the middle senior managers who deal with operations and customer care. These two categories also directly interact with customers and therefore provided the information required for the study.

3.7.1 Data collection procedure

The researcher first obtained a letter of introduction from Jomo Kenyatta University of Agriculture and Technology and then secured a permit from the National Council of Science and Technology after which he paid a visit to the bank managers to book appointment to administer the instruments. The researcher then personally administered the research instruments to the respondents who comprised of employees at both the headquarters and the branches of the commercial banks. They were also served withanintroduction letter from the University. The researcher made follow ups to pick the fully completed questionnaires. Throughout the exercise the researcher ensured adherence to research ethical standards.

3.8 Pilot Testing

According to Saunders, Thornhill & Lewis (2009), pilot testing refines the questionnaire so that respondents will have no problems in answering the question. For high precision pilot studies1% to 10% of the sample should constitute the pilot test size (Arain, Campbell, Cooper & Lancaster, 2010). For purposes of this study the pilot test was conducted using research instrumentsadministered to 9 employees from the commercial banks. The three banks constitute 6.8 % of the 43 commercial banks which agrees with the recommended 1-10 % of the sample size. Three individuals were used as respondents from each of the three banks. The three included the manager, the operations manager and the customer-care manager.

Each of the respondents dealt with specific areas of the study instruments. The participants of pilot testing were not part of the final study so as to avoid biasness in the research process. After the instruments had been pilot-tested, the study sought to establish the validity as well as the reliability of the research instruments.

3.8.1 Validity Test

Validity is the extent to which a test measures what it is supposed to determine. The question of validity is raised in the context of the three points: the form of the test, the purpose of the test and the population for whom it is intended. The study research instruments were subjected to a panel of experts to assess if it captures all the items it is intended to measure and their expert opinion was incorporated to ensure face validity. This study used both construct and content validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assesses information for a specific objective, and also ensures the same close ties to the conceptual framework for this study. Content validity was sought by pre-testing the questionnaire on a section of the study sample and arising modifications incorporated for clarity, comprehensiveness, relevance, meaning and requisite depth. Validity of the questionnaire was initially tested by reviewing it with the supervisor. The questionnaire was also validated by discussing it with two randomly selected managers of the target commercial banks and other resource people including the supervisors. Their views were evaluated and incorporated to enhance content validity of the questionnaire. This is in line with Cooper& Schindler (2011) proposition that in reality researchers should confine their efforts to face, content, construct and concurrent validities. To determine the face validity, the researcher evaluated whether each of the measuring items matches every given conceptional domain of the concept. For content validity, the researcher was, in

agreement with Kerlinger (2000) determinedvalidity by use of judgmentofthe content of the concept being measured.

The researcher thus tested validity under three broad ways: content validity under criteria related validity. Since content validity is a function of low or well the dimensions and elements of a concept have been delineated, a panel of experts can attest to the content validity of instruments, (Sekeran, 2009). Criterion-related validity was done by establishing through using a seal that discriminates individuals who are known to be different. Construct validity involves accumulating evidence in the six validity types: face validity, content, concurrent and predictive and convergent and discriminant validity. (Trochim, 2006)

3.8.2 Reliability Test

The reliability of a measure is an indication of the stability and consistency with which the instruments measure the concept and help to assess the goodness of a measure (Sekeran 2009).This study employed a three step measure to enlist reliability. First, it developed the questionnaire and interview guide research instruments based on items that were previously used by other researchers with acceptable tested reliability levels. Secondly, it used pre-tested research instruments with a sample of the respondents and emerging revisions done accordingly. Finally, the Cronbach's alpha coefficient (α) was used to measure internal consistency and stability of scales used in the research instruments. Internal consistency measures the correlation between different items on the same test (or the same subscale on a larger test) and whether several items that propose to measure the same general construct produce similar scores. Nunnally (1978) suggested that as a rule of thumb, a reliability coefficient value of above 0.7 is statistically reliable and acceptable for a study. This study

employed this standard to measure the extent to which the presented set of items measure individual latency of the variable under examination.

The questionnaire was tested for reliability using the Cronbach alpha reliability coefficient to establish its appropriateness for further analysis. Cronbach's alpha is a function of the number of test items and the average inter correlation among the items. For conceptual purpose, the formula for the standardized Cronbach's alpha is given as:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where N is the number of items, $\bar{C}$ is the average inter-item covariance and $\bar{V}$ is the average variance.

The results of the pilot test of the study were presented in Table 3.1.

Table 3.1: Cronbach alpha reliability test

Variable	Cronbach's Alpha	No. of Items	Remarks
Strategic Leadership	0.966	18	Accepted
Strategic Planning	0.934	17	Accepted
Strategic adoption of Technology	0.874	10	Accepted
Strategic Innovativeness	0.930	13	Accepted
Strategic Human Resource Competencies	0.948	17	Accepted
Competitiveness	0.959	15	Accepted
Overall Measurements	**0.935**		

Pilot testing was carried out to determine the reliability of the research instrument. The reliability test results are as indicated in Table 3.2.The Cronbach's alpha on objectives are

above 0.7 which agrees with Nunnally who suggested that the reliability coefficient value of above 0.7 is statistically reliable and acceptable for the study.

3.9 Data Analysis and Presentation

The purpose of any research undertaken is to provide information in order to help answer the research question (Zikmund 2010). Therefore, the researcher gathers raw data that is processed to generate the needed information. Zikmund notes that there are diverse kinds of analytical methods that can be used in analyzing data, however, care must be taken to ensure that appropriate analytical methods are chosen in order to arrive at the correct conclusions. Data presentation was both quantitative and qualitative. Data analysis was quantitatively analyzed using the statistical package for social scientists (SPSS V20) for both descriptive and inferential statistics. Before analyses was done,data was made ready and cleaned through checking for errors and completeness, editing, coding, transcribing and entering them directly into SPSS software. The unit of analysis for the study was the 43licensed commercialbanks in Kenya whereas the units of observation were the three individual employees drawn from each of the 43 banks.

3.9.1 Data Analysis

Sekeran (2009) stated that data analysis aimsat achieving three objectives: getting a feel of the data, testing the goodness of data and testing the hypothesis developed for the research. The feel for the data gave preliminary ideas of how good the scales are and how well the loading and entering of data have been done. Testing of the goodness of data was accomplished by submitting the data for factor analysis, and obtaining the Cronbach's alpha.The hypothesis testing was achieved by choosing the appropriate menu of the software programs, to test each of the hypotheses using the relevant statistical test. The results of the

test were then determined whether or not the hypotheses are substantiated.Descriptive Statistics was used in transforming the raw data into a form that can be easily understood and interpreted. This is usually the first form of analysis where averages were calculated, frequency distributions given and percentage distributions provided. According to Adejimi, Oyediran & Ogunsanmi (2010), descriptive statistics is a method of presenting data quantitatively and describing it in a manageable form. Bivariate analysis wasalsoused.This involves the analysis of the effect of the individual independent variableson the dependent variables. To conduct bivariate analysis the study used Pearson correlation coefficient. This correlation coefficient ranges between -1 and 1 and it thus measures the degree to which two variables are linearly related.The higher the magnitude of the correlation coefficient the higher the degree of association between two variables.

Further to the descriptive statistics and bivariate analysis the study usedregression analysis. This analysis tested the statistical significance of the various independent variables on the chosen dependent variables.The assumptions of linear regression had to be met by the data to be analyzed.These assumptions state that the coefficients must be linear in nature, the response errors should follow a Gaussian distribution and the errors should have a common distribution. To check for these assumptions the study first conducted the diagnostic tests to ensure that they are not violated as recommended by Malhotra & Dash (2011) to assess for the model's underlying statistical assumptions.

To check for normality, the study used skewness and kurtosis statistic to check the distribution of the variablesand as recommended by Myoung (2008), the researcher used the rule of thumb that a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0.Further, the Kolmogorov-Smirnov (K-S) and Shapiro-Wilks

(S-W) tests of normality were applied todetermine the level of significance of the differences from a normal distribution (Hair et al., 2010). According to Field, (2009), if the test is not significant (P>.05) then it means that the observeddistribution is not different from the expected normaldistribution and therefore normal. It should be noted that non-compliance of a set of data to the normal distribution makes all subsequent statistical tests such as F and t-statistics invalid (Hair et al., 2010). Hence normality is a compulsory test in multivariate analysis and testing for it using both univariate and multivariate analysis is highly recommended.

Homogeneity of variance (homoscedasticity) is another assumption that was tested during analysis.This assumption implies that the variance of one variable should be stable at all levels of the other variables (Field, 2009). The presence of unequal variances (Heteroskedasticity) of variables across different groups causes the prediction of the dependent variable to be better at some levels of the independent variable than at others (Hair et al., 2010). It is this variability that affects the standard error and makes hypothesis testing insensitive.Homoscedasticitywas thus tested by applying Levene's test in which the equality of variance is assumed if the F-statistic is not significant (P>.05). The third assumption that was tested was linearity and it applies to all multivariate techniques based on correlation measures of association including factor analysis and regression analysis.Linearity represents the degree to which the change in the dependent variable is associated with the independent variable. Linearity wasassessed using F-statistics test and scatter plots for standardized predicted values of the dependent variable (ZPRED) and standardized residuals or errors (ZRESID).

Data was further tested for compliance on the assumption of no Multicollinearity between the independent variables. Multicollinearity exists when there is a strong correlation between two

or more independent variables in a regression model (Field, 2009). With high collinearity, it is difficult to find distinct effect of individual independent variables (predictors) on the dependent variable since it increases the standard error which affects the size of regression coefficients and limits the size of multiple correlations (Field, 2009). Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF $\geq$ 10) indicates a problem of Multicollinearity.Having ensured that the assumptions are not violated the study run a regression model of the following form:$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where:

Y = Competitiveness of Commercial Banks

X_1 = Strategic Leadership

X_2= Strategic Planning

X_3= Strategic Adoption of Technology

X_4 = Strategic Innovativeness

X_5= Strategic Human Resource Competences

In the model, $\beta 0$ = the constant term while the coefficient βi= 1….5was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables. $\varepsilon$is the error term which captures the unexplained variations in the model.

3.9.2 Hypothesis Testing

This section presents the approach that was adopted in the study to test the five objectives as presented in chapter one. Table3.2 shows how the various hypothesestestswereattained.

Table 3.2: Hypothesis Testing

Hypotheses	Hypothesis Test	Regression Model
Hypothesis 1: x_1 H_{01}: Strategic leadership has a significant positive influence on competitiveness of commercial Banksin Kenya	$\beta_1=0$ $\beta_1 \neq 0$ Reject H_0 if p <0.05, Otherwise fail to reject the H_a	$Y = \beta_0 + \beta_1 X_1 + \varepsilon$ Where: Y=Competitiveness. β_0= intercept β_1 = Coefficient for X_1 X_1= Strategic Leadership ε = Error term
Hypothesis 2: x_2 H_{o2} Strategic planning has a significant positive influence on competitiveness of commercial Banksin Kenya	$\beta_2=0$ $\beta_2 \neq 0$ Reject H_a if p <0.05, Otherwise fail to reject the H_a	$Y = \beta_0 + \beta_2 X_2 + \varepsilon$ Where: Y=Competitiveness. β_0= intercept β_2= Coefficient for X_2 X_2= Strategic Planning ε = Error term
Hypothesis 3: x_3 H_{o3} strategic adoption of technology has a significant positive influence on competitiveness of commercial banksin Kenya	$\beta_3=0$ $\beta_3 \neq 0$ Reject H_a if p <0.05, Otherwise fail to reject the H_a	$Y = \beta_0 + \beta_3 X_3 + \varepsilon$ Where: Y=Competitiveness. β_0= intercept β_3= Coefficient for X_3 X_3= Strategic Adoption Of Technology ε = Error term
Hypothesis 4: x_4 H_{o4} Strategic innovativeness has a positive influence on competitiveness of commercial banksin Kenya	$\beta_4=0$ $\beta_4 \neq 0$ Reject H_a if p <0.05, Otherwise fail to reject the H_a	$Y = \beta_0 + \beta_4 X_4 + \varepsilon$ Where: Y=Competitiveness. β_0= intercept β_3= Coefficient for X_4 X4= Strategic Innovativeness ε = Error term
Hypothesis 5: x_5 H_{o5} Strategic human resource competencies has a positive influence on competitiveness of commercial banksin Kenya	$\beta_5=0$ $\beta_5 \neq 0$ Reject H_a if p <0.05, Otherwise fail to reject the H_a	$Y = \beta_0 + \beta_5 X_5 + \varepsilon$ Where: Y=Competitiveness. β_0= intercept β_3= Coefficient for X_5 X_5= Human Resource Competencies. ε = Error term

3.9.3 Variable Definition

The study's dependent variable was competitiveness. The independent variables are:strategic leadership, strategic planning, strategic adoption of technology,strategic innovativeness and strategic human resource competencies. Table 3.3 presents the operationalization of the study variables.

Table 3.3: Operationalization of the Study Variables

Variables	Indicators	Question
Competitiveness.	• Customer satisfaction • Levels of Efficiency • Market Share • Profitability • Return on Investment	Section B. Questions 1-10
Strategic Leadership	• Leadership competences • Leadership commitment • Leadership support	Section C. Questions 1-18
Strategic Planning	• Adaptive Environmental Focus • Strategic Goal Setting	Section D. Questions 1-18
Strategic Adoption of Technology	• Automated Teller Machines • Debit & Credit Cards • Electronic Funds Transfer • Internet Banking • Mobile Banking	Section E. Questions 1-13
Strategic Innovativeness	• Service Innovativeness • Product differentiation and Innovativeness	Section F. Questions 1-14
Human Resource Competencies	• Knowledge • Skills • Work experience	Section G. Questions 1-19

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with the presentation of results of collected data. The data analysis was done as per the specific objectives where patterns were investigated, interpreted and inferences drawn on them. Descriptive and inferential analysis results are presented.The discussion on the study results is also provided in this chapter.

4.2 Response Rate

The number of questionnaires, administered to all the respondents, was 129. A total of 97 questionnaires were properly filled and returned from the bank employees. The results were presented in Table 4.1.

The results in Table 4.1 represented an overall successful response rate of 75.2%. According to Mugenda (2008), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are accepTable to analyze and publish, 60% is good and 70% is very good. Therefore the researcher accepted the response rate as being appropriate for further analysis.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Returned	97	75.2%
Unreturned	32	24.8%
Total	129	100%

4.3 Demographic characteristics of respondents

4.3.1 Age of the Respondents

It is the view of the researcher that the age, length of employment, department have a bearing on the level of experience and skills of employees. The study sought to establish the age distribution of the respondents because it is a factor that might influence the strategic process in any organization. The results were presented in Figure 4.1.

Figure 4.1 shows that the majority of the respondents were aged 31 to 40 years representing 34% of the total respondents, while those between the ages of 21 to 30 years of age accounted for 29% and those between the age of 41to 50accounted for 28% and only 9% were over 50 years of age. The findings imply that the employees in the banking industry especially in the management were well spread across the age groups.

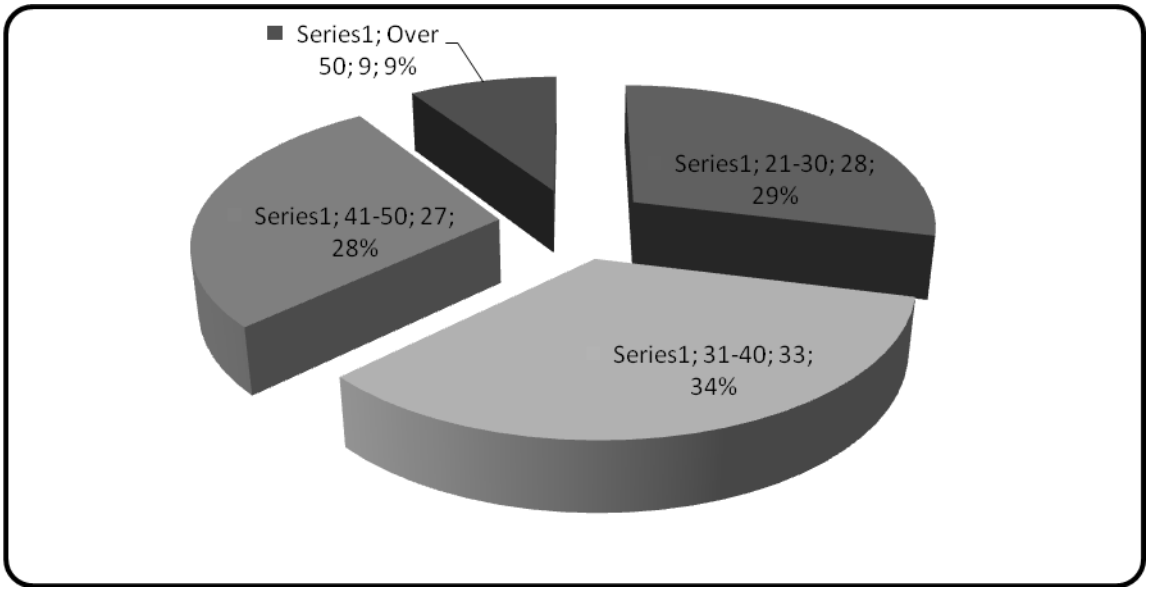

Figure 4.1: Age of the Respondents

4.3.2 Department of the Respondents

It was also important to establish the department in which the respondents worked because not all departments are directly involved in the strategic process in an organization and hence the distribution of the respondents might influence the findings of the study. The results were presented in Table 4.3

The respondents were asked to indicate the departments they worked in. Table 4.3 illustrates that 41.2% of the respondents were customer care managers, while 30.9% of the respondents were operations manager and 27.8% were general managers. The findings imply that the respondents were well distributed among the departments of researcher's interest which could have contributed to accurate responses.Designition of employees is tied to duties and responsibilities of the position, and ultimately based on the competences of the job holder, hence relevant to this study.

Table 4.3: Designation

Designation	Frequency	Percent
Manager	27	27.8
Operations manager	30	30.9
Customer care manager	40	41.2
Total	97	100

4.3.3 Length of Employment

The study sought to find out the years the respondents had worked in the organization. This has a bearing on the experience and familiarity with the work procedures in the organization. The results were presented in Figure 4.2.

The results shows that 33% of the respondents indicated they had worked for the organization between 1 to 5 years while 31% indicated between 5 to 10 years and 21% indicated over 10 years and 15% indicated less than 1 year. The findings imply that the respondents had worked long enough in the firms and hence had knowledge about the issues that the researcher was concerned about in regard to the strategic process and organizational competitiveness.

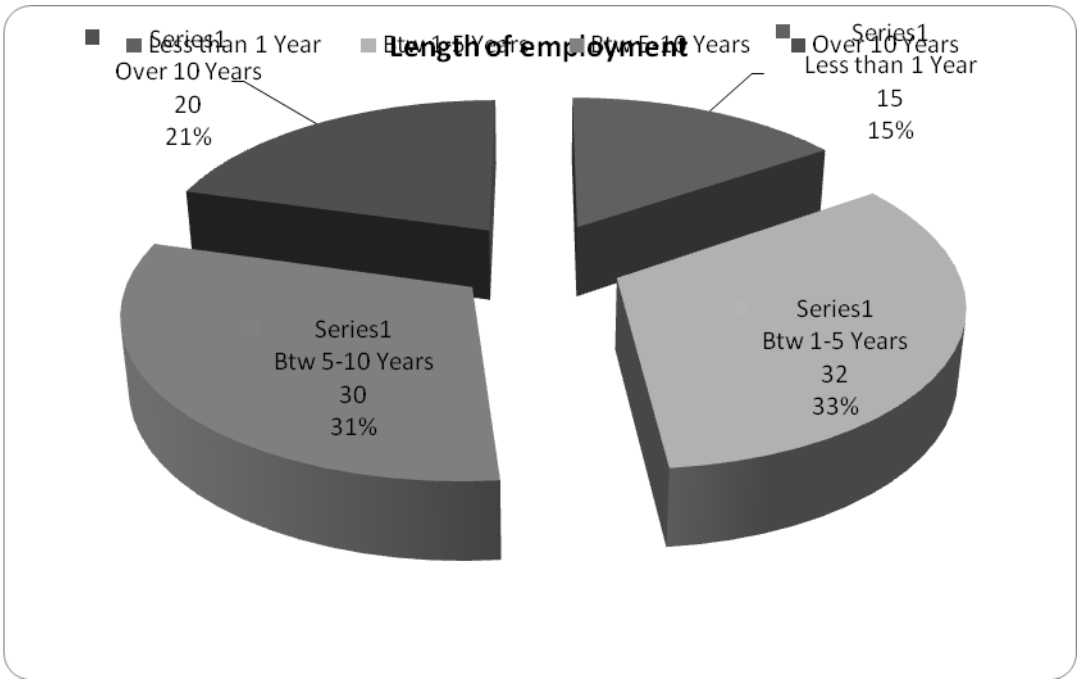

Figure 4.2: Length of Employment

4.4Descriptive Analysis for strategic leadership

The first objective of the study was to determine the influence of strategic leadership on competitiveness of commercial banks in Kenya. The study sought to establish the effect of strategic leadership on banks' competitiveness. The study used 18 statement items to establish the influence of each item on the other. The researcher used a 5 point likertscale to assess the views and opinions of the respondents on each statement item. Where the higher

score of 5 (very high) represented strongly agreed, 4 (high) represented agree, 3 (neither agree nor disagree) represented neutral, 2 (low) represented disagree and 1 (very low) represented strongly disagree. For the purpose of analysis the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement. The frequency and percentages used to summarize the responses were presented in Table 4.3.

