EFFECT OF STRATEGIC MANAGEMENT DETERMINANTS ON GROWTH OF COMMERCIAL BANKS IN KENYA

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(Business Administration)

JOMO KENYATTA UNIVERSITY OF

AGRICULTURE AND TECHNOLOGY

2018

Effect of Strategic Management Determinants on Growth of Commercial Banks in Kenya

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A Thesis Submitted in Partial Fulfillment for the Degree of Doctor of Philosophy in Business Administration (Strategic Management) in the Jomo Kenyatta University of Agriculture and Technology

2018

DECLARATION

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

Signature…………………………………………… Date ………………….……...

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This thesis has been submitted for examination with our approval as the University Supervisors

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DEDICATION

This work is dedicated to my late husband Jairus Kwaila, my son Rubies Kyama and my daughter Jewel Katheu for their enduring love, understanding and support during my studies and to my parents Tabitha and Joshua, my role models.

ACKNOWLEDGEMENTS

I give all the glory to the Almighty God for giving me the energy and good health to write this thesis. I also extend my sincere gratitude to my supervisors (Prof. Gregory Namusonge and Dr. Fred Mugambi) for their continued support and encouragement during the course of writing this document. I wish to acknowledge and appreciate all the participants in this thesis. It would not have been successful without their support. Special appreciation to all members of my family: children, parents, brothers and sisters for their encouragement, prayers and support while I was writing this thesis. I would like to extend a special message of appreciation to Prof. Lewis Ngesu for his support and encouragement. Special thanks to all my friends and colleagues both at work and in class. To all who may have contributed in one way or another to make this work a success, may God bless you.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

ACRONYMS

ANOVA: Analysis of Variance

ATM: Automated Teller Machine

CBA: Commercial Bank of Africa

CBD: Central Business District

CBK: Central Bank of Kenya

CDE: County Director of Education

CSR: Corporate Social Responsibility

EABS: East African Building Society

HR: Human Resource

KCB Kenya Commercial Bank

KPA: Kenya Ports Authority

KEPSS: Kenya electronic payment and settlement system

MBA: Master of Business Administration

MICR: Magnetic ink character recognition

ROA: Return on Asset

ROI: Return on Investment

SME: Small and Medium Enterprise

TOC: Theory of Constrains

VIF: Variance inflation factor

DEFINITION OF TERMS

Strategic management: It represents the science of crafting and formulating short-term and long-term initiatives directed at optimally achieving organizational objectives. Strategy is inherently linked to a company's mission statement and vision; these elements constitute the core concepts that allow a company to execute its goals.(Kavale, Mugambi & Namusonge, 2014).

Business strategy: Business strategy is defined as the fundamental pattern of present and planned resource deployment and environmental interactions that indicates how the organization will achieve its objectives (Noe, 2008)

Commercial Banks: A commercial bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in form of deposits and it lends the money to those who need it (Finneran, 2006)

Corporate Social Responsibility: Corporate social responsibility is a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems (Ethos Institute, 2007)

Diversification of Products: diversification of products is a corporate strategy for an organisation which seeks to increase profitability through greater sales volume obtained from new products and new markets. (Kazmi, 2008).

Management strategy: Employing a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele, & Oyenuga, 2008).

Strategic Leadership: The ability to anticipate, envision the future, maintain flexibility and empower others to create strategic change as necessary (Hitt, Ireland, & Hoskisson, 2015).

Strategic Alliance: Strategic alliance is a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control and mutual dependence. Thompson (2007)

Strategic Positioning: Positioning an organization in the right environment (Muriuki, 2015)

Growth of commercial banks: Change in size or magnitude of a firm from one period of time to another. Marked and sustainable increase in assets, market share, profitability, customer base, branch network, capital base, and social impact (Kavale, Mugambi & Namusonge, 2014).

ABSTRACT

The purpose of this study was to investigate the effect of strategic management determinants on growth of commercial banks in Kenya. The study was guided by the following objectives: to establish the effect of strategic positioning on the growth of commercial banks; to find out the effect of leadership style on growth of commercial banks; to establish the effect of corporate social responsibility on the growth of commercial banks; to determine the effect of diversification of products on the growth of commercial banks and finally to determine the effect of strategic alliance on the growth of commercial banks in Kenya. Theories and literature on the same were reviewed and a conceptual framework developed to guide the study. The study adopted a quantitative research design and a cross-sectional survey design. The study population consisted of 39 commercial banks which were in operation during the time the study was conducted since 4 banks were not in operation. From each of the 39 banks five top managers and three other employees were used to collect primary data. Thus a total sample of 312 was used. Primary data was collected using self-administered questionnaires. The collected data was analyzed by use of SPSS software program version 23.Factor analysis was done to establish the strength of the variables. Descriptive statistics were done by use of the mean and standard deviation. Inferential statistics were also contacted using Karl Pearson’s correlation coefficient. A multiple regression model was adopted to test the relationship between the variables. Hypotheses testing was done using Karl Pearson’s correlation coefficient and multiple regression. All the variables were tested at 95% level of significance where the value of P was 0.05. Analyzed data was presented by the use of tables, and figures for the purpose of giving a pictorial view of the results. The study findings established that there was a significant effect of strategic positioning on growth of commercial banks in Kenya, there was a significant effect of leadership style on growth of commercial banks in Kenya, There was a significant effect of corporate social responsibility (CSR) on growth of commercial banks in Kenya, there was a significant effect of diversification of products on growth of commercial banks in Kenya and finally there was a significant effect of strategic alliance on growth of commercial banks in Kenya. The study adds to the available literature on effect of strategic management determinants on growth of commercial banks in Kenya. The study recommends the use of strategic positioning, leadership style, corporate social responsibility, diversification of products and strategic alliance for the growth of commercial banks to the bank managers and employees who are the market drivers entrusted with strategic management. The management of banks should train employees on new innovations in the banking sector in order to sharpen their skills and improve on growth of commercial banks. CBK the regulator should be firm on policies and regulations to address ethical issues and internal controls in the banking sector. The study recommends a further study on role of CSR on growth of other organizations in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background