Table 4.3 shows that 75.3% of the respondents agreed that leadership is a critical factor that enhances organizational competitiveness in this institution, 67.1% agreed that the leadership/management style has an influence on organizational survival and profitability of this institution and 77.3% agreed that the leadership in their institution is effective in setting SMART strategic goals and objectives for team members. In addition 75.2% agreed that leaders in their institution have the ability to influence, team members, 69.1% agreed that leaders in their organization have problem-solving skills and as a result the institution is in a position to be competitive in the industry while 70.1% agreed that leaders in their corporation have tactical and technical skills and 63.9% agreed that leaders in their corporation have likeable decisiveness, conflict management and negotiation skills. 62.8% of the respondents agreed that leaders in their corporation have the ability to developing others leveraging on diversity, 66% agreed that leaders in their corporation are visionary and strategic in their thinking while 67% agreed that leaders in their corporation are relationship builders and 64.9% agreed that leaders in their corporation act with integrity.

Furthermore, 58.8% of the respondents agreed that leaders in their corporation observe transparency, 74.2% agreed that leaders in their corporation are accountable, 60.8% agreed that leaders in their corporation keep promises and commitments while 69.9% agreed that

leaders in their corporation act within the law and 53.6% agreed that leaders in their corporation take responsibility and clean up after mistakes. Finally 58.8% of the respondents agreed that leaders in their corporation accord respect to juniors and 64% agreed that leaders in their corporation practice leadership based on trust. The mean score for the responses was 3.68 which indicate that many employees agreed to the statements regarding strategic leadership on competitiveness.

Table 4.4: Strategic Leadership Descriptive Results

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
1	Leadership is a critical factor that enhances organizational competitiveness in this institution.	2.1%	12.4%	10.3%	33.0%	42.3%	4.01
2	The leadership/management style has an influence on organizational survival and profitability of this institution.	4.1%	14.4%	14.4%	35.1%	32.0%	3.76
3	The leadership in our institution is effective in setting SMART strategic goals and objectives for team members.	4.1%	9.3%	9.3%	44.3%	33.0%	3.93
4	Leaders in our institution have the ability to influence, team members.	3.1%	9.3%	12.4%	44.3%	30.9%	3.91
5	Leaders in our corporation have problem-solving skills and as a result the institution is in a position to be competitive in the industry.	8.2%	13.4%	9.3%	45.4%	23.7%	3.63
6	Leaders in our corporation have tactical and technical skills.	8.2%	10.3%	11.3%	47.4%	22.7%	3.66
7	Leaders in our corporation have likeable decisiveness.	8.2%	13.4%	14.4%	47.4%	16.5%	3.51
8	Leaders in our corporation have the ability to developing others leveraging on diversity.	10.3%	9.3%	17.5%	38.1%	24.7%	3.58
9	Leaders in our corporation are visionary and strategic in their thinking.	7.2%	9.3%	17.5%	48.5%	17.5%	3.60
10	Leaders in our corporation are relationship builders.	12.4%	4.1%	16.5%	34.0%	33.0%	3.71
11	Leaders in our corporation act with integrity/avoiding corruption.	0.0%	18.6%	16.5%	40.2%	24.7%	3.71
12	Leaders in our corporation observe transparency.	12.4%	15.5%	13.4%	35.1%	23.7%	3.42
13	Leaders in our corporation are accounTable.	9.3%	9.3%	7.2%	43.3%	30.9%	3.77
14	Leaders in our corporation keep promises..	9.3%	9.3%	20.6%	30.9%	29.9%	3.63
15	Leaders in our corporation act within the law.	0.0%	12.9%	17.2%	40.9%	29.0%	3.86
16	Leaders in our corporation take responsibility.	10.3%	7.2%	28.9%	30.9%	22.7%	3.48
17	Leaders in our corporation accord respect to juniors.	12.4%	14.4%	14.4%	42.3%	16.5%	3.36
18	Leaders in our corporation practice leadership based on trust.	8.2%	12.4%	15.5%	32.0%	32.0%	3.67
	Average	**7.2%**	**11.4%**	**14.8%**	**39.6%**	**27.0%**	**3.68**

4.5 Content analysis for interviews and open-ended questions on strategic leadership

Respondents reported that to achieve optimumperformance the top banks' managements set clear targets to specific individuals. Further the banks' leaderships do all they can to create the best outcomes for their banks' clients and also prudently managerisk.Managements indicated that they were accountable for ensuring strategic plans are in place and fo.r measuring progress against these plans.Thetop bank managements have put in place mechanisms for the roles and competencies of employeesto be aligned to the banks'objectives.They ensure high levels of employee's satisfaction through offering fair terms of engagement which includes payment of a competitive remuneration to stimulate superior performance.

The banks' top management have also ensured excellent customer service to retain and delight their customers. Banks have corporate governance structures in place; respondents stated that this is critical towards maintenance of business integrity and stakeholders' trust. The corporate governace values are based on the pillars of responsibility, accountability, fairness and transparency. The top management (the board of directors) is responsible for banks' corporate governance practices, and have in place mechanisms to ensure observance and compliance in accordance with prudential guidelines from the Central Bank of Kenya. Respondents stated that top management have developed a work environment which promotes team work spirit, generation of new ideas, and sense of responsibility. Bank managements are accessible to all employees and other stakeholders because they operate open-door systems.

4.6 Inferential Analysis for Strategic Leadership

4.6.1 Reliability Tests

The study sought to establish the reliability of statements on strategic leadership, Using Cronbach's Coefficient Alpha test, the results were computed as shown in Table 4.9.

These results showed a reliability coefficient of 0.93 which corroborates findings by Saunders Lewis & Thornhill (2009) and Christensen, Johnson & Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the strategic leadership variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.9: Reliability Test for Strategic Leadership

Variable	Leadership
Number of items	18
Cronbach's Alpha	0.93

4.6.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as factor analysis, regression analysis and other statistical tests, two main tests were performed, namely: Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.10 showed that the KMO statistic was 0.837 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 1295.85 with 153 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.10. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.10: Strategic Leadership KMO Sampling Adequacy and Bartlett's Sphericity

Kaiser-Meyer-Olkin Measure	0.837
Bartlett's Chi- Square	1295.85
Bartlett's df	153
Bartlett's Sig.	0.000

4.6.3 Factor Analysis for strategic leadership

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an Eigen value of 1 or more indicates a unique factor. Table 4.11 presented the results.

Table 4.11: Strategic Leadership Total Variance Explained

Component	Initial Eigen`values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.382	46.569	46.569	8.382	46.569	46.569
2	2.429	13.495	60.065			
3	1.445	8.025	68.09			
4	0.93	5.169	73.259			
5	0.816	4.531	77.789			
6	0.644	3.58	81.37			
7	0.594	3.302	84.672			
8	0.524	2.91	87.582			
9	0.473	2.63	90.212			
10	0.365	2.026	92.238			
11	0.332	1.843	94.081			
12	0.272	1.51	95.591			
13	0.202	1.125	96.716			
14	0.174	0.968	97.684			
15	0.14	0.779	98.463			
16	0.123	0.683	99.147			
17	0.086	0.479	99.626			
18	0.067	0.374	100			

Extraction Method: Principal Component Analysis.

Total Variance analysis indicates that the 18 statements on strategic leadership can be factored into 1 factor. The total variance explained by the extracted factor is 46.569% as shown in Table 4.11. Table 4.12 shows the factor loadings for sub-constructs of strategic leadership.

4.6.4 Factor loading for strategic leadership

The study sought to establish whether all the item statements had the appropriate factor loading to be included in the analysis. The results were presented in Table 4.12.

All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or

greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and accepTable solutions.

Table 4.12: Factor Loading for Strategic Leadership

Statement	Component
Leadership is a critical factor that enhances organizational competitiveness in this institution.	0.55
The leadership/management style has an influence on organizational survival and profitability of this institution.	0.441
The leadership in our institution is effective in setting SMART strategic goals and objectives for team members	0.52
Leaders in our institution have the ability to influence, team members.	0.471
Leaders in our corporation have problem-solving skills and as a result the institution is in a position to be competitive in the industry.	0.648
Leaders in our corporation have tactical and technical skills.	0.59
Leaders in our corporation have likeable decisiveness, conflict management and negotiation skills.	0.771
Leaders in our corporation have the ability to developing others leveraging on diversity.	0.745
Leaders in our corporation are visionary and strategic in their thinking.	0.541
Leaders in our corporation are relationship builders.	0.729
Leaders in our corporation act with integrity/avoiding corruption.	0.736
Leaders in our corporation observe transparency.	0.739
Leaders in our corporation are accounTable.	0.82
Leaders in our corporation keep promises and commitments.	0.662
Leaders in our corporation act within the law.	0.667
Leaders in our corporation take responsibility and clean up after mistakes.	0.795
Leaders in our corporation accord respect to juniors.	0.863
Leaders in our corporation practice leadership based on trust.	0.793

Extraction Method: Principal Component Analysis.

4.6.5 Strategic Leadership Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this

study the recommendation of Myoung (2008) were adopted, who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results were presented in Table 4.13.

The results show that strategic leadership had a skewness coefficient of -0.872 and its kurtosis coefficient being 0.502. Based on these it was concluded that strategic leadership coefficients are normally distributed since they lie within the ± 1 range recommended by Myoung (2008).

Table 4.13: Strategic Leadership Normality Test

Strategic Leadership	Statistic	Std. Error
Skewness	-0.872	0.245
Kurtosis	0.502	0.485

4.6.6 Strategic Leadership Linearity Test

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West & Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients. Which are presented in Table 4.14.

Table 4.14: Strategic Leadership Correlations Coefficients

Variable		Competitiveness	Leadership
Competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
Leadership	Pearson Correlation	0.709	1
	Sig. (2-tailed)	0.000	

The results indicate that the variables competitiveness and strategic leadership had a strong positive relationship as indicated by a correlation coefficient of 0.709. This implies that there is a linear positive relationship. Thus an increase in effectiveness of strategic leadership would result in an improved competitiveness.

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicate a problem of multicollinearity. According to Montgomery (2001) the cutoff threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results were presented in Table 4.15.The results indicate that indicate that the VIF value for strategic leadership was established to be 3.323 while its tolerance statistic was reported to be 0.342. Based on these the assumption of no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Table 4.15: Strategic Leadership Multicollinearity

Colinearity Statistics	
Tolerance	VIF
0.301	3.323

4.6.7 Relationship between Strategic Leadership and Competitiveness

Simple linear regression analysis was conducted to empirically determine whether strategic leadership was a significant determinant of competitiveness among commercial banks in Kenya. The results were presented in Table 4.16. The results indicate the goodness of fit for the relationship between strategic leadership and competitiveness was satisfactory. It is clear that there is a strong positive relationship between strategic leadership and banks' competitiveness with an R = 0.514 and a p value < 0.05. The results show that 26.5% change in competitiveness of the bank can be explained by strategic leadership. The results also show that the adjusted R square of 25.7 % indicates the influence of strategic leadership on a firm's competitiveness after all the extraneous variables have been adjusted for. The results further indicated the analysis of the variance between the variable means to determine the variance and the F- value.

Table 4.16: Model Summary for Strategic Leadership

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.514[a]	.265	.257	.670	.265	34.181	1	95	.000
a. Predictors: (Constant), Leadership									

The overall model significance was presented in Table 4.17. An F statistic of 34.181 indicated that the overall model was statistically significant since the p value was < 0.05. The findings imply that strategic leadership was statistically significant in explaining competitiveness of commercial banks in Kenya. The large difference between the residual

mean square and the regression mean square indicated that the effect between strategic leadership and competitiveness was not just by chance.

Table 4.17: ANOVA for Strategic Leadership

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.341	1	15.341	34.181	.000[b]
	Residual	42.639	95	.449		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), Leadership

The strategic leadership coefficients for justifying the simple linear regression model is presented in Table 4.18. The results show that strategic leadership contributes significantly to the model since the p-value for the constant and gradient are less than 0.05. The findings imply that one positive unit change in strategic leadership leads to a change in competitiveness at the rate of 0.571. This confirms the positive effect of strategic leadership on competitiveness in Kenyan commercial banks. The t – value of more than +2 indicates that the change in competitiveness by strategic leadership is not by chance. The linear regression model was constructed as follows:

$$Y = 1.728 + 0.571X_1 + 0.372$$

Table 4.18: Coefficients of Strategic Leadership

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.728	.372		4.647	.000
	Leadership	.571	.098	.514	5.846	.000

a. Dependent Variable: Competitiveness

The results from the analysis agree with the findings of the studies by Shafie et al., (2013), Koech&Namusonge(2012), Zakaria&Taiwo(2013), and Marion & Bien(2007) as well those of Redmond,(2015) who have concluded that strategic leadership is a key determinant of organizational performance. All these studies confirmed a positive relationship between leadership competences and organizational or team performance.

4.7 Descriptive Analysis for strategic planning

The second objective of the study was to determine the influence of strategic planning on competitiveness of commercial banks in Kenya. The study used 17 statement items to establish the influence of each item on the other. The researcher used a 5 point likert-scale to assess the views and opinions of the respondents on each statement item. Where the higher score of 5 represented strongly agreed, 4 represented agree, 3 represented neutral, 2 represented disagree and 1 represented strongly disagree. Similarly, for the purpose of analysis the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement. The frequency and percentages used to summarize the responses were presented in Table 4.4.

Table 4.4 shows that 65.9% of the respondents agreed that review of organizational mission was included in their department's strategic planning, 58.8% agreed that clarification of departmental mandates was included in their department's strategic planning while 60.8% agreed that evaluation of external threats and opportunities was included in their department's strategic planning and 61.8% agreed that assessment of internal strengths and weaknesses was included in their department's strategic planning. 70.1% of the respondents agreed that development of strategic goals and objectives was included in their department's strategic

planning process, 61.9% agreed that feasibility assessment of proposed strategies was included in their department's strategic planning process and 68.1% agreed that development of action plans was included in their department's strategic planning process.

Furthermore, 67% of the respondents agreed that identification of needs and concerns of various stakeholders was included in their department's strategic planning process, 65% agreed that their staff, at all levels, are knowledgeable about strategic planning while 67% agreed that their institution invested the necessary financial resources in the strategic planning process and 69% agreed that generally, managers at the program level had good management skills in their organization. In addition 76.3% of the respondents agreed that their organization had the capability to gather and analyze data concerning performance in the institution, 73.2% agreed that their organization had the capability to gather and analyze data concerning their external environment while 58.7% agreed that their organization had staff with analytical functions dedicated to the strategic planning process and 60.8% agreed that their organization utilized the information from stakeholders to make decisions during the strategic planning process. Finally 59.4% of the respondents agreed that there is continuous evaluation of strategic planning process in their organization and 77.3% agreed that each department had its key performance indicators well articulated. The mean score for responses for this section was 3.66 which indicates that majority of the respondents agreed that strategic planning was a key determinant of competitiveness in commercial banks.

Table 4.4: Strategic Planning Descriptive Results

Sno	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
1	Review of organizational mission was included in our department's strategic planning.	9.3%	14.4%	10.3%	41.2%	24.7%	3.58
2	Clarification of departmental mandates was included in our department's strategic planning.	4.1%	16.5%	20.6%	23.7%	35.1%	3.69
3	Evaluation of external threats and opportunities was included in our department's strategic planning.	6.2%	7.2%	25.8%	46.4%	14.4%	3.56
4	Assessment of internal strengths and weaknesses was included in our department's strategic planning.	8.2%	8.2%	21.6%	41.2%	20.6%	3.58
5	Development of strategic goals and objectives was included in our department's strategic planning process	11.3%	2.1%	16.5%	43.3%	26.8%	3.72
6	Feasibility assessment of proposed strategies was included in our department's strategic planning process	14.4%	10.3%	13.4%	36.1%	25.8%	3.48
7	Development of action plans was included in our department's strategic planning process	14.4%	3.1%	14.4%	45.4%	22.7%	3.59
8	Identification of needs and concerns of various stakeholders was included in our department's strategic planning process	4.1%	7.2%	21.6%	41.2%	25.8%	3.77
9	Our staff, at all levels, are knowledgeable about strategic planning	6.2%	15.5%	13.4%	35.1%	29.9%	3.67
10	Our institution invested the necessary financial resources in the strategic planning process.	4.1%	12.4%	16.5%	41.2%	25.8%	3.72
11	Generally, managers at the program level had good management skills in our organization.	6.2%	12.4%	12.4%	41.2%	27.8%	3.72
12	Our organization had the capability to gather and analyze data concerning performance in the institution.	8.2%	4.1%	11.3%	49.5%	26.8%	3.82
13	Our organization had the capability to gather and analyze data concerning our external environment.	6.2%	5.2%	15.5%	50.5%	22.7%	3.78
14	Our organization had staff with analytical functions dedicated to the strategic planning process.	8.2%	11.3%	21.6%	30.9%	27.8%	3.59
15	Our organization utilized the information from stakeholders to make decisions during the strategic planning process.	11.3%	15.5%	12.4%	34.0%	26.8%	3.49
16	There is continuous evaluation of strategic planning process in our organization.	6.2%	20.8%	13.5%	30.2%	29.2%	3.55
17	Each department has its key performance indicators well-articulated.	7.2%	5.2%	10.3%	36.1%	41.2%	3.99
	Average	8.0%	10.1%	15.9%	39.2%	26.7%	3.66

4.7.1 Content analysis on interviews and open-ended questions for strategic planning

Other banks indicated of having a mission of enabling growth and progress. They aim at serving clients by responsibly providing financial services that enable growth and economic progress of their customers. Some banks leveraged on their many years of experience through engaging in core banking activities such as: safeguarding assets, lending money, making payments and accessing the capital markets on behalf of its clients. The banks' customers include corporate as well as individuals.

The respondents were asked to explain the strategies that their top managers have undertaken to ensure significant and sustainable market presence; they explained that the bank ensures strategic plans are made and cascaded demands to the departmental / branch level. The banks also undertake measures to secure assets of the shareholders through insurance and security or collateral. In addition some banks carry out strategic planning, the banks established top leadership teams to oversee the implementation of the various strategic plans, and also have employed well qualified personnel to spearhead the implementation of the various plans.

To improve awareness about the products and services the banks undertake market research to determine what the other market players are offering and what else the customers require and in a unique way.

For other banks, strategic planning is done on a quarterly basis by the board of directors, the top managements thereafter communicate the plans to departments and employees. The banks' boards of directors represent the interests of stakeholders to make decisions on their behalf. Top managements oversee market changes that may distort actualization of plans, the

banks put aside an adequate amount of capital base to enable them continue with their operations in the event of turmoil.

For other banks, the leadership undertakes strategic planning by aligning their operations with their goals and objectives to ensure competitiveness. To realize high performance compared to their rivals in the industry, the management strives for customer experience through engagement of clients and staff. Some of these banks deal with unforeseen market changes that may distort the actualization of plans through increasing interest rates and or operation charges and pursuing cost- cutting strategies such as amalgamation of departments. On their part, other banks undertake strategic planning, an activity which is generally in conformity with this policy of being proactive. These banks deal with unforeseen market changes that may distort actualization of plans by diversification of their products and services. They reduced reliance on interest income by encouraging growth in commissions and transactions income as well as foreign exchange trading.

Some banks undertake strategic planning every five years. The strategic plans focus on what goals and objectives should be achieved within the specified period to make the bank grow. Stakeholders of the banks are usually involved to ensure ownership for successful implementation. To deal with unforeseen market changes that may distort the actualization of the plans, the banks regularly do market studies, simulation and use historical experiences. In terms of strategic adoption of technology, the banks' operations are increasingly becoming automated to enhance efficiency, customer experience and satisfaction.

Other banks on their part undertake strategic planning by formulating plans based on five catalysts for progress: economic cites, sustainability, people and through integrity. The plans are evaluated against set goals and adjustmentsmade as need arises.

4.8 Inferential Analysis for Strategic Planning

The second objective of the study was to test whether there is a statistically significant relationship between strategic planning and the banks' competitiveness. The results were presented as follows.

4.8.1 Reliability Tests for strategic planning

Using Cronbach's Coefficient Alpha test on strategic planning, a coefficient of 0.926 was found as shown in Table 4.19.

These results corroborates findings by Saunders Lewis & Thornhill (2009) and Christensen, Johnson & Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the strategic planning variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.19: Reliability Test for Strategic Planning

Variable	Strategic Planning
Number of items	17
Cronbach's Alpha	0.926

4.8.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and

Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). The findings were presented in Table 4.20.

Findings in Table 4.20 showed that the KMO statistic was 0.760 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 1500.36 with 136 degree of freedom, at $p < 0.05$).

Table 4.20: Strategic Planning KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.76
Bartlett's Chi- Square	1500.36
Bartlett's df	136
Bartlett's Sig.	0

The results of the KMO and Bartlett's Test are summarized in Table 4.15. These results provide a good justification for further statistical analysis to be conducted.

4.8.3 Factor Analysis for strategic planning

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Table 4.21 presented the results.

Table 4.21: Strategic Planning Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.835	46.09	46.09	7.835	46.09	46.09
2	2.754	16.203	62.293			
3	1.366	8.038	70.331			
4	1.151	6.773	77.104			
5	0.752	4.423	81.527			
6	0.67	3.942	85.469			
7	0.565	3.321	88.789			
8	0.434	2.554	91.343			
9	0.32	1.883	93.226			
10	0.3	1.765	94.99			
11	0.256	1.508	96.499			
12	0.166	0.975	97.474			
13	0.156	0.919	98.393			
14	0.116	0.682	99.074			
15	0.06	0.354	99.428			
16	0.054	0.32	99.748			
17	0.043	0.252	100			

Extraction Method: Principal Component Analysis.

Total Variance analysis indicates that the 17 statements on strategic planning can be factored into 1 factor. The total variance explained by the extracted factor is 46.09%. Factor loadings for sub-constructs of strategic planning were presented in Table 4.22.

All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and accepTable solutions.

Table 4.22: Factor Loading for Strategic Planning

Statement	Component
Review of organizational mission was included in our department's strategic planning.	0.652
Clarification of departmental mandates was included in our department's strategic planning.	0.695
Evaluation of external threats and opportunities was included in our department's strategic planning.	0.638
Assessment of internal strengths and weaknesses was included in our department's strategic planning.	0.647
Development of strategic goals and objectives was included in our department's strategic planning process	0.59
Feasibility assessment of proposed strategies was included in our department's strategic planning process	0.639
Development of action plans was included in our department's strategic planning process	0.747
Identification of needs and concerns of various stakeholders was included in our department's strategic planning process	0.623
Our staff, at all levels, are knowledgeable about strategic planning	0.686
Our institution invested the necessary financial resources in the strategic planning process.	0.702
Generally, managers at the program level had good management skills in our organization.	0.761
Our organization had the capability to gather and analyze data concerning performance in the institution.	0.69
Our organization had the capability to gather and analyze data concerning our external environment.	0.704
Our organization had staff with analytical functions dedicated to the strategic planning process.	0.687
Our organization utilized the information from stakeholders to make decisions during the strategic planning process.	0.758
There is continuous evaluation of strategic planning process in our organization.	0.698
Each department has its key performance indicators well-articulated.	0.593

Extraction Method: Principal Component Analysis.

4.8.4 Strategic Planning Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually

implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results were presented in Table 4.23.

The results show that strategic planning had a skewness coefficient of -0.583 and its kurtosis coefficient being 1.054. Based on these it was concluded that strategic planning are normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.23: Strategic Planning Normality Test

	Statistic	**Std. Error**
Skewness	-0.583	0.245
Kurtosis	1.054	0.485

4.8.5 Strategic Planning Linearity Test

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West & Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients. Which are presented in Table4.24.The results indicate that the variables competitiveness and strategic planning had a strong positive relationship as indicated by a correlation coefficient of 0.730. This implies that there is a linear positive relationship. Thus an increase in strategic planning effectiveness would result in improved competitiveness.

Table 4.24: Strategic Planning Correlations Coefficients

Variable		Competitiveness	Planning
Competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
Planning	Pearson Correlation	0.730	1
	Sig. (2-tailed)	0.000	

4.8.6 Multicollinearity

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicate a problem of multicollinearity. According to Montgomery (2001) the cutoff threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results were presented in Table 4.25. The results indicate that the VIF value for strategic planning was established to be 3.675 while its tolerance statistic was reported to be 0.272. Based on these the assumption of no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Table 4.25: Strategic Planning Multicollinearity

Collinearity Statistics	
Tolerance	VIF
0.272	3.675

4.8.7 Relationship between Strategic Planning and Competitiveness

Regression analysis was conducted to empirically determine whether strategic planning was a significant determinant of competitiveness of commercial banks in Kenya. Regression results were presented in Table 4.26. The results show that the goodness of fit for the regression between strategic planning and competitiveness was satisfactory since the p value was less than 0.05, indicating that the relationship that exists between the two variables is statistically significant. The Table shows that the relationship between strategic planning is weak but positive. The R squared indicates that only 12.7% of a unit change in competitiveness of the banks could be explained by strategic planning. When other extraneous variables are removed from the model only 11.7% change in competitiveness could be explained by strategic planning.

Table 4.26: Model Summary for Strategic Planning

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.356[a]	.127	.117	.730	.127	13.775	1	95	.000
a. Predictors: (Constant), Planning									

The overall model significance was presented in the analysis of variance Table 4.27. An F statistic of 13.775 indicated that the overall model was significant. The findings imply that strategic planning was statistically significant in explaining competitiveness among commercial banks in Kenya. This follows the p value < 0.05 and the large variation between the regression and the residual mean square.

Table 4.27: ANOVA for Strategic Planning

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.342	1	7.342	13.775	.000[b]
	Residual	50.638	95	.533		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), Planning

The strategic planning coefficients used to explain the simple linear regression model between strategic planning and competitiveness are presented in Table 4.28.

The results show that strategic planning contributes significantly to the model since the p-value for the constant and gradient are less than 0.05. The findings imply that one positive unit change in strategic planning leads to a 34.1% change in competitiveness of commercial banks in Kenya. This confirms the positive effect of strategic planning on competitiveness in the commercial banks; the t statistic indicates that the effect is also not by chance since the t value is more than +2.

The simple linear regression model was as follows: $Y = 2.614 + 0.341X_1 + 0.345$

Table 4.28: Coefficients of Strategic Planning

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.614	.345		7.570	.000
	Planning	.341	.092	.356	3.711	.000

a. Dependent Variable: Competitiveness

The results from the analysis on strategic planning in relation to competitiveness corroborate the study findings by Davis (2015), Northup (2005), Rohm & Wilsley (2013), Moutinho & Philips (2008), and Falshaw et al. The findings also agree with those of Taiwo et al (2007) and those of Lee (2015), who all found that strategic planning helps to improve competitiveness.These studies established a positive relationship between strategic planning and organizational effectiveness. The studies concluded that effective strategic planning improves firm's performance in terms focusing on clear company goals and objectives.

4.9 Descriptive Analysis for Strategic Adoption of Technology

The third objective of the study was to determine the influence of strategic adoption of technology on competitiveness of commercial banks in Kenya. The study used 10 statement items to establish the influence of each item on the other. The researcher used a 5 point likert-scale to assess the views and opinions of the respondents on each statement item. Where the higher score of 5 represented strongly agreed, 4 represented agree, 3 represented neutral, 2 represented disagree and 1 represented strongly disagree. Similarly, for the purpose of analysis the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement. The frequency and percentages used to summarize the responses were presented in Table 4.5.

Table 4.5 shows that 74.2% of the respondents agreed that adoption of technology has a significant correlation with organizational competitiveness, 76.3% agreed that technology advancement has significantly promoted market-like forms of production and distribution in their company while 78.4% agreed that adoption of technology promotes high levels of

efficiency and performance within their organization and 78.4% agreed that to achieve organizational competitiveness an institution should adopt technology in its operations.In addition 82.3% of the respondents agreed that technology through electronic business is very effective at reducing the costs of attracting new customers, 75.3% agreed that E-commerce is certainly a very effective tool when it comes to establishing customer relations and provision of access to global markets while 73.2% agreed that through technology their company has been able to increase the market size and market structure and 76.2% agreed that the Internet is helping us to enlarge existing markets by cutting through many of the distribution and marketing barriers. Finally 71.1% of the respondents agreed that E-commerce lowers information and transaction costs for operating on overseas markets and providing a cheap and efficient way to strengthen customer-supplier relations and 76.2% agreed that technology has encouraged their company to develop innovative ways of advertising, delivering and supporting their marketing efforts. The mean score for responses for this section was 4.02 which indicates that majority of the respondents agreed that strategic adoption of technology was a key determinant of competitiveness of commercial banks in Kenya.

Banks have adopted a high degree of technology. They have invested heavily in technology in their operations to enhance efficiency, reliability and convenience. Security has improved through adoption of biometric technology by curbing of fraudulent incidents.

Table 4.5: Strategic Adoption of Technology Descriptive Results

Sno	Statement	Strongly disagree	disagree	Neutral	agree	Strongly agree	Likert Mean
1	Adoption of technology has a significant correlation with organizational competitiveness.	0.0%	14.4%	11.3%	38.1%	36.1%	3.96
2	Technology advancement has significantly promoted market-like forms of production and distribution in our company.	0.0%	5.2%	18.6%	47.4%	28.9%	4.00
3	Adoption of technology promotes high levels of efficiency and performance within our organisation.	0.0%	10.3%	11.3%	45.4%	33.0%	4.01
4	To achieve organizational competitiveness an institution should adopt technology in its operations.	0.0%	9.3%	12.4%	32.0%	46.4%	4.15
5	Technology through electronic business is very effective at reducing the costs of attracting new customers	1.0%	12.4%	4.1%	35.1%	47.4%	4.15
6	E-commerce is certainly a very effective tool when it comes to establishing customer relations and provision of access to global markets.	1.0%	15.5%	8.2%	40.2%	35.1%	3.93
7	Through technology our company has been able to increase the market size and market structure.	0.0%	11.3%	15.5%	33.0%	40.2%	4.02
8	The Internet is helping us to enlarge existing markets by cutting through many of the distribution and marketing barriers.	1.0%	11.3%	11.3%	32.0%	44.3%	4.07
9	E-commerce lowers information and transaction costs for operating on overseas markets and providing a cheap and efficient way to strengthen customer-supplier relations.	0.0%	11.3%	17.5%	37.1%	34.0%	3.94
10	Technology has encouraged our company to develop innovative ways of advertising, delivering and supporting our marketing efforts.	4.1%	12.4%	7.2%	38.1%	38.1%	3.94
	Average	0.7%	11.3%	11.7%	37.8%	38.4%	4.02

4.9.1 Content analysis for interviews and open-ended questions on strategic adoption of technology

The respondednts stated that banks have widely adopted new technologies to enhance their efficiency and customer experience in service delivery.Bankmanagers pointed out examples of technologies and banking included introduction of mobile and internet banking which have resulted inincreased customer base.The respondents were optimistic in regards to the level of technology adoption as all the banks were embracing technology to ensure they keep up with the worldwide technological changes pace. The respondents indicated that their banks have adopted technology in their operations in some cases by about 80-90%. Their mobile and internet banking were in place. ATMs networks are available in many places to improve access to banking services. It was reported that these initiatives have delighted customers a great deal. The factors that have contributed to the adoption of technology were the pressure for customers' convenience and reliability; need to increase efficiency in revenue collection to help in decongestion of banking halls by serving customers better and faster). Thus it is clear technology helps in the retention of customers given stiff competition in the banking sector.

Respondents stated that their banks have embraced technology in every operation. The latest technology is applied to make service delivery faster. The banks adopted technology to enhance efficiency and keep pace with global trends. They have introduced e-banking and cashless money transfers. There is a high degree of adoption of technology in the banks operations. Strategic adoption of technology has been driven by the need for efficiency, effectiveness and enhancement of competitiveness. It was also driven by the need to attain high business returns.

There were banks that have fully adopted technology in their operations, especially in mobile banking. The factors that drove the banks to adopt technology were stiff competition and the quest for customer satisfaction. These banks use technology to outperform its rivals in the industry by ensuring reliability and security of customer transactions. The banks have heavily invested resources in technology to improve customer experience.

4.10 Inferential analysis for Strategic Adoption of Technology

The following tests were done to determine whether strategic adoption of technology has an influence on competitiveness of commercial banks.

4.10.1 Reliability Tests

The Cronbach's Coefficient Alpha test on technology was conducted,the coefficient value is used to determine to establish the reliability of the items;the results were shown in Table4.29. A coefficient of 0.894 was found as shown in Table 4.29. These results corroborates findings by Saunders Lewis & Thornhill (2009) and Christensen, Johnson & Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under strategicadoption of technology variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.29: Reliability Test for adoption of Technology

Variable	Technology
Number of items	10
Cronbach's Alpha	0.894

4.10.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). The findings were shown in Table 4.30. The results show that the KMO statistic was 0.768 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 764.087 with 45 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.30. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.30: Strategic adoption of Technology KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.768
Bartlett's Chi- Square	764.087
Bartlett's df	45
Bartlett's Sig.	0.00

4.10.3 Factor Analysis for strategic adoption of technology

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an Eigen value of 1 or more indicates a unique factor. The results were shown in Table 4.31.

Table 4.31 Strategic Adoption Technology of Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.187	51.872	51.872	5.187	51.872	51.872
2	1.812	18.123	69.995			
3	1.076	10.757	80.752			
4	0.66	6.596	87.348			
5	0.4	4	91.349			
6	0.299	2.992	94.34			
7	0.218	2.185	96.525			
8	0.15	1.5	98.025			
9	0.12	1.198	99.223			
10	0.078	0.777	100			

Extraction Method: Principal Component Analysis.

Total Variance analysis indicates that the 10 statements on technology can be factored into 1 factor. The total variance explained by the extracted factor is 51.872%.

Factor loadings for sub-constructs of strategic adoption of technology were shown in Table 4.32.

Table 4.32: Factor Loading for Strategic Adoption of Technology

Statement	Component
Adoption of technology has a significant correlation with organizational competitiveness.	0.731
Technology advancement has significantly promoted market-like forms of production and distribution in our company.	0.741
Adoption of technology promotes high levels of efficiency and performance within our organisation.	0.823
To achieve organizational competitiveness an institution should adopt technology in its operations.	0.643
Technology through electronic business is very effective at reducing the costs of attracting new customers	0.699
E-commerce is certainly a very effective tool when it comes to establishing customer relations and provision of access to global markets.	0.685
Through technology our company has been able to increase the market size and market structure.	0.774
The Internet is helping us to enlarge existing markets by cutting through many of the distribution and marketing barriers.	0.639
E-commerce lowers information and transaction costs for operating on overseas markets and providing a cheap and efficient way to strengthen customer-supplier relations.	0.663
Technology has encouraged our company to develop innovative ways of advertising, delivering and supporting our marketing efforts.	0.78

Extraction Method: Principal Component Analysis.

All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and accepTable solutions.

4.10.4 Strategic Adoption of Technology Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from

normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results were presented in Table 4.33.

Table 4.33: Strategic Adoption of Technology Normality Test

	Statistic	**Std. Error**
Skewness	-0.871	0.245
Kurtosis	0.342	0.485

The results showthat strategic adoption of technology had a skewness coefficient of -0.871 and its kurtosis coefficient being 0.342. Based on these it was concluded that technology are normally distributed since they lie within the ± 1 range recommended by Myoung (2008).

4.10.5 Strategic Adoption of Technology Linearity Test

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West & Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients, which are presented in Table 4.34. The results indicate that the variables competitiveness and strategic adoption of technology had a strong positive relationship as indicated by a correlation coefficient of 0.750. This implies that there is a linear positive relationship. Thus an increase in strategic adoption of technology effectiveness would result in an improved competitiveness.

Table 4.34: Technology Correlation Coefficients

Variable		Competitiveness	Technology
Competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
Technology	Pearson Correlation	0.75	1
	Sig. (2-tailed)	0.000	

4.10.6 Multicollinearity

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicates a problem of multicollinearity. According to Montgomery (2001) the cutoff threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results are presented in Table 4.35. The results indicate that the VIF value for strategic adoption of technology was established to be 2.222 while its tolerance statistic was reported to be 0.45. Based on these results the assumption of no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Table 4.35: Adoption of Technology Multicollinearity

Collinearity Statistics	
Tolerance	VIF
0.45	2.222

4.10.7 Relationship between Strategic Adoption of Technology and Competitiveness

Regression analysis was conducted to empirically determine whether strategic adoption of technology was a significant determinant of competitiveness of commercial banks in Kenya. Regression results are presented inTable 4.36. The results show that the goodness of fit for the regression between strategic adoption of technology and competitiveness was satisfactory. The results indicate that there is a weak positive relationship of 0.414 between adoption of technology and the bank's competitiveness which is very significant at a p value of less than 0.05. An R squared of 0.171indicates that 17.1% of the variations in competitiveness are explained by the variations in strategic adoption of technology.

Table 4.36: Model Summary for Strategic Adoption of Technology

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.414[a]	.171	.162	.711	.171	19.622	1	95	.000
a. Predictors: (Constant), Technology									

Further analysis sought to establish the overall model significance and was presented in Table 4.37.

From Table 4.37 it is clear that the F statistic of 19.622 indicated that the overall model was significant since the p value is < 0.05. The findings imply that strategic adoption of technology was statistically significant in explaining competitiveness among commercial banks in Kenya. The mean square values indicate that the variance in the responses is small since the regression mean square is much bigger than the residual mean score.

Table 4.37: ANOVA for Strategic Adoption of Technology

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.926	1	9.926	19.622	.000[b]
	Residual	48.055	95	.506		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), Technology

The strategic adoption of technology coefficients are presented in Table 4.38. The results show that strategic adoption of technology contributes significantly to the model since the p-value for the constant and gradient are less than 0.05. The findings imply that one positive unit change in strategic adoption of technologyleads to a change in competitiveness at the rate of 39.8%. This confirms the positive effect of strategic adoption of technology on competitiveness in Kenyan commercial banks. The simple linear regression model defining the relationship between the variables was given as:

$Y = 2.287 + 0.398X_1 + 0.363$

Table 4.38: Coefficients of Strategic Adoption of Technology

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.287	.363		6.294	.000
	Technology	.398	.090	.414	4.430	.000

a. Dependent Variable: Competitiveness

From the study findings it is apparent that strategic adoption of technology positively affects competitiveness of commercial banks. These findings agree with similar studies by Agboola (2006), Davis (2009), Shirley&Sushanta (2006) , as well as CBK's supervision reports for

2015. These studies examined the effects of IT on firms' performance and found that ICT adoption improved an organization's competitiveness.Kendy (2016) also stated that banks are in the midst of a digital transformation, continually looking for ways to accelerate their access to the market and deliver new services. The findings also corroborate those by Cytonn (2015 and 2016), by Pricewaterhouse Coopers (2015). These findings established that technology adoption in banking will continue to improveeffieciency, customer convenience and ultimate banks' competitiveness.

4.11 Descriptive Analysis for strategic innovativeness

The fourth objective of the study was to assess the influence of strategic innovativeness on competitiveness of commercial banks in Kenya. The study used 13 statement items to establish the influence of each item on the other. The researcher used a 5 point likert to assess the views and opinions of the respondents on each statement item. Where the higher score of 5 represented strongly agreed, 4 represented agree, 3 represented neutral, 2 represented disagree and 1 represented strongly disagree. For the purpose of analysis the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement. The frequency and percentages used to summarize the responses were presented in Table 4.6.

Table 4.6 shows that 71.1% of the respondents agreed that innovativeness is a critical factor for our organization to be competitive in the market, 71.2% agreed that innovative employees significantly contribute towards their organizational effectiveness and competitiveness while 62.9% agreed that their bank invest significantly in research and development and 60.8% agreed that competitors' product quality or novelty is threatening their bank's market

position. 46.7% of the respondents agreed that training and development in their organization has always been conducted to enhance innovativeness and productivity, 70.1% agreed that the firm offers innovative products to its customers that are differentiated from that of competitors while 58.8% agreed that they offer innovative products and services that are customer satisfying and thus they are able to retain and grow their customer base and 72.1% agreed that their organization rewards creativity and innovativeness among its employees. In addition, 58.8% of the respondents agreed that their organization strives to align its strategic activities with end-to-end processes, 60.8% agreed that internal reorganization of processes are pursued to enhance the organization's innovativeness while 70.1% agreed that the organization had adequate skills that enables it to be innovative than its competitors and 70.1% agreed that the organization has sufficient resources that enable it maintain its innovativeness in providing products that meet the customers' expectations. Finally 83.5% agreed that the bank is always in touch with the customer to ensure changes in market needs are continuously satisfied. The mean score for responses for this section was 3.79 which indicates that majority of the respondents agreed that strategic innovativeness was a key determinant of competitiveness of commercial banks in Kenya.

In regards to strategic innovativeness and how the banks are trying to outperform their competitors, the respondents stated that their banks continuously engage in research and development to keep pace with customer needs and requirements. They also offer staff training, use of technology, sales and marketing are undertaken and enhanced to ensure uniqueness of the banks. The banks engage in research and development in order to remain innovative and competitive; due to competition products and services are reviewed regularly, frequent market surveys are carried out to determine customer requirements which are ever

changing. Advertisements are done through various platforms including fliers, electronic and social media.

Respondents pointed out that some banks also through their innovativeness provide world class financial products and services as diverse as needs of thousands of operations, institutions, governments and investors it serves.They for example srive to work to enrich the relationships through their products and technology that define their market presence. The banks undertake research to achieve the breadth, depth and strength of its sales and training distribution, a broad range of asset classes, currencies, sectors and products. The banks through IT innovation provide a platform to deliver electronic access to banks' global footprint and real time information, giving clients unprecedented access to capital markets intelligence services across all product lines. The banks' clients through the web, mobile and trading applications can find banks' research, commentary and proprietary data and analytics. Some of thebanks'clients can also execute fast, seamless and stable foreign exchange and rates trades, and enjoy sophisticated post trade analysis tools. Thus innovativeness gives the banks a comparative advantage in the market place.

Table 4.6: Descriptive Results for strategic innovativeness

Sno	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
1	Innovativeness is a critical factor for our organization to be competitive in the market.	6.2%	9.3%	13.4%	29.9%	41.2%	3.91
2	Innovative employees significantly contribute towards our organizational effectiveness and competitiveness.	7.2%	11.3%	10.3%	22.7%	48.5%	3.94
3	Our bank invests significantly in research and development.	6.2%	18.6%	12.4%	36.1%	26.8%	3.59
4	Competitors' product quality or novelty is threatening our bank's market position.	4.1%	4.1%	30.9%	24.7%	36.1%	3.85
5	Training and development in our organisation has always been conducted to enhance innovativeness and productivity.	4.1%	17.5%	15.5%	35.1%	27.8%	3.65
6	The firm offers innovative products to its customers that are differentiated from that of competitors	3.1%	12.4%	27.8%	29.9%	26.8%	3.65
7	We offer innovative products and services that are customer satisfying and thus we are able to retain and grow our customer base.	3.1%	9.3%	17.5%	44.3%	25.8%	3.80
8	Our organization rewards creativity and innovativeness among its employees	8.2%	16.5%	16.5%	28.9%	29.9%	3.56
9	Our organization strives to align its strategic activities into end-to-end processes	3.1%	19.6%	5.2%	41.2%	30.9%	3.77
10	Internal reorganization of processes are pursued to enhance the organization's innovativeness	5.2%	29.9%	6.2%	39.2%	19.6%	3.38
11	The organization has adequate skills that enables it to be innovative than its competitors	0.0%	1.0%	38.1%	26.8%	34.0%	3.94
12	The organization has sufficient resources that enable it maintain its innovativeness in providing products that meet the customers' expectations	2.1%	13.4%	14.4%	34.0%	36.1%	3.89
13	The bank is always in touch with the customer to ensure changes in market needs are continuously satisfied.	0.0%	0.0%	16.5%	39.2%	44.3%	4.28
	Average	4.0%	12.5%	17.3%	33.2%	32.9%	3.79

4.11.1 Content analysis for interviews and open-ended questions on strategic innovativeness

Respondents reported that their banks have to adopt a culture of innovation in a bid to develop new products and services to match changing customer demands. They also indicated that their banks have enhanced their innovativeness by embracing online and mobile banking. The banks also produces e-statements all to delight the customers. Research and surveys are done regularly to find out and keep peace with customer needs. To meet the changing customer requirements and expectations, the banks' management continuouslywork towards improving service delivery as well as development of new products and services.

Customer feedback is constantly sought to innovate. To some banks the quest for strategic adoption of technology was driven by the global industry trends. Customers require speedy and efficient delivery of services. Customers need to do business anywhere and anytime given that the world has become a global village. These banks have fully embraced technology in its operations. This is based on the understanding that customers are busy and demand cost-effective, efficient and convenient services.

Other banks were reported to deliver on smart award-winning, user friendly online banking experience which can be used by clients in nearly all banking needs. The online banking services include:- free online bill payments, banks' text banking, accounts alert, virtual account numbers, online bank statements, online check images, online transfer services, money financial tools, auto save, online and mobile fraud protection, 24/7 customer support.

Various banks engage in provision of innovative banking products and services through research; upto date products and ensuring good customer relations. Project teams have been established by the banks to come up with various forms of innovativeness which are rolled out as new products and services. The banks encourage their staff to undertake research and be innovative. They recognize that the customers carry the brand, which is the critical business differentiator in a competitive environment. Innovativeness is crucial to the banks survival, the bank therefore strives to create new products and services that are not only different but that respond to customer requirements. The banks are constantly engaging in strategic innovativeness so as to be ahead of the others in the market. Banks also conduct market researchto seek ideas aimed at continuously developing products and services that meet changing customer requirements. To achieve this they leverage on the skills and competencies of their human resources.

Some banks ensure competitiveness by establishing focus on a market segment like small and medium enterprises (SMES) to help in capturing a significant share of the market. Other major banks have solidified their industry dominance through provision of competitively priced products and services. They seek and act on customer feedback, capturing a large market share by expanding their branch network and also through on-line banking and mobile banking.They have introduced new systems of banking which include flexible banking and new ways of posting entries.

Respondents also indicated that banks engage in continuously re-engineering of business process to make them simpler and more efficient without reducing their integrity. Banks have also invested in modern customer relationship management software to facilitate timely and exceptional customer satisfaction. To boost efficiency in customer interactions through effiennt logging, tracking and monitoring of inquiries to conclusions banks have installed call centres facilities.

4.12 Inferential Analysis for Strategic Innovativeness

The study also sought to establish the correlation between strategic innovativeness and competitiveness of commercial banks in Kenya. The reliability test of sampling adequacy and the simple regression models were determined.

4.12.1 Reliability Tests

Using Cronbach's Coefficient Alpha test on innovativeness, the level of reliability was determined and presented in Table 4.39.

The results show that a coefficient of 0.904 was found. These results corroborates findings by Saunders Lewis & Thornhill (2009) and Christensen, Johnson &Turner (2011) who stated

that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the innovativeness variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.39: Reliability Test for Innovativeness

Variable	Innovativeness
Number of items	13
Cronbach's Alpha	0.904

4.12.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). The results are presented in Table 4.40.

The results show that the KMO statistic was 0.811 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 747.201 with 78 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.40. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.40: Innovativeness KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.811
Bartlett's Chi- Square	747.201
Bartlett's df	78
Bartlett's Sig.	0

4.12.3 Factor Analysis for strategic innovativeness

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an Eigen value of 1 or more indicates a unique factor. The factor loadings for the statements were presented in Table 4.41.

Table 4.41: Innovativeness Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.178	47.526	47.526	6.178	47.526	47.526
2	1.497	11.516	59.042			
3	1.2	9.234	68.276			
4	0.902	6.941	75.217			
5	0.709	5.457	80.673			
6	0.54	4.154	84.827			
7	0.47	3.619	88.446			
8	0.377	2.898	91.344			
9	0.321	2.467	93.812			
10	0.288	2.217	96.029			
11	0.239	1.835	97.864			
12	0.177	1.36	99.224			
13	0.101	0.776	100			

Extraction Method: Principal Component Analysis.

Total Variance analysis indicates that the 13 statements on innovativeness can be factored into 1 factor. The total variance explained by the extracted factor is 47.526% as shown in the Table 4.41.

Table 4.42 shows the factor loadings for sub-constructs of innovativeness.

Table 4.42: Factor Loading for Innovativeness

Statement	Component
Innovativeness is a critical factor for our organization to be competitive in the market.	0.587
Innovative employees significantly contribute towards our organizational effectiveness and competitiveness.	0.597
Our bank invests significantly in research and development.	0.767
Competitors' product quality or novelty is threatening our bank's market position.	0.616
Training and development in our organization has always been conducted to enhance innovativeness and productivity.	0.753
The firm offers innovative products to its customers that are differentiated from that of competitors	0.604
We offer innovative products and services that are customer satisfying and thus we are able to retain and grow our customer base.	0.570
Our organization rewards creativity and innovativeness among its employees	0.843
Our organization strives to align its strategic activities into end-to-end processes	0.724
Internal reorganization of processes are pursued to enhance the organizations innovativeness	0.741
The organization has adequate skills that enables it to be innovative than its competitors	0.662
The organization has sufficient resources that enable it maintain its innovativeness in providing products that meet the customers' expectations	0.732
The bank is always in touch with the customer to ensure changes in market needs are continuously satisfied.	0.703

Extraction Method: Principal Component Analysis.

All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts

that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

4.12.4 Innovativeness Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al., (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in Table 4.43.

Table 4.43: Innovativeness Normality Test

	Statistic	**Std. Error**
Skewness	-0.494	0.245
Kurtosis	-0.044	0.485

The results show that innovativeness had a skewness coefficient of -0.494 and its kurtosis coefficient being -0.044. Based on these results, it was concluded that innovativeness coefficients are normally distributed since they lie within the ± 1 range as recommended by Myoung (2008).

4.12.5 Innovativeness linearity Test

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West & Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients. Which are presented in Table4.44.The results indicate that the variables competitiveness and innovativeness had a strong positive relationship as indicated by a correlation coefficient of 0.774. This implies that there is a linear positive relationship. Thus an increase in innovativeness would result in an improved competitiveness.

Table 4.44: Strategic Innovativeness Correlations Coefficients

Variable		Competitiveness	Innovativeness
Competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
Innovativeness	Pearson Correlation	0.774	1
	Sig. (2-tailed)	0.000	

4.12.6 Innovativeness Multicollinearity

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF $\geq$ 10) indicate a problem of multicollinearity. According to Montgomery (2001) the cutoff threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results are presented in Table 4.45.

The results indicate that the VIF value for innovativeness was established to be 4.179 while its tolerance statistic was reported to be 0.239. Based on these results the assumption of no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Table 4.45: Innovativeness Multicollinearity

Colinearity Statistics	
Tolerance	VIF
0.239	4.179

4.12.7 Relationship between Innovativeness and Competitiveness

Regression analysis was conducted to empirically determine whether innovativeness was a significant determinant of competitiveness among commercial banks in Kenya. Regression results are presented in Table 4.46.

Table 4.46: Model Summary for Innovativeness

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.484[a]	.234	.226	.684	.234	29.073	1	95	.000
a. Predictors: (Constant), Innovativeness									

The results indicate the goodness of fit for the regression between innovativeness and competitiveness was satisfactory. There was a weak correlation between innovativeness and banks competitiveness with an R = 0.484 and p value of < 0.05. The proportion of

competitiveness that can be explained by innovativeness and helps to show the strength of the relationship between the variables was explained by the R- square which was 0.234. This indicates that innovativeness causes competitiveness of the banks to improve by a proportion of 23.4%. The adjusted R square helps to eliminate any extraneous variable that might have had an effect on the model. While the standard error shows that variance that could not be explained by the model.

The overall model significance was presented in Table 4.47.

Table 4.47: ANOVA for Innovativeness

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.586	1	13.586	29.073	.000[b]
	Residual	44.394	95	.467		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), Innovativeness

An F statistic of 29.073 indicated that the overall model was significant. The findings imply that innovativeness was statistically significant in explaining competitiveness among commercial banks in Kenya. This show that the only 13.586 of the variance can be explained by the regression model variables while only 0.467 of the variance can be explained by other factors the residual. This indicates that the variance in the model may not be by chance but can be explained statistically.

The innovativeness coefficients are presented in Table 4.48. The results show that innovativeness contributes significantly to the model since the p-value for the constant and gradient are less than 0.05. The findings imply that one positive unit change in innovativeness leads to a change in competitiveness at the rate of 48.0%. This confirms the positive effect of

innovativeness on competitiveness in Kenyan commercial banks. The t- statistic indicates that the relationship is not by chance but can be explained statistically using the model. The simple linear regression model was formulated as follows: $Y = 2.045 + 0.480X_1 + 0.345$

Table 4.48: Coefficients of Innovativeness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.045	.345		5.935	.000
	Innovativeness	.480	.089	.484	5.392	.000
a. Dependent Variable: Competitiveness						

These results agree with those of Mabrouk & Mamoghli (2010), Clark (2010), Venter et al (2008) that innovation has become a source of competitive advantage. In addition, the CBK's (2015) supervision reports also confirm that increased use of ICT has had positive effects to the banking sector by improving efficiency in service delivery.

4.13 Descriptive Analysis for Strategic Human Resource Competences

The fifth objective of the study was to establish the influence of strategic human resource competencies on commercial banks in Kenya. The study used 17 statement items to establish the influence of each item on the other. The researcher used a 5 likert-scale to assess the views and opinions of the respondents on each statement item. Where the higher score of 5 represented strongly agreed, 4 represented agree, 3 represented neutral, 2 represented disagree and 1 represented strongly disagree. The frequency and percentages used to summarize the responses were presented in Table 4.7 whereby the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement.

Table 4.7 shows that 61.8% of the respondents agreed that there was a regular training after needs assessment for the banks employees, 74.2% agreed that human resource competencies are critical for banks survival while another 74.2% agreed that training and development of staff is of utmost importance to the banks competitiveness and 68% agreed that employee recruitment and selection was based on proven competencies relevant to the needs of the bank. In addition 82.5% of the respondents agreed that there was a clear staff retention policy for talented employees, 39.2% agreed that employees are given opportunities to fully contribute to the realization of the banks objectives and 73.2% agreed that the management has empowered employees to perform better. 58.8% of the respondents agreed that departments are provided with discretion and resources to make decisions, 53.6% agreed that there was a clear and fair performance management system and 74.2% agreed that compensation was aimed at encouraging employees to achieve organizational goals.

Furthermore 68% of the respondents agreed that their organization's compensation recognizes employees who contribute most to the company, 90.7% agreed that appropriate training programmes are provided to employees, while 76.3% agreed that employees are encouraged to make suggestions about their jobs and 72.2% agreed that every employee in the organization was clear about what was required of them. Finally 53.6% of the respondents agreed that the human resource policies and procedures are clear to all employees, 62.9% agreed that every employee in the organization was given an opportunity to give his/her best and 69.8% agreed that the principles of fairness and equity are practiced in this organization. The mean score for responses for this section was 3.74 which indicates that majority of the respondents agreed that strategic human resource competencies were key determinant of competitiveness of commercial banks in Kenya.

Table 4.7: Human Resource competencies Descriptive Results

Sno	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
1	There is a regular training after needs assessment for the banks employees	11.3%	18.6%	8.2%	30.9%	30.9%	3.52
2	Human resource competencies are critical for banks survival	7.2%	10.3%	8.2%	38.1%	36.1%	3.86
3	Training and development of staff is of utmost importance to the banks competitiveness	11.3%	8.2%	6.2%	49.5%	24.7%	3.68
4	Employee recruitment and selection is based on proven competencies relevant to the needs of the bank	3.1%	16.5%	12.4%	41.2%	26.8%	3.72
5	There is a clear staff retention policy for talented employees	3.1%	8.2%	6.2%	62.9%	19.6%	3.88
6	Employees are given opportunities to fully contribute to the realization of the banks objectives	13.4%	24.7%	22.7%	20.6%	18.6%	3.06
7	The management has empowered employees to perform better	5.2%	5.2%	16.5%	52.6%	20.6%	3.78
8	Departments are provided with discretion and resources to make decisions	4.1%	6.2%	30.9%	36.1%	22.7%	3.67
9	There is a clear and fair performance management system	1.0%	20.6%	24.7%	27.8%	25.8%	3.57
10	Compensation is aimed at encouraging employees to achieve organizational goals	0.0%	8.2%	17.5%	40.2%	34.0%	4.00
11	Our organization's compensation recognizes employees who contribute most to the company	1.0%	12.4%	18.6%	34.0%	34.0%	3.88
12	Appropriate training programmes are provided to employees	0.0%	1.0%	8.2%	63.9%	26.8%	4.16
13	Employees are encouraged to make suggestions about their jobs	1.0%	18.6%	4.1%	49.5%	26.8%	3.82
14	Every employee in the organization is clear about what is required of them.	1.0%	10.3%	16.5%	46.4%	25.8%	3.86
15	The human resource policies and procedures are clear to all employees.	6.2%	17.5%	22.7%	22.7%	30.9%	3.55
16	Every employee in the organization is given an opportunity to give his/her best.	5.2%	6.2%	25.8%	30.9%	32.0%	3.78
17	The principles of fairness and equity are practiced in this organization.	1.0%	13.4%	25.8%	30.9%	28.9%	3.73
	Average	4.4%	12.1%	16.2%	39.9%	27.4%	3.74

4.13.1 Content analysis of interview and open ended questions on Strategic Human Resource Competences

Respondents reported that human resource competences play a key role in the competitiveness of their organizations. To be successful in the market place the banks have appointed high caliber employees with the skills and experience tailored to help the organization achieve high performance. In some cases the banks have appointed relationship managers to ensure the seamless delivery of services. They market an entire range of products and services for customers based on their unique individual needs and priorities. To enhance human resource competencies, the banks have developed programmes for staff training and opportunities for their career development. The staff are offered sufficient challenge in work to help them grow and satisfied in their work place. Some banks go out of their way to offer client's capacity-building opportunities to enable them better their businesses. This helps to attract more customers and grow their market share, assets, deposits and the number of accounts has been growing as well as the bank's branch network. The banks have extended their social responsibility by investing in women and the environment. The managements of the banks are receptive to the needs of the customers and ensure there is enough adequate flexibility to meet their changing needs. Other bank's respondents explained that they strove for competitiveness by diversification of products and services. The banks have opened more branches within the country as well as in the region. To achieve high performance compared to competitors some banks strive to be close to the customer by ensuring an active customer-service desk to address customer concerns. The banks have alsointroduced use of technology in form of e-banking and mobile banking; they have also introduced new and varied products and at reasonable rates.

Other banks have introduced a product mix through diversification in an effort to attain organizational competitiveness. To sustain a significant market share, the banks undertake continuous market analysis and customer acquisition and retention by providing products and services that meet customer needs.

To further enhance employee satisfaction, the top managements have put in place mechanisms of seeking employees' views and acting on the same to meet their needs.

Respondents stated that their banks ensure employment of highly qualified people tailored to perform specific functions. Various strategies are in place to enhance a high degree of staff retention and motivation. For example, in some banks, work is clearly segmented for ease of performance management, to enhance employees' competences and ultimate competitiveness and productivity, the banks reward best performance, undertake continuous training of their staff and generally provide a competitive package to them.

Respondents reported that to ensure development of human resource competencies and capabilities they have introduced performance contracts based on score cards which is the basis of performance compensation. The role of human resources in the realization of the banks' strategic objectives include but not limited to fostering good employee relations which help to improve customer retention and ultimately company's profitability. Human resource competencies also enhance company productivity which is partly promoted through provision of incentives both monetary and non-monetary. Team-building activities are conducted to perfect interaction among staff and quality of work life. The employees are exposed to various forms of training programmes to empower them further. To enhance employee competencies and productivity, performance management procedures are well established; payment of bonuses have been introduced where appropriate. To further motivate employees

an attractive medical scheme has been introduced. All these measures have had the effect of improving employee satisfaction. The bank carries out market research to establish trends in the industry and introduces various products and services to meet the market demands.

Respondents also reported that employees are placed in appropriate positions based on their experience and capabilities to enable them give their best. Employees are highly motivated in their duties due to good packages in form of salary rewards, promotions and other benefits such as continuous training, communication and benchmarking with best practices.

Respondents of some banks also indicated that to ensure the employees have the critical skills and capabilities to take these banks to the next level, there are staff trainings every week. The aim of the regular training is to enrich employees with the knowledge, attitudes and competencies on the banks' processes, procedures and products so as to deliver exceptional customer experience. The human resources have the critical role in the effort towards the realization of the bank's strategic objectives. To enhance employee satisfaction and productivity, the banks provides an attractive package in form of bonuses, access to educational and development loans, linkages with international banks to facilitate their development professionally.

The banks' management invests heavily in its employees through regular trainings to equip them with new skills and capabilities. . The top bank management have put in place mechanisms for the roles and competencies of employees have to be aligned to the banks' objectives. Strategic human resource competencies are critical in the realization of the bank's goals and objectives. To enhance the workforce productivity, continuous training opportunities are provided, appropriate working tools and equipment are provided and a condusive working environment is also assured. The employees are further motivated through

provision of job security and offer of an attractive package, all aimed at enhancing employee satisfaction and retention.

The banks embraces the principle of workforce diversity, fosters a culture where the best people want to work. Employment of staff is based on merit and they are given opportunities for career development to be more productive. Banks strive to attract talented employees by recruiting through partnership with various organizations and by ensuring diverse candidates are included for new opportunities. The banks have a clear workforce development programme through which mentoring activities serve all individuals to ensure growth and excellence in duty performance. The banks strive to create an inclusive work environment where all employees are treated with respect and dignity. Workforce diversity is embraced by most banks, a strategy,that has given the organizations a competitive advantage – a diverse workplace provides a wide range of ideas and solutions to its clients. This can lead to greater market share and thus greater returns to shareholders.

Respondents stated that their banks therefore foster a workforce with different backgrounds, perspectives and ideas; it provides employees with a wide range of opportunities, experiences and skills to develop to their full potential. They recruit and develop a diverse pool of highly qualified candidates for management and professional opportunities.They build relationships with partners who can help the banks to identify and recruit top talent. Thus, the banks are employers of choice to its employees.

4.14 Inferential Analysis for Strategic Human Resource Competencies

The last objective that the study sought to test was whether strategic human resource competitiveness influences banks' competitiveness. The findings were presented as follows:

4.14.1 Reliability Tests

Using Cronbach's Coefficient Alpha test on human resource competencies, a coefficient of 0.939 was found as shown in Table 4.49.

These results corroborates findings by Saunders Lewis & Thornhill (2009) and Christensen, Johnson & Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the human resource competencies variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.49: Reliability Test for Human Resource Competencies

Variable	Human resource competencies
Number of items	17
Cronbach's Alpha	0.939

4.14.2 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). Findings are shown in Table 4.50, showing that the KMO statistic was 0.844 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly

significant (Chi-square = 1454.11 with 136 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.50. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.50: HR Competencies KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.844
Bartlett's Chi- Square	1454.11
Bartlett's df	136
Bartlett's Sig.	0

4.14.3 Factor Analysis for strategic human resource competencies

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and Cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an Eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 17 statements on human resource competencies can be factored into 1 factor. The total variance explained by the extracted factor is 52.037% as shown in Table 4.51.

Table 4.51: HR Competencies Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.846	52.037	52.037	8.846	52.037	52.037
2	1.856	10.915	62.952			
3	1.361	8.005	70.957			
4	1.009	5.934	76.891			
5	0.766	4.508	81.399			
6	0.639	3.757	85.157			
7	0.51	2.999	88.155			
8	0.398	2.343	90.498			
9	0.371	2.184	92.681			
10	0.29	1.704	94.385			
11	0.274	1.609	95.994			
12	0.171	1.003	96.998			
13	0.16	0.939	97.937			
14	0.119	0.698	98.635			
15	0.104	0.613	99.248			
16	0.075	0.442	99.69			
17	0.053	0.31	100			

Extraction Method: Principal Component Analysis.

Table 4.52 below shows the factor loadings for sub-constructs of human resource competencies.

Table 4.52: Factor Loading for HR Competencies

Statement	Component
There is a regular training after needs assessment for the banks employees	0.589
Human resource competencies are critical for banks survival	0.684
Training and development of staff is of utmost importance to the banks competitiveness	0.771
Employee recruitment and selection is based on proven competencies relevant to the needs of the bank	0.797
There is a clear staff retention policy for talented employees	0.671
Employees are given opportunities to fully contribute to the realization of the banks objectives	0.779
The management has empowered employees to perform better	0.623
Departments are provided with discretion and resources to make decisions	0.796
There is a clear and fair performance management system	0.777
Compensation is aimed at encouraging employees to achieve organizational goals	0.734
Our organization's compensation recognizes employees who contribute most to the company	0.779
Appropriate training programmes are provided to employees	0.715
Employees are encouraged to make suggestions about their jobs	0.618
Every employee in the organization is clear about what is required of them.	0.617
The Human resource policies and procedures are clear to all employees.	0.855
Every employee in the organization is given an opportunity to give his/her best.	0.757
The principles of fairness and equity are practiced in this organization.	0.63

Extraction Method: Principal Component Analysis.

All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and accepTable solutions.

4.14.4 Human Resource Competencies Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness

of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in Table 4.53 Shows that human resource competencies had a skewness coefficient of -0.098 and its kurtosis coefficient being -0.911. Based on these results it was concluded that human resource competencies are normally distributed since they lie within the ± 1 range as recommended by Myoung (2008).

Table 4.53: Human Resource Competencies Normality Test

	Statistic	**Std. Error**
Skewness	-0.098	0.245
Kurtosis	-0.911	0.485

4.14.5 Human Resource linearity Test

Linearity of variables was tested using correlation coefficients as suggested by Cohen, West & Aiken, (2003). To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients. Which are presented in Table4.54.

The results indicate that the variables competitiveness and human resource competencies had a strong positive relationship as indicated by a correlation coefficient of 0.829. This implies that there is a linear positive relationship. Thus an increase in human resource competencies would result in an improved competitiveness.

Table 4.54: Human Resource Competencies Correlations Coefficients

Variable		Competitiveness	HR Competencies
Competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
HR Competencies	Pearson Correlation	0.829	1
	Sig. (2-tailed)	0.000	

4.14.6 Multicollinearity for HR competences

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicate a problem of multicollinearity. According to Montgomery (2001) the cutoff threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results are shown in Table 4.55.

This indicates that the VIF value for strategic human resource competencies was established to be 5.247 while its tolerance statistic was reported to be 0.191. Based on these the assumption of no multicollinearity between predictor variables was thus not rejected as the reported VIF and tolerance statistics were within the accepted range.

Table 4.55: Human Resource Competencies Multicollinearity

Colinearity Statistics	
Tolerance	VIF
0.191	5.247

4.14.7 Relationship between Human Resource Competencies and Competitiveness

Regression analysis was conducted to empirically determine whether human resource competencies were a significant determinant of competitiveness among commercial banks in Kenya. Regression results in Table 4.56.

The model summary indicates the goodness of fit for the regression between human resource competencies and competitiveness was satisfactory. The model shows that there was a strong positive and significant correlation between human resource competencies and the bank's competencies. An R squared of 0.367 indicates that 36.7% of the variations in competitiveness are explained by human resource competitiveness. The adjusted R square shows that when the model is adjusted for the errors it leads to 36% increase in the bank's competitiveness while only 0.622 of the variance between the variables could not be explained by the model.

Table 4.56: Model Summary for Human Resource Competencies

Model Summary									
Model	R	R Square	Adjust Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.606[a]	.367	.360	.622	.367	55.097	1	95	.000
a. Predictors: (Constant), HR Competencies									

The overall model significance was presented in Table 4.57.

An F statistic of 55.097 indicated that the overall model was very significant since the p value was less than 0.05. The findings imply that human resource competencies were statistically significant in explaining competitiveness of commercial banks in Kenya and the variance in the model could be explained by 21.283 of the regression variables and only 0.386 could be explained by other variables (residuals).

Table 4.57: ANOVA for Human Resource Competencies

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.283	1	21.283	55.097	.000[b]
	Residual	36.697	95	.386		
	Total	57.980	96			
a. Dependent Variable: Competitiveness						
b. Predictors: (Constant), HR Competencies						

The innovativeness coefficients are presented in Table 4.58.

The results show that human resource competencies contribute significantly to the model since the p-value for the constant and gradient are less than 0.05. The findings imply that one positive unit change in human resource competencies leads to a change in competitiveness at the rate of 0.603. This confirms the positive effect of human resource competencies on competitiveness in Kenyan commercial banks. The large t statistic value indicates that the

relationship between the variables is not by chance. The simple linear regression model was as follows: $Y = 1.613 + 0.603X_1 + 0.310$

Table 4.58: Coefficients of Human Resource Competencies

Odel		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.613	.310		5.207	.000
	HR competencies	.603	.081	.606	7.423	.000
a. Dependent Variable: Competitiveness						

These study findings corroborate those of Johnson et al (2014), Armstrong (2009), Barney (1991), Ramlall (2006), Bowes (2015),Pablos&Lytras (2006).They all agree that the management of employees, their knowledge, skills and competences are a source of company success and can build the organization's long term competitive advantage.

4.15 Descriptive Analysis for Competitiveness

From analysis of data collected from the 43 banks, it is apparent that commercial banks are striving to be more compettitve to survive in a volatile business environment.Thefollowing isan analysis of performance of the top commercial banks based on key indicators of competitiveness. So far these banks appear to be the most competitive, while the others at the bottom of tier 3 are the least competitive in terms of assets, market share, profitability and return on assets and equity.

1. **Kenya Commercial Bank**

For KCB, the trend of growth on assets, income profitability and market share has been increasing steadily for the last five years. KCB remains the most competitive bank in the sector.

Table 4.15.1: KCB's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Market asset base	304,751,807,000	322,684,854,000	376,969,409,000	467,741,173,000	
Net income	25,181,308,000	36,089,074,000	40,883,247,000	48,713,197,000	
Net profit	12,203,531,000	14,341,382,000	15,878,977,000	16,499,407,000	
Market share				13.1%	
Deposit growth					6.6%
Return on assets (ROA)					3.2%
Return on Equity (ROE)					21%
Earnings, growth (2011)	22.2%				

2. **Equity Bank**

Equity bank has recorded an increasing, trend in profitability, growth of assets and income. This attributed to the banks wide branch network, agency banking and adoption of technology. All these tend to consolidate the banks' 28000 customer base hence it has solidified its competitive advantage. Equity bank is the second most competitive commercial bank in Kenya.

Table 4.15.2: Equity Bank Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	215,829,300,000	238,194,354,000	276,111,727,000	341,129,318,000	
Net income	28,496,525,000	28,310,243,000	37,271,801,000	43,454,466,000	
Net profit	10,996,840,000	12,699,836,000	16,836,990,000	16,175,353,000	
Market share				9.3%	
Deposit growth					8.1%
Return on assets (ROA)		5.1%	5.5%		4.9%
Return on Equity (ROE)		28.1%	29.7%		27.9%
Earnings,	19.7%				

3. Cooperative Bank

For cooperative bank, there has been upward trend in growth of assets, income and profits. The bank has highly invested in technology and taken advantage of its wide networkand increased its market share agency banking. This has been instrumental in the bank, thus enabling it in gaining competitive advantage especially that all the Saccos are its main customers. This gives the bank a clear competitive advantage.

Table 4.15.3: Cooperative Bank's competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	199,662,974,000	228,874,484,000	276,111,727,000	341,129,318,000	
Net income	24,596,104,000	24,510,922,000	37,271,801,000	43,454,466,000	
Net profit	7,329,431,000	8,979,191,000	8,351,326,000	10,471,597,000	
Market share				8.6%	
Deposit growth					11.9%
Return on assets (ROA)					2.7%
Return on Equity (ROE)	24.0%				16.5%
Earnings,growth(2011)	20.6%				

4. BarclaysBank of Kenya

From the figures on the table above, Barclays Bank of Kenya has been experiencing growth in its assets, and income. Its profitability has somewhat been steady with a slight drop in 2015.

Table 4.15.4: Barclays Bank's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Market asset base	185,101,570,000	206,736,932,000	225,845,434,000	249,872,020,000	
Net income	21,041,003,000	21,296,617,000	22,941,,044,000	25,285,748,000	
Net profit	8,740,703,000	7,622,642,000	8,387,346,000	8,400,582,000	
Market share				7.9%	
Deposit growth					8.3%
Return on assets (ROA)					3.7%
Return on Equity (ROE)	22.2%				20.5%
Earnings, growth	0.7%				

5. Standard Chartered Bank

Assets and income of standard chartered bank have been increasing steadily. Its profits increased steadily in 2012, 2013 and 2014 but somewhat declined in 2015. The bank has leveraged its success on its solid customer base technology which has enhanced efficiency

and customer experience. The bank has continued to leverage its business on technology and alternative channels of service delivery to improve its competititveness.

Table 4.15.5: Standard Chartered Bank's competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Market asset base	195,352,756,000	220,523,869,000	222,635,993,000	234,130,536,000	
Net income	19,698,321,000	21,679,714,000	22,120,026,000	22,877,085,000	
Net profit	11,556,191,000	13,354,965,000	14,299,812,000	8,973,977,000	
Market share	8.4%			8.4%	
Deposit growth					12.9%
Return on assets (ROA)					3.1%
Return on Equity (ROE)	24.2%				18%
Earnings, growth	1.7%				

6. Commercial Bank of Africa

CBA's growth has been on an upward trend with assets increasing from 118,300,651 to 215,625,182 in 2015. Profit and income of the bank for the last 4 years has also been increasing steadily. This trend is an indication the banks improving competitiveness. Growth drivers for the banking sector are mainly the adoption alternative channels, cost containment and expansion support banks'growth and diversification. Technology has helped it improve

service delivery. Adoption of agency banking has greatly enhanced growth of the market shareof various banks.

Table 4.15.6: CBA's Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	118,300,651,000	145,998,378,000	175,808,828,000	215,625,182,000	
Net income	14,373,297,000	16,220,001,000	12,462,385,000	19,539,499,000	
Net profit	3,123,257,000	3,740,700,000	3,774,555,000	4,615,261,000	
Market share	4.3%			4.3%	
Deposit growth					11.9%
Return on assets (ROA)					2.7%
Return on Equity (ROE)	24.0%				16.5%

7. Diamond Trust Bank

Table 4.15.7 DTB's Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	94,511,818,000	114,136,429,000	141,175,794,000	190,947,903,000	
Net income	12,124,435,000	12,124,435,000	14,275,788,000	18,033,177,000	
Net profit	3,068,693,000	4,057,897,000	4,792,851,000	4,152,458,000	

Market share	4.1%				
Deposit growth					11.9%
Return on assets (ROA)					2.7%
Return on Equity (ROE)	22.6%				17.4%
Earnings, growth	22.1%				

8. I&M Bank

The assets, income profit and market share of I&M bank has been increasing steadily in the last four years. This positive trend can be attributed to adoption of technology plus use of alternative channels of service delivery. I&M bank's competitiveness has been improving in the last four years.

Table 4.15.8: I&M Bank's competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	19,698,321,000	110,315,682,000	154,060,579,000	164,822,609,000	
Net income	10,966,387,000	11,577,079,000	14,143,749,000	17,971,129,000	
Net profit	3,362,892,000	4,194,435,000	5,618,877,000	5,811,128,000	
Market share	3.9%				
Deposit growth					
Return on assets (ROA)					
Return on Equity (ROE)	22.6%				17.4%

9. NIC Bank

NIC bank's assets have been increasing fro the last four years; profitability has also been increasing steadily in the same period. The banks income has however been somehow fluctuating declining and later increasing slightly. The positive growth is attributed to expansion in the market share after the collapse of imperial bank and technology.

Overall, the bank's competitiveness has been improving.

Table 4.15.9: NIC Bank's Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	101771,706,000	112,916,814,000	137,087,444,000	156,762,225,000	
Net income	10,446,405,000	10,313,258,000	14,143,749,000	8,849,072,000	
Net profit	2,907,862,000	3,385,576,000	4,019,167,000	4,027,537,000	
Market share	4.4%				
Deposit growth					
Return on assets (ROA)					
Return on Equity (ROE)	20.3%				15.9%
Growth, earning for 2011-2015				13.5%	

10. National Bank of Kenya

The assets and income of NBK has been on an increasing trend. Its profitability has however been shaky and declining to losses in 2015. This has impacted negatively on its competitveness.The bank's return on assets were -1.34% while return on equity was -15.4 for the same period.

Table 4.15.10: NBK's Competitiveness

Indicator	2012	2013	2014	2015	2016
Asset base	67,178,000,000	92,556,000,000	123,092,000,000	124,856,000,000	
Net income	8,430,119,000	8,165,790,000	10,697,180,000	12,248,203,000	
Net profit	729,752,000	1,089,896,000	800,698,000	-1,183,293	
Market share	2.9%				
Deposit growth					
Return on assets (ROA)				-1.34%	
Return on Equity (ROE)				-15.4%	

11. Stanbic Bank

Stanbic banks' assets and income have been on an upward trend since 2013. Profitability has been rather constant but reduced in 2015. The bank is less competitive relative to its peers.In the industry.

Table 4.15.11:Stanbic Bank's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Asset base		170,726,460	18,240,290	18,285,829	
Net income		10,334,105	11,638,770	14,667,896	
Net profit		7,005,016	7,391,196	4,905,734	
Market share					
Deposit growth					
Return on assets (ROA)					
Return on Equity (ROE)					

12. Family bank

Family Bank's assets and profitability has been on an upward trend. This can be attributed to its increasing branch network,technology and agency banking which have helped grow its market share.the banks' competititveness has therefore been improving with time.

Table 4.15.12: Family Bank's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Asset base	30,985,096,000	43,500,988,000	61,012,663,000	81,190,214,000	
Net income	4,775,721,000	5,354,441,000	7,121,576,000	10,032,314,000	
Net profit	540,718,000	1,226,403,000	1,780,602,000	1,936,658,000	
Market share	1.3%				
Deposit growth					
Return on assets (ROA)				3.55%	
Return on Equity (ROE)				1.2%	

13. Bank of Africa

The Bank of Africa's assets and income have been growing steadily for the last five years. Its profitability has been declining reaching serious losses by 2015. This has had a negative impact on the banks competitiveness unless it comes up with strategies to reverse the situation. The bank's return on assets were -2.07% , while return on equity was -16.9%.This shows that the bank is one of the least competitive in the industry.

Table 4.15.13: Bank of Africa competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**	**2016**
Asset base	48,952,925,000	52,683,299,000	62,211,641,000	69,280,267,000	
Net income	5,634,468,000	5,243,846,000	5,462,685,000	6,942,147,000	
Net profit	408,560,000	755,685,000	144,111,000	-1,023,361,000	
Market share				2.1%	
Deposit growth					
Return on assets (ROA)				-2.07%	
Return on Equity (ROE)				-16.9%	

14. Eco-Bank

Eco-Bank is one of the foreign new banks in the country. It has experienced increasing asset base, income and profitability since2014. The bank started to make profit in 2015 of sh.90, 373,000, an indication of good business prospects for the future.

Table 4.15.14: Eco-Bank's Competitiveness

Indicator	**2012**	**2013**	**2014** **Sh 000**	**2015** **Sh 000**	**2016**
Asset base			45,934,458	52,426,513	
Net income			2,993,692	4,194,500	
Net profit			-320,212	90,373	
Market share				1.4%	
Deposit growth					
Return on assets (ROA)					
Return on Equity (ROE)					

15.Citibank

Citibanks' assets, income and profitability have been on an upward trend. This confirms its steady competitiveness due to its leveraging on technology and ensuring excellent customer service to attaract and retain its clients.

Table 4.15.15: Citibank's Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	69,579,795	71,242,659	79,397,809	88,147,289	
Net income	7,101,667	5,630,009	5,969,974	7,209,812	
Net profit	7,228,576	4,984,275	2,443,063	3,400,960	
Market share	3.0%				
Deposit growth					
Return on assets (ROA)				6.33%	
Return on Equity (ROE)				28.7%	

16. Gulf Africa Bank

Table 4.15.16: Gulf Africa Bank's Competitiveness

Indicator	2012	2013	2014	2015	2016
Market asset base	13,561,818,000	16,053,971,000	19,991,926,000	29,374,062,000	
Net income	1,448,570,000	1,595,023,000	16,606,964,000	20,836,396,000	
Net profit	242,221,000	285,477,000	1,915,307,000	2,450,321,000	
Market share					0.6%
Deposit growth					
Return on assets (ROA)				4.42%	
Return on Equity (ROE)	22.2%			28.2%	

17. Bank of Baroda

Table 4.15.17: Bank of Baroda's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**
Assets				68,178,000
Net income				
Net profit				2,593,000
Market share				2.0%
Deposit growth				52,929,000
Return on assets (ROA)				3.65%
Return on Equity (ROE)	22.2%			22.0%

18. Prime Bank

Prime Bank has registered, positive growth in its assets, income and profitability in the last 5 five years. It has also maintained its position among the medium peer group.

Table 4.15.18: Prime Bank's Competitiveness

Indicator	**2012**	**2013**	**2014**	**2015**
Assets	43,462,888	54,917,674	65,001,000	68,178,000
Net income	5,108,461	4,999,827	5,819,996	6,977,624
Net profit	954,719	1,440,772	1,736,019	2,023,189
Market share				1.8%
Return on assets (ROA)				3.99
Return on Equity (ROE)				29.7%
Total Deposits				50,819,000

19. Bank of India

The Bank of India is showing a positive growth in its assets, income and profitability. It has maintained a good position among the medium peer group banks with a 1.16% market share.

Table 4.15.19Competitiveness of Bank of India

Indicator	2012	2013	2014	2015
Assets	24,876,824	30,721,440	34,320,422	42,163,000
Net income	2,840,251	2,976,316	3,241,588	3,742,732
Net profit	568,440	1,009,458	1,024,293	1,469,537
Market share				1.16%
Return on assets (ROA)				3.49%
Return on Equity (ROE)				20.5%
Total Deposits				24,613,000

Table 4.59 gives a summary of competitiveness of commercial banks in Kenya in terms of profitability, assets, return on assets and return on equity as at December 2015. It is clear that Kenya Commercial Bank, Equity Bank , Co-operative Bank, Standard Chartered Bank, Barclays Bank, remain the most competitive in the sector.

National Bank of Kenya is one of the least competitive due to the challenges it has been facing. Credit Bank, Fidelity Bank, Equatorial Bank, Chase Bank, Imperial Bank and Charterhouse Bank have had serious challenges leading to their being placed under receivership or being bought. These banks have been among the least competitive in the sector going by facts on the table.

Table 4.59: Profitability of Commercial Banks

	BANKS	PROFIT BEFORE TAX	NET ASSETS	RETUIRN ON ASSETS (1/2)	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4)
		KSHS M.	KSHS M.	KSHS M.	KSHS M.	
1	Kenya Commercial Bank Ltd	23,445	467,741	5.01%	80,886	29.0%
2	Equity Bank Ltd.	22,388	341,329	6.56%	47,440	47.2%
3	Co - operative Bank of Kenya Ltd	14,073	339,550	4.14%	49,311	28.5%
4	Barclays Bank of Kenya Ltd	12,074	241,153	5.01%	39,716	30.4%
5	Standard Chartered Bank (K) Ltd	8,974	234,131	3.83%	40,914	21.9%
6	I&M Bank Ltd	8,367	147,846	5.66%	26,187	32.0%
7	CfCStanbic Bank (K) Ltd	7,077	198,578	3.56%	28,251	25.1%
8	Diamond Trust Bank (K) Ltd	7,055	190,948	3.69%	29,996	23.5%
9	NIC Bank Ltd	6,260	156,762	3.99%	26,454	23.7%
10	Commercial Bank of Africa Ltd	6,227	198,484	3.14%	22,708	27.4%
11	Citibank N.A. Kenya	5,577	88,147	6.33%	19,407	28.7%
12	Family Bank Ltd.	2,883	81,190	3.55%	11,927	24.2%
13	Prime Bank Ltd	2,593	65,001	3.99%	8,725	29.7%
14	Bank of Baroda (K) Ltd	2,486	68,178	3.65%	11,273	22.0%
15	Bank of India	1,470	42,163	3.49%	7,183	20.5%
17	Gulf African Bank Ltd	1,093	24,714	4.42%	3,877	28.2%
18	Victoria Commercial Bank Ltd	677	20,020	3.38%	3,512	19.3%
19	Guaranty Trust Bank Ltd	547	29,374	1.86%	7,906	6.9%
20	Sidian Bank Ltd	520	19,107	2.72%	3,837	13.5%
21	Habib Bank A.G. Zurich	510	14,440	3.53%	2,573	19.8%
22	Habib Bank Ltd	485	10,230	4.74%	2,147	22.6%
23	Giro Commercial Bank Ltd	479	15,810	3.03%	2,835	16.9%
24	African Banking Corporation Ltd	355	22,058	1.61%	2,837	12.5%
25	Guardian Bank Ltd	329	14,609	2.25%	1,984	16.6%
26	Trans - national Bank Ltd	252	10,533	2.39%	2,033	12.4%
27	Development Bank of Kenya Ltd	178	16,943	1.05%	2,844	6.3%
28	Paramount Universal Bank Ltd	169	10,526	1.60%	1,536	11.0%
29	Ecobank Kenya Ltd	93	52,427	0.18%	7,561	1.2%
30	Consolidated Bank of Kenya Ltd	49	14,136	0.35%	1,615	3.0%
31	Middle East Bank (K) Ltd	43	5,678	0.75%	1,263	3.4%
32	Oriental Commercial Bank Ltd	42	8,496	0.49%	2,240	1.9%
33	Jamii Bora Bank Ltd	36	16,782	0.22%	3,163	1.2%
34	First Community Bank Ltd	11	14,613	0.07%	1,613	0.7%
35	Credit Bank Ltd	(179)	10,287	-1.74%	1,392	-12.8%
36	Fidelity Commercial Bank Ltd	(277)	15,025	-1.84%	1,745	-15.9%
37	UBA Kenya Ltd	(304)	7,781	-3.91%	1,119	-27.2%
38	Equatorial Commercial Bank Ltd	(655)	14,470	-4.53%	2,069	-31.7%
39	Bank of Africa (K) Ltd	(1,434)	69,280	-2.07%	8,496	-16.9%
40	National Bank of Kenya Ltd	(1,684)	125,295	-1.34%	10,914	-15.4%
41	Chase Bank Ltd*	-	-	-	-	-
42	Imperial Bank Ltd	-	-	-	-	-
43	Charterhouse Bank Ltd	-	-	-	-	-
	Sub-Total	132,280	3,423,835	3.86%	542,572	24.4%
	NBFI'S					
1	Housing Finance Company of Kenya Ltd	1,737	68,809	2.52%	9,090	19.1%
	Sub-Total	1,737	68,809		9,090	
	Grand Total	134,017	3,492,643	3.84%	551,662	24.3%

Source: CBK Supervision Report of 2015

Summary

Overall, there has been growth in the banking sector in the last five years. The sector experienced growth in assets, deposits, profitability and products offering. The majority of the banks leveraged on diversification to alternative channels of business and this was supported by a favourable macro economic environment.

The sectors' total assets grew by 10.5% from shs. 2.5 trillion in March 2015 to shs. 2.8 trillion in March 2016. Total profit grew by an average of 13.5% for the last five years, while total deposits grew by 15.1% for the same period. Competitiveness of commercial banks has been attributed to the banks' response to the financial needs of the Kenyan market for convenience and efficiency through alternative channels of service delivery such as mobile banking, internet banking and agency banking. Some banks have increased their branch network within the country and regionally. Also on the rise is the use of alternative channels of banking such as mobile and internet banking, use of cashless cards are also on the rise.

From the study, the main drivers of growth and competitiveness of commercial banks technology which enhances cost containment, and efficiency. It has further increased banking inclusion. Adoption of agency banking has reduced operating expenses whileincreasing market share and diversification of services and products. The regulatory environment has improved governance and capitalization. The Central Bank of Kenya has tightened its controls with emphasis on transparency on lending rates.

The findings of this research are consistent with those by Cytonn 2016 and those of AIB Capital Kenya Banking (2017). Agency banking as at 2017 is being offered by 17 banks in

the country up from 8 in 2011.Respondents from the banks indicated that banking business today is more difficult from small players and that consumer confidence is more in favor of the largebanks following the collapse of three banks in 2015/2016 period. The National Treasury has been pushing for increased capitalization of the banks by proposing twice the minimum core capital from the current 1 billion to 5 billion.Thismove has only made things more difficult for smaller banks.

The newly enacted law capping interest rates is expected to negatively impact the small players more than the big players. By the government putting a ceiling on the interest charged, it is clear the large banks, (tier 1) will survive, while tier 2 and 3 banks will lose the most.As a consequence mergers and acquisitions activities affect tier 2 and 3 banks. Well capitalized banks with strong anchor shareholders have better consumer confidencehence more competitive. The stage is already set with acquisitions of Giro Bank by I&M Holdings, M Bank of Tanzania taking a majority stake in 3 bank Oriental commercial and lately the acquisition of Fina Bank by SBM Holdings. Chase Bank may also be acquired as well as the consolidation of state owned (NBK consolidated and development Bank of Kenya). Consolidation of banks may lead to better competitiveness of banks, while product offerings may be in favor of customers.

In addition, data from banks' annual reports generally indicate an upward trend of growth in assets, income and profitability. For example, the total assets for Barclays bank rose by 8% from 116 billion shillings in 2013 to 126 billion shillings in 2014 (BBK's 2015 annual reports). Net profit grew by 11% to 6.2 billion shillings, while customer deposits increased to 153 billion shillings from 138 million shillings during the same period. For KCB its total assets have been increasingreaching a high of 467,741,173,000 shillings and

504,775,429,000shillings in 2015 and 2016 respectifully. KCB's total profits rose from 16,499,405,000 shillings in 2015 to 19,779,314,000 shillings in 2016. National Bank of Kenya assets increased from 91, 319,427,000 shillings in 2013 to 124, 144, 110,000 shillings in 2015.Its profit rose from 880,090,000 shillings in 2013 to 1,020,724,000 shillings in 2015. Looking at the Tables showing performance of commercial banks in terms of profit, assets and interest income, it becomes clear which banks are more competitive. There are banks that have consistently done very well and remaining at the top five best performing banks.The question that needs to be answered is why some banks keep performing well while others do poorly till they either collapse or are acquired.The general trend in the performance of the banks is upward improvement, but at different rates. This is a confirmation of the clear differences in their market strength relative to the competitors. From the Tables, the top five commercial banks enjoy a strong competitive edge over the other banks.These findings are in agreement with those of Cytonn (2016) who reported that the top five commercial banks have been performing well and have maintained their industry dominance due to leveraging on their competitive advantage.They prudently manage their costs andkeep their NPLs portfolios at minimum possible levels. Kenya Commercial Bank has been at the top of the other tier 1 commercial banks, while National Bank has been doing poorly having the highest cost to income of 60.9% against the industry's average of 45.4%. NBK also has the largest NPLs to loan at 25.6% against the industry's 8.7%, with one of the lowest coverages at 23.2% against the industry's 33.4 %,(Cytonn, 2016).

Table 4.9 Net Profit after Tax

	Net Profit After Tax					
	Bank	**2011**	**2012**	**2013**	**2014**	**2015**
		Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
1	Kenya Commercial Bank	9,838,337	12,203,531	14,341,382	15,878,977	16,499,407
2	Equity Bank	9,773,857	10,996,840	12,641,836	16,835,990	16,175,353
3	Cooperative Bank of Kenya	5,186,343	7,329,431	8,979,191	8,351,326	10,471,597
4	Standard Chartered Kenya	5,836,821	11,556,191	13,354,965	14,299,812	8,973,977
5	Barclays Bank of Kenya	8,112,637	8,740,703	7,622,642	8,387,346	8,400,582
6	I&M Bank	3,472,723	3,362,892	4,194,435	5,618,877	5,811,128
7	Stanbic Bank Kenya	-	-	7,005,016	7,391,196	4,905,734
8	Commercial Bank of Africa	1,671,824	3,123,257	3,740,700	3,774,555	4,615,261
9	Diamond Trust Bank	2,246,891	3,068,693	4,057,897	4,792,851	4,152,438
10	NIC Bank	2,533,048	2,907,862	3,385,576	4,019,167	4,027,537
11	Citibank	2,942,221	7,228,576	4,984,275	2,443,063	3,400,960
12	Gulf African Bank	95,335	242,221	285,477	1,915,307	2,450,321
13	Chase Bank Kenya (In Receivership)	602,246	904,370	1,569,905	2,316,601	-
14	Imperial Bank Kenya (In receivership)	1,197,383	1,403,303	1,853,994	2,064,491	-
15	Prime Bank (Kenya)	834,424	954,719	1,440,772	1,736,019	2,023,189
16	Family Bank	354,604	540,718	1,226,403	1,780,602	1,936,658
17	Bank of India	765,862	568,440	1,009,458	1,021,293	1,469,537
18	Housing Finance Company of Kenya	622,278	743,334	1,213,429	975,336	1,196,969
19	Victoria Commercial Bank	230,250	350,532	431,903	464,345	713,800
20	Guaranty Trust Bank Kenya	311,033	283,438	331,286	533,648	470,210
21	Sidian Bank	173,366	196,078	-	514,043	372,320
22	ABC Bank (Kenya)	373,392	380,643	442,163	258,145	266,718
23	Habib Bank	-	-	-	207,990	233,271
24	Fidelity Commercial Bank Limited	197,196	90,051	211,914	-	-
25	Guardian Bank	-	153,610	275,335	261,251	229,330
26	Trans National Bank Kenya	202,580	213,393	158,118	125,712	168,030
27	Paramount Universal Bank		67,360	87,949	147,846	158,025
28	Development Bank of Kenya	108,073	71,953	188,578	219,948	120,019
29	Ecobank Kenya	-	-	-	-320,212	90,373
30	Consolidated Bank of Kenya	149,824	139,249	-109,108	-281,632	44,422
31	Oriental Commercial Bank	152,004	94,467	139,969	71,947	42,902
32	Middle East Bank Kenya	-	-	-	68,627	34,835
33	Jamii Bora Bank	-	-	93,887	19,686	17,737
34	First Community Bank	-	-	-	50,437	-10,683
35	Credit Bank	47,074	69,669	52,796	-91,715	-59,795
36	United Bank for Africa	-152,149	-287,389	-272,090	-282,040	-262,653
37	Spire Bank	72,341	-481,940	55,650	-326,431	-486,382
38	Bank of Africa	577,254	408,560	755,685	144,111	-1,023,361
39	National Bank of Kenya	1,546,113	729,752	1,089,896	800,698	-1,183,293
40	Habib Bank AG Zurich	-	-	-	-	-
	TOTAL	60,075,185	78,354,507	96,841,284	106,189,213	96,446,473

Table 4.10Assets

	Assets					
	Bank	2011	2012	2013	2014	2015
		Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
1	Kenya Commercial Bank	282,493,553	304,751,807	322,684,854	376,969,401	467,741,173
2	Equity Bank	196,293,896	215,829,300	238,194,354	276,111,727	341,129,318
3	Cooperative Bank of Kenya	167,772,389	199,662,974	228,874,484	282,689,098	339,549,808
4	Barclays Bank of Kenya	166,269,556	185,101,570	206,736,932	225,845,434	240,877,020
5	Standard Chartered Kenya	164,046,624	195,352,756	220,523,869	222,635,993	234,130,556
6	Commercial Bank of Africa	94,771,471	118,300,651	145,998,378	175,808,828	215,625,182
7	Diamond Trust Bank	77,447,778	94,511,818	114,136,429	141,175,794	190,947,903
8	I&M Bank	12,011,253	19,698,321	110,315,682	154,060,579	164,822,609
9	NIC Bank	73,581,321	101,771,706	112,916,814	137,087,444	156,762,225
10	National Bank of Kenya	68,664,516	67,178,000	92,556,000	123,092,000	124,856,000
11	Chase Bank Kenya (In Receivership	36,449,609	49,672,063	78,768,838	109,158,624	-
12	Citibank	74,646,417	69,579,795	71,242,659	79,397,809	88,147,289
13	Family Bank	26,001,753	30,985,096	43,500,988	61,812,663	81,190,214
14	Housing Finance Company of Kenya	31,972,113	40,685,928	46,755,111	60,961,680	71,659,434
15	Bank of Africa	38,734,220	48,957,925	52,683,299	62,211,641	69,280,267
16	Imperial Bank Kenya (In receivership	25,617,616	34,589,609	43,006,228	56,599,361	-
17	Prime Bank (Kenya)	35,184,677	43,462,888	49,460,889	54,917,674	65,001,313
18	Ecobank Kenya	-	-	-	45,934,458	52,426,513
19	Bank of India	23,352,157	24,876,824	30,721,440	34,370,422	42,162,947
20	Guaranty Trust Bank Kenya	22,645,013	17,149,892	25,638,050	32,991,926	29,374,062
21	Gulf African Bank	12,915,174	13,561,818	16,053,971	19,749,862	24,713,782
22	ABC Bank (Kenya)	12,506,895	19,070,779	19,639,370	21,438,729	22,058,297
23	Victoria Commercial Bank	7,645,235	10,322,819	13,644,242	17,244,092	20,020,072
24	Sidian Bank	9,318,715	9,546,050	-	15,801,439	19,106,557
25	Stanbic Bank Kenya	-	-	170,726,460	18,240,290	18,285,829
26	Development Bank of Kenya	11,523,037	13,417,095	15,580,630	16,954,227	16,942,714
27	Jamii Bora Bank	-	-	7,010,323	13,117,892	16,781,543
28	Guardian Bank	-	11,745,363	12,834,687	14,572,873	14,609,492
29	First Community Bank	-	-	-	15,278,026	14,564,631
30	Spire Bank	12,926,902	14,108,996	15,562,476	16,589,359	14,469,562
31	Consolidated Bank of Kenya	15,318,148	18,000,858	16,778,631	15,077,051	14,135,528
32	Fidelity Commercial Bank Limited	10,789,498	11,772,118	12,778,509	-	-
33	Paramount Universal Bank	-	7,254,561	8,028,877	10,402,326	10,525,709
34	Trans National Bank Kenya	7,286,906	8,801,382	9,657,867	10,239,922	10,452,691
35	Credit Bank	5,394,064	6,407,485	7,308,855	8,864,537	10,287,085
36	Habib Bank	-	-	-	9,449,365	10,229,978
37	Oriental Commercial Bank	5,030,090	6,219,906	7,006,528	7,857,515	8,496,350
38	United Bank for Africa	3,206,395	2,923,811	3,709,630	4,755,787	7,781,237
39	Middle East Bank Kenya	-	-	-	5,936,601	5,677,553
40	Habib Bank AG Zurich	-	-	-	-	-
	TOTAL	1,731,816,991	2,015,271,964	2,571,036,354	2,955,402,449	3,234,822,443

Table 4.11Interest Income

	Interest Income					
	Bank	**2011**	**2012**	**2013**	**2014**	**2015**
		Shs '000	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
1	Kenya Commercial Bank	27,902,652	25,181,308	36,089,074	40,883,247	48,713,197
2	Equity Bank	18,376,010	28,496,525	28,310,243	37,271,801	43,454,466
3	Cooperative Bank of Kenya	16,374,032	24,596,104	24,510,922	29,267,406	36,519,458
4	Barclays Bank of Kenya	17,632,272	21,041,003	21,296,617	22,941,044	25,285,748
5	Standard Chartered Kenya	12,011,253	19,698,321	21,679,714	22,120,026	22,877,085
6	Gulf African Bank	1,056,571	1,448,570	1,595,023	16,606,964	20,836,396
7	Commercial Bank of Africa	9,584,924	14,377,297	16,220,001	12,462,385	19,539,499
8	Diamond Trust Bank	7,225,667	12,124,435	12,124,435	14,275,788	18,033,177
9	I&M Bank	9,031,130	10,966,387	11,577,079	14,143,746	17,971,129
10	Stanbic Bank Kenya	-	-	10,334,105	11,638,770	14,667,896
11	Chase Bank Kenya (In Receivership)	3,313,471	6,416,832	8,799,044	13,573,540	-
12	National Bank of Kenya	6,457,997	8,430,119	8,165,790	10,697,180	12,248,203
13	Family Bank	2,844,462	4,775,721	5,354,441	7,121,576	10,032,314
14	NIC Bank	6,285,410	10,446,405	10,313,258	7,279,479	8,848,072
15	Housing Finance Company of Kenya	3,464,079	5,068,815	5,440,059	6,374,782	8,098,136
16	Citibank	4,067,285	7,101,667	5,630,009	5,969,974	7,200,812
17	Prime Bank (Kenya)	3,234,618	5,108,461	4,999,827	5,819,996	6,977,621
18	Bank of Africa	3,012,731	5,634,468	5,243,846	5,462,685	6,942,147
19	Imperial Bank Kenya (In receivership)	4,300,441	6,518,620	6,168,488	5,443,737	-
20	Ecobank Kenya	-	-	-	2,993,692	4,194,500
21	Bank of India	2,159,381	2,840,251	2,976,316	3,241,588	3,742,732
22	Guaranty Trust Bank Kenya	2,312,701	2,138,863	2,083,928	2,565,897	3,035,868
23	ABC Bank (Kenya)	1,266,999	910,590	1,248,974	2,526,551	2,787,328
24	Sidian Bank	1,306,778	1,846,940	-	2,413,765	2,726,530
25	Victoria Commercial Bank	740,070	1,352,816	1,375,389	1,754,695	2,379,856
26	Guardian Bank	-	1,634,028	1,562,076	1,794,323	1,996,277
27	Consolidated Bank of Kenya	1,585,851	2,636,743	2,336,464	2,054,537	1,957,414
28	Jamii Bora Bank	-	-	536,330	1,033,824	1,883,822
29	Development Bank of Kenya	1,038,436	1,431,695	1,589,935	1,757,716	1,807,638
30	Spire Bank	1,076,040	1,883,803	1,745,291	2,083,522	1,711,251
31	Fidelity Commercial Bank Limited	1,056,633	1,618,751	1,554,825	-	-
32	Trans National Bank Kenya	700,693	984,968	1,092,515	1,263,233	1,445,363
33	Paramount Universal Bank	-	681,453	977,082	1,018,666	1,341,202
34	First Community Bank	-	-	-	1,033,005	1,312,739
35	Credit Bank	560,314	938,309	906,263	1,052,353	1,218,480
36	Oriental Commercial Bank	460,175	835,330	836,549	945,497	1,092,764
37	Habib Bank	-	-	-	946,479	1,060,673
38	Middle East Bank Kenya	-	-	-	682,297	690,163
39	United Bank for Africa	211,465	256,170	256,342	230,587	405,247
40	Habib Bank AG Zurich	-	-	-	-	-
	TOTAL	170,650,541	239,421,768	264,930,254	320,746,353	365,035,203

4.15.1 Content analysis on interviews and open-ended questions for competiveness

From content analysis, the respondents stated that to achieve competitiveness, the banks simplified and standardized operations across the branch networks. As a consequence, the banks have increased their sales as a result of product awareness.

Some of the respondents indicated that to ensure growth in market share in their bank, they have formed strategic partnership with supermarkets for example Diamond Trust Bank has a partnership with Nakumatt via Nakumatt Global Card to facilitate cashless transactions. Some of the banks have also introduced e-banking as well as 12-hour banking service. Further, to ensure high performance in comparison with competitors in the industry the bank leadership haveintroduced key performance indicators, scorecards and new training programs and also introduced new machines to ease operations. For the bank to ensure market sustainable presence, they introduced a method called vision based customer centeredness. New training programmes have been introduced as well as introduction of paperless banking system.

Respondents pointed out that their banks enhance their competitiveness through provision of market lead products and services, deployment of robust systems in technology and human resources, and conducting research and aggressive marketing. Monthly and quarterly performance reviews on staff are conducted. The banks employees are provided with an attractive remuneration to enhance their motivation and retention. The banks strive maintain a significant and sustainable market presence by conducting daily marketing. Active marketing departments have been established to spearhead continuous promotion and marketing activities in the various media channels, fliers and use of word of mouth.

Some respondents indicated that their banks ensure top managers are well trained and are professional in the handling of customers.

Respondents reported that banks' assets have been increasing steadily as indicated in the graphs. Deposits and the number of accounts have also been increasing.. Customer satisfaction and retention is achieved through constantly finding out customer financial needs. Efficiency is attained through the product utilization of bank's resources to yield highest returns possible on capital. The management also strives for cost containment in all its operations.

On their part, some of the banks' branch network and assets have been increasing. Banks have generally been table and competitive due to their emphasis on provision of excellent customer service that meet international standards. The bank operates in 20 countries in Africa and has a wide range of products and services that are aimed at meeting customer needs. The bank leverages on technology in its operations to ensure speedy and convenient delivery of services to customers. The bank has several branches in Kenya whose aim is to tap on the economic opportunities existing in the various towns and economic environments.

Respondents further reported that their banks strive to be service providers of choice to their clients. They also strive to be business partners of choice for their suppliers and neighbours of choice to communities around them. The banks also strive to deliver products and services to customers that reflect both global reach and their market of operations. The diversity of employees enables banks to better understand their customers, while the breadth of the products offerings allows them to serve better.

In general, all banks have customer care and sales marketing staff, who distribute brochures to customers. The brochures provide information to customers on the various products and services available. From their customer care desks, banks gather feedback with the use of provided forms to gauge the feelings of customers in order to keep up with the pace of the customer demands.

Banks have also put in place mechanisms to deal with customer complaints with a view to resolving them to their satisfaction. Most banks have segmented customers according to their purchasing power and requirements. The terms of the various services vary from bank to bank as each tries to outperform the other. In an effort to reach more customers, some banks have strategically partnered with some service providers. For example Kenya Commercial Bank and Diamond Trust Bank have partnered with Nakumat on Nakumatt Global Card, while Barclays Bank has partnered with Post Bank. Several banks have also partnered with Safaricom on the use of M-pesa services. Kenya Commercial Bank, Equity Bank, Cooperative Bank and Family Bank are among commercial banks that have engaged in agency banking to expand their market share. To further improve customer convenience, banks have introduced waiting seats in the banking halls to minimize discomfort.

Some of the banks indicated that they have experienced growth in terms of assets and deposits of between 15-20% annually. To achieve competitiveness against its competitors, the bank seeks regular feedback from customers in order to keep adjusting to their changing requirements; it has also introduced turnaround times in cash deposits and withdrawals. Overall the bank has adopted the principles of integrity and customer-centeredness.

4.16 Measures of a Firm's Performance

The study also sought to establish the performance of the commercial banks for the period of five years between 2010 and 2014. This was aimed at determining the general trend of growth of commercial banks in the changing circumstances. In this study, competitiveness will be measured in terms market share, profitability, return on investment or equity,and asset base.

Wilson et al (2015) pointed out that there is a developed literature on measurement of competition and its implications for bank performance. These measures are efficiency, prices and profitability. This further corroborates with Garelli (2004) on competitiveness measurements which are: rate of return on assets and rate of return on equity which is efficiency. Size of market share and sales constitute the rate of profitability hence the interdependence of the sub-variables.

The findings from this study on competitiveness of commercial banks using these measurements are in agreement with earlier studies by Wilson et al (2015), and those of Garelli (2006). The generally positive trend of improvement of competitiveness of banks in Kenya could be attributed to increasing adoption of technology and innovation in banking, use of skillful and talented people, and better management with prudent regulatory government policies.

4.16.1 Return on Assets

The Figure 4.3 shows the mean trends on return on assets of the 43 commercial banks in Kenya, over the five financial years. Competitive banks will have their return on assetsgenerally increasing over time and should cover their liabilities. For example, the top

five commercial banks have consistently had their return on assets grow as reflected in their net profits.

In figure 4.3 there is an indication of instability, in the trend of growth in return on assets in the sector; this could be because the industry is not homogenous in that some banks have stronger competitive advantage. The Graph shows fluctuations representing a turbulent business environment. Hence commercial banks will need to prudently plan on how best to respond to changing environment.

The Graph shows that in 2010 the total mean was 0.03055 and it increased to 0.0429 in 2011 and in 2012 the mean decreased to 0.026, but increased in 2013 to 0.04886 and finally there was a decrease in 2014 to 0.02592. The findings imply that higher and steady growth trends of return on assets indicate good financial health, while decline or uncertainty trend does not auger well for investors who wish to see an increasing trend in return on assets.The nature of the trend also indicate how external forces disrupt the stability of the financial market. Some of the forces are well beyond the control of banks and so have to make necessary adjustments to cope with emerging situations.

Figure 4.3: Return on Assets

4.16.2 Return on Equity

Return on equity as a measure of performance of commercial banks was analyzed and the results were presented in Figure 4.4.

Figure 4.4 shows the mean trends for return on equity of the 43 commercial banks in Kenya, over the period of five years. The trend shows that in 2010 the total mean was 0.20245 and it increased to 0.5161 in 2011 and in 2012 the mean decreased to0.01403 and increased in 2013 to 0.0648 and finally there was a decrease in 2014 to 0.16665. From the study findings it implies that return on equity should be increasing if economic conditions are favorable. Shareholders are keen to see that their investments yield favorable growth. Figure 4.4 shows that the trend has been unpredicTable since it was decreasing at one time and increasing at other time all rather sharply due to the environmental factors that are external to the commercial banks.

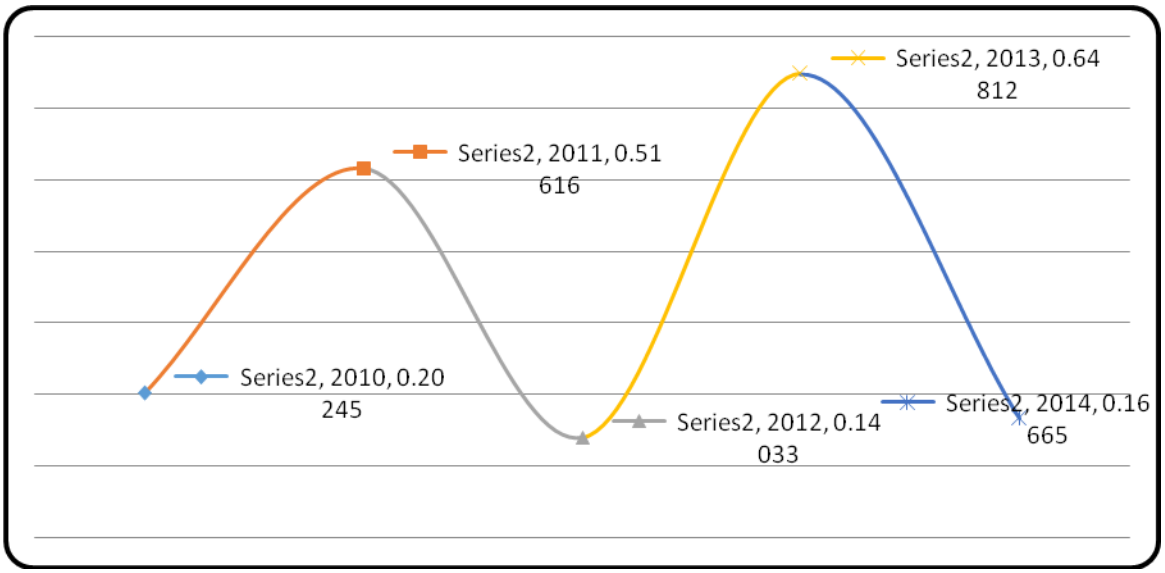

Figure 4.4: Return on Equity

4.16.3 Total Assets

The findings on the total assets of the banks ispresented in Figure 4.5.

Figure 4.5 shows the trend analysis for total assets of the 43 commercial banks in Kenya, for a period of five years. The trend shows that in 2010 the commercial banks had a total mean of 370,54.67 and it increased to 45932.16 in 2011 and in 2012 there was also a great increase to hit1309009.37 and increased in 2013 to 3652982.53 and finally there was a great increase in 2014 to 4418484.14. The results imply that the value of assets of commercial banks have been increasing steadily over the period of five years. This indicates a general favourable trend banks' performance. Some banks are expected to be doing better than their competitors because of individual market position.

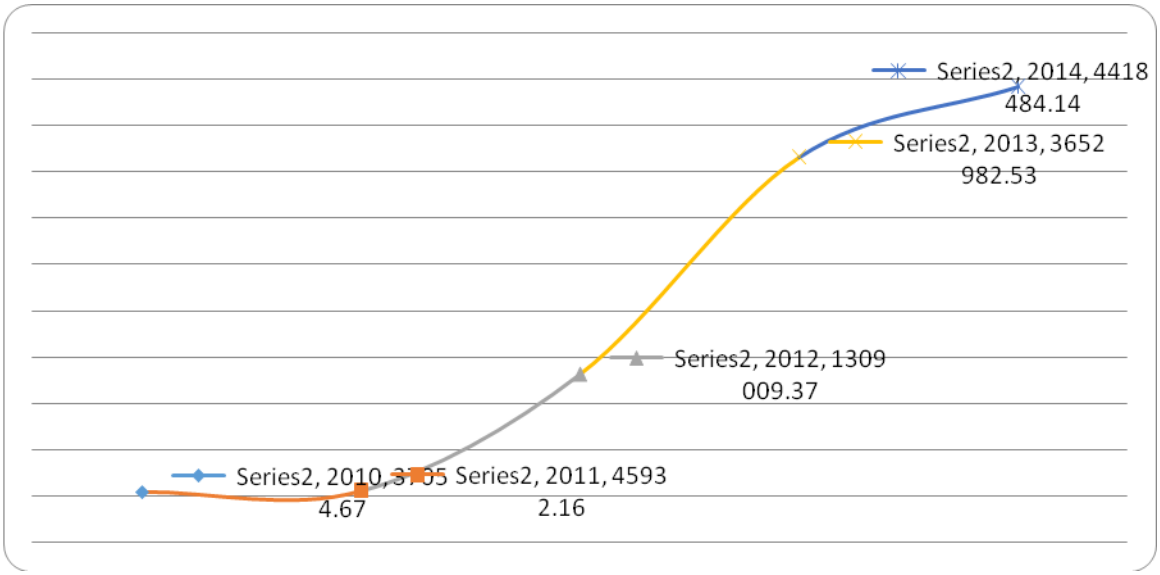

Figure 4.5: Total Assets

4.16.4 Profitability

The profitability trends of the commercial banks were shown in Figure 4.6.

Figure 4.6 below shows trends on the profitability of the commercial banks in a period of five financial years from 2010-2014. From the figure it is evident that the profitability of these firms has been increasing. In 2010 the firms were at a mean of 170153, 2011 the mean increased to 5889.94 and in 2013 there was a tremendous increase of 63784.93 and also increased in 2013 to 86944.58 and finally there was a great decrease to 33190.35 in 2014. The findings imply that the commercial banks liabilities have been increasing steadily with a rapid fall in 2014 which could have been contributed to by the harsh economic conditions in the country in general.

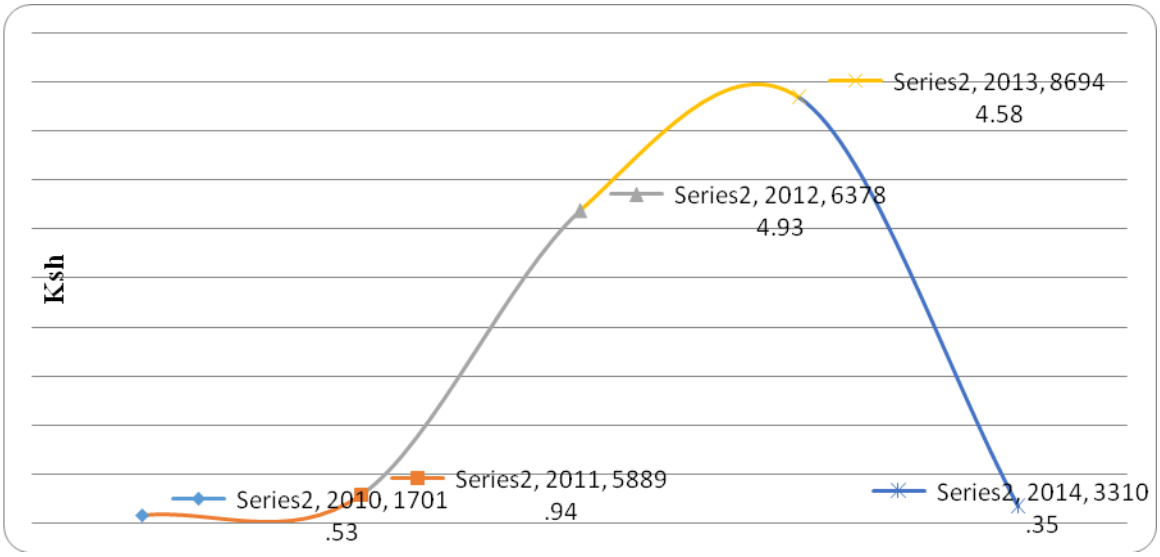

Figure 4.6: Profitability

4.16.5 Total Liabilities

Figure 4.7 below shows the total liabilities of the 43 commercial banks in Kenya, over the period of 5 years. The trend shows that in 2010 the commercial banks had a mean of 28,649,779 and the liabilities increased to 36,534,106 in 2011 and in 2012 there was also a great increase to 43,197,152.16 and increased in 2013 to 54,365,356.33 and finally there was also an increase in 2014 to hit 62,729,013.51. The results imply that the liabilities of commercial banks have been increasing over the period of the five years. This trend shows that there are commercial banks with very high levels of liabilities, competitive banks have lower rates. Banks with increasing levels of liabilities relative to assets should come up with strategies to reverse the trend.

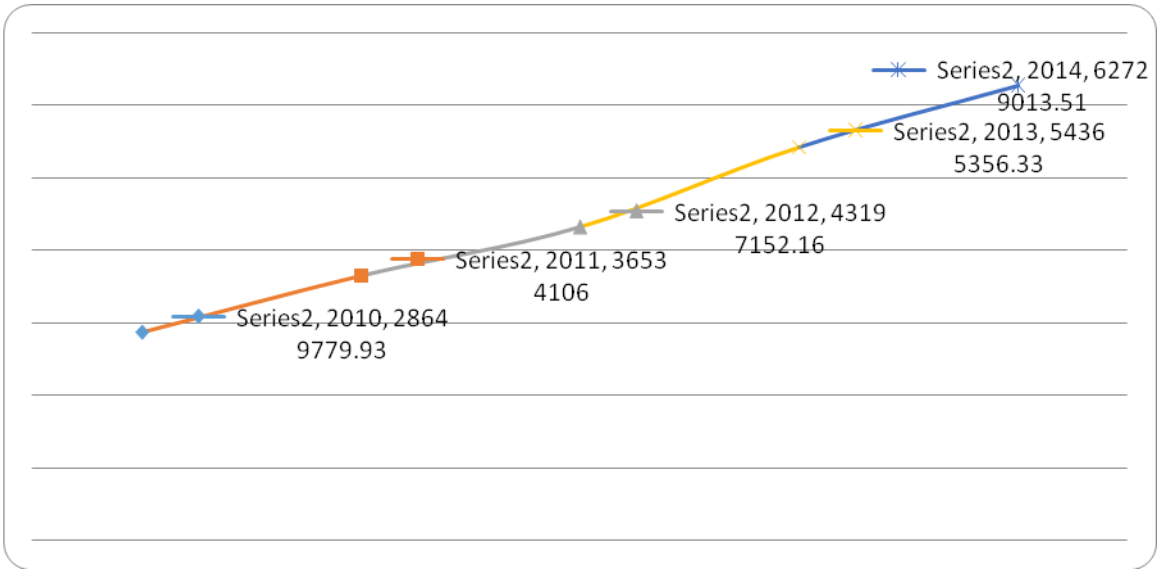

Figure 4.7: Total Liabilities

4.17 Competitiveness Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand, Kurtosis is a measure of the peakedness of a distribution. West et al., (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in Table 4.63 shows that competitiveness had a skewness coefficient of -0.512 and its kurtosis coefficient being -0.294. Based on these coefficients, it was concluded that competitiveness are normally distributed since they lie within the ± 1 range as recommended by Myoung (2008).

Table 4.60: Competitiveness Normality Test

	Statistic	**Std. Error**
Skewness	-0.512	0.245
Kurtosis	-0.294	0.485

4.18 Model Summary

A multiple regression analysis was conducted to establish the joint causal relationship between the independent and dependent variables.

Regression results in Table 4.64 indicated that the goodness of fit for the regression of independent variables and competitiveness for commercial banks is satisfactory. An R

squared of 0.505 indicated that 50.5% of the variances in the competitiveness are explained by the variations in the determinants of competitiveness (strategic leadership, strategic planning, technology, innovativeness and human resource competencies). There is a very strong and significant relationship between the four variables and the competitiveness.

Table 4.61: Model Fit for Competitiveness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.711[a]	.505	.478	.562	.505	18.566	5	91	.000

a. Predictors: (Constant), Strategic leadership, planning, technology, innovativeness and HR competencies.

The analysis of variance was computed to establish whether the model was significant or not. ANOVA results were presented in Table 4.65.

The results indicated that the overall model was significant, that is, the independent variables were good joint explanatory variables/determinants for competitiveness (F=18.566, P value =0.000). The small residual mean square shows that the variance in the model is not by chance and it is actually caused by the regression model variables.

Table 4.62: ANOVA for Competitiveness

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.278	5	5.856	18.566	.000[b]
	Residual	28.702	91	.315		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), HR competencies, Technology, Planning, Innovativeness, Leadership

The regression coefficient results were presented in Table 4.66. The results indicated that the goodness of fit for the regression of independent variables and competitiveness for commercial banks is satisfactory. An R squared of 0.481 indicated that 48.1% of the variances in competitiveness are explained by the variations in the determinants of competitiveness (strategic adoption of technology and strategic human resource competencies by 24.8% and 54.6% respectfully). From regression results, strategic leadership,planning and innovativeness had an insignificant relationship with competitiveness at 6.7%, -12.6% and -16.7%respectively.The model is statistically significant because the p value < 0.000; the results also shows that 0.556 (55.6%) of the variation in competitiveness is explained by other factors apart from technology and human resource competencies. The overall regression model is thus given as:

$$Y = 0.421+0.067X1-0.126X2+0.248X3+0.167X4+0.546X5+0.386$$

Table 4.63: Model Summary and Parameter Estimates

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.421	.386		1.091	.278

Leadership	.067	.135	.060	.495	.622
Planning	-.126	.094	-.131	-1.337	.184
Technology	.248	.090	.258	2.763	.007
Innovativeness	.167	.113	.168	1.479	.143
HR competencies	.546	.091	.549	5.990	.000

a. Dependent Variable: Competitiveness

4.19 Optimal Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.694[a]	.481	.470	.566	.481	43.618	2	94	.000

a. Predictors: (Constant), HR competencies, Technology

A multiple regression analysis was conducted to investigate the joint causal relationship between the independent and dependent variables. The results were presented in Regression results in Table 4.67. The results indicated that the goodness of fit for the regression of independent variables and competitiveness for commercial banks is satisfactory. An R squared of 0.481 indicated that 48.1% of the variances in competitiveness are explained by the variations in the determinants of competitiveness (strategic adoption of technology and strategic human resource competencies). The model is statistically significant because the p value < 0.000; the results also shows that 0.556 (55.6%) of the variation in competitiveness is explained by other factors apart from technology and human resource competencies.

Table 4.64: Model Fit for Optimal Model

The optimal model variance and significance was determined and presented in Table 4.68. ANOVA results were presented in Table 4.68. The results indicated that the overall model was significant, that is, the independent variables were good joint explanatory variables/determinants for competitiveness (F=43.618, P value =0.000).

Table 4.65: ANOVA for Optimal Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.908	2	13.954	43.618	.000[b]
	Residual	30.072	94	.320		
	Total	57.980	96			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), HR competencies, Technology

Regression results in Table 4.69 indicated the coefficients of the relationship between strategic adoption of technology, strategic HR competencies and competitiveness.

The model shows that there is a positive and significant relationship between technology and competitiveness (B1=0.328, p value, 0.000, t value = 4.551). This implies that an increase in strategic adoption of technology by 1 unit leads to an increase in competitiveness by 0.328 units. Results also indicated that human resource competencies had a positive and significant relationship with competitiveness (B1=0.559, p value, 0.000 and a t statistic =7.497). This implies that an increase in human resource competencies effectiveness by 1 unit leads to an increase in competitiveness by 0.559 units, which is 55.9%. The optimal model was then given as follows:

$Y = 0.478 + 0.328X_1 + 0.559X_3 + 0.377$

The model shows that if the two predictor's – strategic adoption of technology and strategic human resource competencies are both held at zero then the banks' competitiveness can only be achieved at 0.478 (47.8%), with an error of 0.377 (37.7%).

Table 4.66: Model Summary and Parameter Estimates for Optimal Model

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	.478	.377		1.269	.208
1	Technology	.328	.072	.341	4.551	.000
	HR competencies	.559	.075	.562	7.497	.000
a. Dependent Variable: Competitiveness						

4.20Discussionon Study Results

The study findings are in agreement with Shafie, Baghersalimi and Barghi (2013) who investigated the relationship between leadership style and performance in the Real Estate Registration in Tehran province. The results showed that development-oriented and pragmatic- oriented leadership style has a positive impact on employee performance. Transformational leadership style had a higher association with performance. Pragmatic leadership proved more successful in stationary environment and more unsuccessful in the dynamic environment than transformational leadership. Laissez-faire leadership led to chaos and lack of direction in the organization.

Results also are consistent with those of Koech and Namusonge (2012) who investigated the effects of leadership styles on organizational performance of state-owned corporations in Kenya by looking at laissez-faire, transactional and transformational leadership styles. The

descriptive study targeted the perceptions of middle and senior managers in thirty state-owned corporations using questionnaires. From the findings, correlations of 0.518 to 0.696, P < .05 was established between the transformational-leadership factors and organizational performance. Correlations of 0.219 to 0.375, P < .05 were established between the transactional-leadership behaviors and organizational performance. Laissez-faire leadership style was not significantly correlated to organizational performance.

The Study findings also agree with those by Taiwo et al., (2007) who stated that majority of the studies that have examined the relationship of strategic planning and performance have concluded that firms that conduct strategic planning outperform those that do not and that firms taking a proactive strategic approach have better performance than those taking a reactive strategic approach. He emphasized that strategic planning results in superior performance. This is also in agreement with Lee (2015) who stated that strategic planning can result in enhanced and more discipline corporate culture, ensuring the organization is positionedto grow responsibly and drive shareholder value.

The study findings corroborate with those of Rohm and Wilsley (2013) who stated that strategic planning is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment.

The research findings agree with the CBK's supervision 2015 reports stating that increased use of ICT as a driver of bankjing business has come with tremendous benefits in form of increased efficiency. The study findings corroborate with those byShirley and Sushanta

(2006) who studied the impact of information technology on the banking industry and analyzed both theoretically and empirically how information technology (IT related products are internet banking, electronic payments, security investments, information exchanges) impacted on banking. Berger, et al.,(2005) also stated that spending can affect bank profits via competition in financial services that are offered by the banks. Using a panel of 68 US banks for a period of over 20 years to estimate the impact of IT on profitability of banks, they found out that though IT might lead to cost saving, higher IT spending can create network effects lowering bank profits. They further contend that the relationship between IT expenditures and bank's financial performance is conditional to the extent of network effect. They state that if network effect is too low, IT expenditures are likely to: reduce payroll expenses, increase market share, and increase revenue and profit.

The findings of the research are also consistent with those of Venter et al.,(2008), who stated that at the center of entrepreneurship is innovativeness.Pricewaterhouse Coopers (2015) also concluded that innovation, talented people,and adoption of the latest technology are key factors for banks' competitiveness An organization that innovates is classified as being entrepreneurial. Entrepreneurial activities influence a company's commitment to innovation (Miller, 1983; Lumpkin & Dess, 1996) by offering innovative products and processes. According to Huse et al., (2005), innovation has become a source of international competitive advantage. Further, Zahra & Garvis (2000) stated that innovation can also lead to the development of key capabilities that can improve a firm's performance. They also put emphasis on the fact that innovation generates products, goods, processes, services and systems that can be used to meet customer needs and build a strong market position. Thus innovation can improve the firm's profitability and fuel its growth. Better profitability and sustainability are also realized from continuous innovation by the entrepreneurial

organization. Huse et al., (2005) stated that innovation can be distinguished in three ways: the development of new products and services, the adoption of new technologies with an intention to improve production methods, the establishment of novel organizational structures and administrative systems.

Results are in agreement with the findings of Katou&Budhwar (2006) who found support with the universalistic model and reported that human resource policies of recruitment, training, promotion, incentives, benefits, involvement and health and safety are positively related to organizational performance. Using a sample of banks, Richard & Johnson (2001) examined the impact of strategic human resource management effectiveness on a number of performance variables and found that strategic human resource effectiveness was directly related to employee turnover and the relationship between this measure and return on equity was stronger among banks with higher capital intensity. Tessema and Soeters (2006) further examined how, when and to what extent human resource competencies affect performance in Eritrea, Africa's youngest and poorest country and reported that successful implementation of human resource policies could enhance individual and the civil service organization of Eritrea, but the economic and political environment within which human resource policies operate are not conducive. The findings further agree with annual supervision reports of the Central Bank of Kenya for 2015, which indicated the banking sector decreased by 2% from 36,923 in December 2014 to 36,212 in December 2015.The number of deposit account holders increased from 28,438,292 in 2014 to 35,194,496 in 2015. An employee was serving 770 customers in 2014 whereas in 2015 one employee was serving 972 customers (CBK's 2015). This is an indicator of improved efficiency in customer service due to useof technology and innovativenessin synergy with human resource competences.The study results also agree with the findings by Vault (2009) who concluded that fostering employee

engagement is critical for organizational competitive advantage. He points out that the key lies in recogonizing and addressing both the commonality and the diversity of employees' needs and motivational factors.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the major findings of the study together with conclusions and recommendations. The summary of key findings, conclusions and recommendations has been presented as per the specific objectives of the study. They were based on the output of the descriptive and inferential statistical analyses and were guided by tests of the research hypotheses of the study.

5.2 Influence of Strategic Leadership

The first objective of study was to determine the influence of strategic leadership on competitiveness of commercial banks in Kenya. The findings indicated that strategic leadership was a key driver of competitiveness of commercial banks in Kenya.The research findings further established that commercial banks used various management strategies to ensure that the employees are competent enough in their respective institutions so as to achieve superior competitive advantage. Regression and correlation results indicated that there was a positive and significant relationship between strategic leadership and competitiveness of commercial banks in Kenya.

5.2.1Recommendation

From the foregoing, owners and top managers of commercial banks should ensure transformative leadership systems are in place. Members of management at all levels should possess the right managerial and professional skills to enable them positively influence their employees towards achievement .of organizational objectives.

5.3 Influence of Strategic Planning

The second objective of the study was to determine the influence of strategic planning on competitiveness of commercial banks in Kenya. Results indicated that strategic planning is a key determinant of competitiveness in commercial banks. The corporate goals and objectives are well defined and made clear to every employee so as to achieve unity of purpose in the quest for competitiveness.Regression and correlation results indicated that there was a positive and significant relationship between strategic planning and competitiveness of commercial banks in Kenya.

5.3.1 Recommendation

Managements of commercial banks should establish a culture of carefully preparing strategic plans for their organizations. They should ensure there is full participation of all the parties involved in the implementation. The managements should also ensure there is utmost commitmen, credibility and communication on their part as well as all the other players.

5.4 Influence of Strategic Adoption of Technology

The third objective of the study was to determine the influence of strategic adoption of technology on competitiveness of commercial banks in Kenya. Adoption of technology gives a strong organizational capability for achieving competitive advantage. All commercial banks have had to adopt new technology so as to attract and retain more customers through offering high quality services.Regression and correlation results indicated that there was a positive and significant relationship between strategic adoption of technology and competitiveness of commercial banks in Kenya.

5.4.1 Recommendation

The managements of commercial banks should endeavor to keep pace with the rapid customer requirements. They therefore need to ensure they adopt the state-of-the art technology for their banks to be agile in developing products and capabilities of marketing.They should incorporate up to date technology in their banks' operations and information systems.

5.5 Influence of strategic Innovativeness

The fourth objective of the study was to assess the influence of strategic innovativeness on competitiveness of commercial banks in Kenya. The study findings indicated that innovativeness has contributed to excellent firm performance of commercial banks in Kenya, which has led to improved competitiveness. Innovation is a major enabler of competitiveness of commercial banks.Regression and correlation results indicated that there was a positive and significant relationship between innovativeness and competitiveness in commercial banks in Kenya.

5.5.1 Recommendation

Bank managers should do all they can to achieve the highest possible levels of innovativeness. They should ensure innovation thrives in the banks, they should engage the right talent such as software engineers and other innovators. Top bank managers need to organize and manage differently by protecting and enabling creative people and becoming agile in their development processes. They should also be open to partnerships with outside institutions.

5.6 Influence of Human Resource Competencies

The fifth objective of the study was to establish the influence of strategic human resource competencies on commercial banks in Kenya. The findings indicated that the respondents agreed that employee recruitment and selection was based on proven competencies relevant to the needs of the bank. There was a clear staff retention policy for talented employees; employees are given opportunities to fully contribute to the realization of the banks objectives. The management has also empowered employees to perform better and departments are provided with discretion and resources to make decisions. The study findings confirm that human resource competencies are a key factor for competitiveness of commercial banks. Regression and correlation results indicated that there was a positive and significant relationship between human resource competences and competitiveness of commercial banks in Kenya.

5.6.1 Recommendtion

Since human resource competencies contribute positively tothebanks' competitiveness, managements should strive regularly to attract, recruit, train develop and retain their workforce. The human resource competencies should be based on predetermined skills gaps in the organization. The workforce should be well managed to ensure it possesses the required knowledge, skills, capabilities as well as synergy within to make it a real source of wealth a key ingredient of competitive advantage.

5.7 Areas of Further Research

There is need for further research to keep pace with customer requirements given their ever shifting expectations. There is also need for further research to determine what other factors influence competitiveness of commercial banks in the face of changing customer

requirements. Rapid developments in technology have had both positive and disruptive effects. Fraudsters have stepped up their evil techniques to acquire money deceitfully. Ngunjiri, (2016) stated that innovation in mobile banking as an alternative to traditional platforms have opened new avenues for cyber criminals.Ngunjri further explained that the Kenya Cyber SecurityReport of 2015 indicated that cybercrime was on the rise as more companies adopt technology. There is thus need for further research to find ways of countering fraudulent financial activities as technology advances.

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APPENDICES

Appendix I: Letter of Introduction

Date……

To……..

Dear Sir/Madam,

RE: COLLECTION OF RESEARCH DATA

My name is Ole Kisirkoi Samson, a PhD student in Business Administration at Jomo Kenyatta University of Agriculture and Technology. Currently, I am carrying out a research on the "*Strategic Factors Influencing Competitiveness of Commercial Banksin Kenya"*. I 'am in the process of gathering relevant data for this study. You have been identified as one of the collaborators and respondents in this study and kindly request for your assistance towards making this study a success.

I therefore kindly request you to take some time to respond to the attached questionnaire. I wish to assure you that your responses will be treated with confidentiality and will be used solely for the purpose of this study.

I thank you in advance for your time and responses. It will be appreciated if you can fill the questionnaire within the next 5days to enable early finalization of the study.

Yours Sincerely,

Samson Ole Kisirkoi

HD433/C003/1708/2014

Appendix II: Questionnaire

This questionnaire is meant to collect data regarding the *Strategic Factors Influencing Competitiveness of Commercial Banks in Kenya*. The data collected will be treated with utmost confidentiality and will be used for academic purposes.

Kindly respond to each item as truthfully and accurately as you can.

SECTION A: GENERAL INFORMATION

1. **Bank Particulars**

Name of the Bank (Optional) …….

2. **Age Bracket (circle as appropriate)**

Code	Age Bracket
i.	10-20
ii.	21-30
iii.	31-40
iv.	41-50
v.	Over 50

3. **Department(tick as appropriate)**

Code	**Department**
i.	Manager
ii.	Operations manager
iii.	Customer care manager

4. **How long have you worked in the Banking Sector (tick as appropriate)**

Code	**Period**
i.	Less than 1 Year
ii.	Btw 1-5 Years
iii.	Btw 5-10 Years
iv.	Over 10 Years

SECTION B: STRATEGIC LEADERSHIP

This section has statements regarding strategic leadership. Kindly respond by marking the item that matches your opinion with a tick (√) or cross mark (x).

STRATEGIC LEADERSHIP						
1 Strongly Disagree2 Disagree 3 Neutral4 Agree 5 Strongly Agree						
		1	**2**	**3**	**4**	**5**
1	Leadership is a critical factor that enhances organizational competitiveness in this institution.					
2	The leadership/management style has an influence on organizational survival and profitability of this institution.					
3	The leadership in our institution is effective in setting SMART strategic goals and objectives for team members					
4	Leaders in our institution have the ability to influence, team members.					
5	Leaders in our corporation have problem-solving skills and as a result the institution is in a position to be competitive in the industry.					
6	Leaders in our corporation have tactical and technical skills.					
7	Leaders in our corporation have likeable decisiveness.					
8	Leaders in our corporation have the ability to developing others leveraging on diversity.					
9	Leaders in our corporation are visionary and strategic in their thinking.					
10	Leaders in our corporation are relationship builders.					
11	Leaders in our corporation act with integrity/avoiding corruption.					
12	Leaders in our corporation observe transparency.					
13	Leaders in our corporation are accountable.					
14	Leaders in our corporation keep promises.					
15	Leaders in our corporation act within the law.					
16	Leaders in our corporation take responsibility.					
17	Leaders in our corporation accord respect to juniors.					
18	Leaders in our corporation practice leadership basedon trust.					

19. What role does strategic leadership play in building a competitive and successful organisation?

……

……

……

20. How has the top management of your organisation contributed to the success of your organisation?

……

…….

……

SECTION C: STRATEGIC PLANNING

This section has statements regarding strategic planning. Kindly respond by marking the item that matches your opinion with a tick (√) or cross mark (x).

STRATEGIC PLANNING						
1 Strongly Disagree2 Disagree 3 Neutral4 Agree 5 Strongly Agree						
		1	**2**	**3**	**4**	**5**
1	Review of organizational mission was included in our department's strategic planning.					
2	Clarification of departmental mandates was included in our department's strategic planning.					
3	Evaluation of external threats and opportunities was included in our department's strategic planning.					
4	Assessment of internal strengths and weaknesses was included in our department's strategic planning.					
5	Development of strategic goals and objectives was included in our department's strategic planning process					
6	Feasibility assessment of proposed strategies was included in our department's strategic planning process					
7	Development of action plans was included in our department's strategic planning process					
8	Identification of needs and concerns of various stakeholders was included in our department's strategic planning process					
9	Our staff, at all levels, are knowledgeable about strategic planning					
10	Our institution invested the necessary financial resources in the strategic planning process.					
11	Generally, managers at the program level had good management skills in our organization.					
12	Our organization had the capability to gather and analyze data concerning performance in the institution.					
13	Our organization had the capability to gather and analyze data concerning our external environment.					
14	Our organization had staff with analytical functions dedicated to the					

	strategic planning process.					
15	Our organization utilized the information from stakeholders to make decisions during the strategic planning process.					
16	There is continuous evaluation of strategic planning process in our organization.					
17	Each department has its key performance indicators well-articulated.					

18. How does strategic planning contribute towards your competitiveness?

……

……

19. What is your bank doing to achieve competitiveness?

……

……

SECTION D: STRATEGIC ADOPTION OF TECHNOLOGY

This section has statements regarding strategic adoption of technology. Kindly respond by marking the item that matches your opinion with a tick (√) or cross mark (x).

1 Strongly Disagree2 Disagree 3 Neutral4 Agree 5 Strongly Agree						
		1	**2**	**3**	**4**	**5**
1	Adoption of technology has a significant correlation with organizational competitiveness.					
2	Technology advancement has significantly promoted market-like forms of production and distribution in our company.					
3	Adoption of technology promotes high levels of efficiency and performance within our organisation.					
4	To achieve organizational competitiveness an institution should adopt technology in its operations.					
5	Technology through electronic business is very effective at reducing the costs of attracting new customers					
6	E-commerce is certainly a very effective tool when it comes to establishing customer relations and provision of access to global markets.					
7	Through technology our company has been able to increase the market size and market structure.					
8	The Internet is helping us to enlarge existing markets by cutting through many of the distribution and marketing barriers.					
9	E-commerce lowers information and transaction costs for operating on overseas markets and providing a cheap and efficient way to strengthen					

	customer-supplier relations.					
10	Technology has encouraged our company to develop innovative ways of advertising, delivering and supporting our marketing efforts.					

11. How has the strategic adoption of technology impacted on your competitiveness?

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……

12. What does your organisation do to thwart competitors through strategic adoption of technology?

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……

SECTION E: STRATEGIC INNOVATIVENESS

This section has statements regarding strategic innovativeness. Kindly respond by marking the item that matches your opinion with a tick (√) or cross mark (x).

STRATEGIC INNOVATIVENESS						
1 Strongly Disagree2 Disagree 3 Neutral4 Agree 5 Strongly Agree						
		1	**2**	**3**	**4**	**5**
1	Innovativeness is a critical factor for our organization to be competitive in the market.					
2	Innovative employees significantly contribute towards our organizational effectiveness and competitiveness.					
3	Our bank invest significantly in research and development.					
4	Competitors' product quality ornovelty is threatening our bank's market position.					
5	Training and development in our organisation has always been conducted to enhance innovativeness and productivity.					
6	The firm offers innovative products to its customers that are differentiated from that of competitors					
7	We offer innovative products and services that are customer satisfying and thus we are able to retain and grow our customer base.					
8	Our organization rewards creativity and innovativeness among its employees					
9	Our organization strives to align its strategic activities into end-to-end processes					
10	Internal reorganization of processes are pursued to enhance the organisations innovativeness					
11	The organisation has adequate skills that enables it to be innovative than its competitors					
12	The organisation has sufficient resources that enable it maintain its innovativeness in providing products that meet the customers' expectations					
13	The bank is always in touch with the customer to ensure changes in market needs are continuously satisfied.					

14. Would you agree that innovativeness contributes towards your bank's competitiveness?

…….

……

15. If yes, briefly explain how strategic innovativeness contributes to competitiveness in your bank

……

…….

SECTION F: STRATEGIC HUMAN RESOURCE COMPETENCIES

This section has statements regarding strategic human resources competencies. Kindly respond by marking the item that matches your opinion with a tick (√) or cross mark (x).

STRATEGIC HUMAN RESOURCE COMPETENCIES						
1 Strongly Disagree 2 Disagree 3 Neither Agree Nor Disagree 4 Agree 5 Strongly Agree						
		1	**2**	**3**	**4**	**5**
1	There is a regular training after needs assessment for the banks employees					
2	Human resource competencies are critical for banks survival					
3	Training and development of staff is of utmost importance to the banks competitiveness					
4	Employee recruitment and selection is based on proven competencies relevant to the needs of the bank					
5	There is a clear staff retention policy for talented employees					
6	Employees are given opportunities to fully contribute to the realization of the banks objectives					
7	The management has empowered employees to perform better					
8	Departments are provided with discretion and resources to make decisions					
9	There is a clear and fair performance management system					
10	Compensation is aimed at encouraging employees to achieve organizational goals					
11	Our organization's compensation recognizes employees who contribute most to the company					
12	Appropriate training programmes are provided to employees					
13	Employees are encouraged to make suggestions about their jobs					
14	Every employee in the organization is clear about what is required of them.					
15	The Human resource policies and procedures are clear to all employees.					
16	Every employee in the organization is given an opportunity to give his/her best.					
17	The principles of fairness and equity are practiced in this organization.					

18. How can strategic human resource competencies contribute towards your competitiveness?

……

…….

19. What mechanisms are in place to ensure each employee understands their role in the overall bank performance?

……

…….

SECTION G: COMPETITIVENESS

1. What factors contributed to your banks' performance in the 2012/2015 period?

   ……

   ……

   ……

2. Kindly explain in figures the trend of your banks' profitability, assets growth, ROA, ROE and

   income……

   ……

   ……

3. What is your bank's current share

   ……

   ……

   ……

Appendix III: Secondary Data Collection Sheet

Year	ROE	ROA	Deposits	Market share	Total Assets	Profit	Income
2011							
2012							
2013							
2014							
2015							

Appendix IV: Interview Guide

A) STRATEGIC LEADERSHIP

i. What has the bank leadership done to ensure competitiveness?

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……

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ii. How does your bank's top managers ensure high performance compared to competitors in the industry?

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iii. What strategies have your top managers undertaken to ensure significant and sustainable market presence?

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B) STRATEGIC PLANNING

i. Briefly outline how your bank undertakes strategic planning?

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ii. What is the degree of stakeholder involvement on strategic planning in your bank?

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iii. How does the bank deal with unforeseen market economic changes that may distort the actualization of the plans?

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C) STRATEGIC ADOPTION OF TECHNOLOGY

i. What is the degree of adoption of technology in your bank?

……

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ii. What factors motivated your bank to adopt technology in its operations?

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……

iii. How do you use technology to outperform your industry competitors?

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……

D) STRATEGIC INNOVATIVENESS

i. How much does your bank engage in research and development?

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ii. What does your bank do to keep pace with customers changing needs and requirements?

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……

iii. Assuming innovativeness is critical to organizational survival. What strategies has your bank putin place to ensure uniqueness of its offerings?

……

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……

E) STRATEGIC HR COMPETENCIES

i. What measures has your bank put in place to ensure strategic HR competencies?

……

……

……

ii. What is the role of Human resources in realization of the bank's strategic objectives?

……

……

……

iii. What strategic HR strategies has your bank put in place to enhance workforce competencies?

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iv. How does your bank enhance employees' competitiveness and productivity?

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……

……

F) COMPETITIVENESS

i. What has your bank done to ensure it captures a significant share of the market?

……

……

……

ii. How has the trend been for growth in:-

- Assets

……

- Deposits

……

- Increase of number of deposit accounts?

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iii. What strategies has the bank put in place to ensure improvement in:-

- employees satisfaction

……

……

……

- customer satisfaction and loyalty

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- Efficiency levels?

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Appendix V: Letter of Introduction

JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY

WESTLANDS CAMPUS
OFFICE OF THE PRINCIPAL

P. O. BOX 62000 NAIROBI 00200, KENYA•Tel. 020-4447769• Fax. 020-4448679
•E-mail: principal-westlandscampus@jkuat.ac.ke

Ref: JKU/04/HD433/C003/1708/2014

Date: 8th February, 2016

TO WHOM IT MAY CONCERN

RE: SAMSON O. KISIRKOI – HD433/C003/1708/2014
This is to confirm that the above named is a student at Jomo Kenyatta University of Agriculture & Technology – Westlands Campus, undertaking a PhD in Business Administration course.

The course requires that the student proceeds to field for data collection upon successful completion of his course work. His research title is **'Strategic Factors Influencing Competitiveness of Commercial Banks in Kenya'.**

Any assistance accorded to him will be appreciated.

Thank you.

DR. M.A. IRAVO
AG PRINCIPAL

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY
OFFICE OF THE PRINCIPAL
-8 FEB 2016
WESTLANDS CAMPUS
P. O. Box 62000 – 00200, NAIROBI

Appendix VI: Research Authorization/ Permit

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471, 2241349,3310571,2219420
Fax:+254-20-318245,318249
Email:dg@nacosti.go.ke
Website: www.nacosti.go.ke
when replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/16/28791/12384**

Date: **20th July, 2016**

Samson Ole Kisirkoi
Jomo Kenyatta University of Agriculture
And Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Strategic factors influencing competitiveness of commercial banks in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi and Narok Counties** for the period ending **19th July, 2017.**

You are advised to report to **the Chief Executive Officers of selected Commercial Banks, the County Commissioners and the County Directors of Education, Nairobi and Narok Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Chief Executive Officers
Selected Commercial Banks.

The County Commissioner
Nairobi County.

THIS IS TO CERTIFY THAT:
MR. SAMSON OLE KISIRKOI
of JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY, 0-20500 NAROK ,has been permitted to conduct research in *Nairobi, Narok Counties*

on the topic: *STRATEGIC FACTORS INFLUENCING COMPETITIVENESS OF COMMERCE BANKS IN KENYA*

for the period ending:
19th July,2017

Permit No : NACOSTI/P/16/28791/12384
Date Of Issue : 20th July,2016
Fee Recieved :Ksh 2000

Applicant's Signature

Director General
National Commission for Science, Technology & Innovation

Appendix VII: List of Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. Chase Bank Kenya (In Receivership)
7. Citibank
8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Cooperative Bank of Kenya
11. Credit Bank
12. Development Bank of Kenya
13. Diamond Trust Bank
14. Dubai Islamic Bank
15. Ecobank Kenya
23. Gulf African Bank
24. Habib Bank
25. Habib Bank AG Zurich
26. Housing Finance Company of Kenya
27. I&M Bank
28. Imperial Bank Kenya (In receivership)
29. Jamii Bora Bank
30. Kenya Commercial Bank
31. Middle East Bank Kenya
32. National Bank of Kenya
33. NIC Bank
34. Oriental Commercial Bank
35. Paramount Universal Bank
36. Prime Bank (Kenya)
37. Sidian Bank

16. Equity Bank
17. Family Bank
18. Fidelity Commercial Bank Limited
19. First Community Bank
20. Giro Commercial Bank
21. Guaranty Trust Bank Kenya
22. Guardian Bank
38. Spire Bank
39. Stanbic Bank Kenya
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank

Source: ("Commercial Banks in Kenya - CBK", 2015)