Banking as an institution dates back to historic times. This is evident in ancient Greece, ancient Rome and as far back as 2000 BC. Historically there were stringent banking legislations that restricted operations and suppressed competition and so commercial banks never registered a lot of growth. Rules on chartering and branching limited banks' ability to compete with one another geographically. No new bank could set up a business without acquiring a national or state charter. Restrictions on the services banks could offer limited competition between banks and other financial institutions (Burns, 1988).

As time went on such restrictions could no longer hold and this encouraged many more financial institutions to venture the market which brought about a lot of competition hence commercial banks' growth began to be evident. Banks became immersed in hyper competition rapidly escalating competition based on new and continually shifting products or geographical markets, frequent entry of unexpected competitors, radical redefinition of market boundaries and short product life cycles (D'Aveni, 1994). Two categories of the banks became evident i.e. local and multinational banks. Local banks being those operating in Kenya only while multinationals operated in more than one countries. The banking industry in Kenya in the last ten years has witnessed intense competition both from the banks incorporated locally and new banks that have set a foothold in a market that until a few years ago was only dominated by few players (PWC, 2011). This has called for each commercial bank to develop some growth models that may counter competition. Strategic management determinants for growth of commercial banks have been seen as a solution to this challenge.

1.1.1 Strategic management determinants

This study is on effect of strategic management determinants on growth of commercial banks in Kenya. The strategic management determinants in this case include the following: the strategic positioning of the bank, the leadership style, the involvement of the bank in corporate social responsibility as well as forming strategic alliance. According to Chege (2013), the strategic management process enables the companies develop new products in the long term thus promoting growth of the companies. According to Warucu (2001), the most important and strategic activities of creating common strategies for the companies are: products to gain market shares and to drive the sales growth; research and development, to create new products; markets, to create geographic and market expansion; marketing and sales activities, to compete on the global markets; financials, to create common cost reduction synergies and investment capabilities. This is about the strategic positioning of the bank and diversification of products which are some of the strategic management determinants investigated in this study.

Leadership is defined as influence, power and the legitimate authority acquired by a leader to be able to effectively transform the organization through the direction of human resources, the most important organizational asset, leading to the achievement of desired purpose, Armstrong (2001). This is done by embracing both the vision and the mission of the organization at every given moment and influencing the employees to share the same. According to Popa (2012), the style of leadership affects growth since it cannot be achieved in the absence of a leadership that can adapt to the changes and challenges of the environment. Therefore if an organization wants to increase its growth, it is the leadership style that should be analyzed and adapted to new requirements

CSR is also another determinant. CSR is about how a company manages business to produce an overall positive impact on the society. This is interpreted to mean that a company needs to answer aspects of its operations such as; the quality of their management in terms of people and processes, and secondly, determine the nature of, and quantity of their impact on society in various areas. CSR is said to be an expression used to describe what some sees as a company's obligation to be sensitive to the needs of the stakeholders in its business operations, Siegel (2010). According to Ullah (2013) studies done in Bangladesh show a positive relationship between CSR and growth of commercial banks. Most of the banks in this area are constantly involved in CSR activities and this has led to their growth.

Diversification of products is another important determinant of growth of commercial banks. According to Stern and Henderson, (2002) Diversification of products occurs when firms extend existing product or service line from their current traditional ones by embracing new products or services whether related or unrelated. Diversification attempts to maximize resource utilization of a firm as well as extend the market reach in terms of product offering so that a variety of product or services are availed to meet the perceived expanded taste of customers. Banks have diversified into new frontiers such as Diaspora banking, Borderless banking, and Digital banking, Banc assurance, among others. The benefactor of such diversification is the stakeholder whose wealth maximization capacity is enhanced as well as the customer who benefits from convenience brought about by these products and services, Stern and Henderson (2002)

The strategic alliancing of partners for the sake of maintaining long term growth and competitiveness is today one of the most usable strategies in the world of any industry, Yunggar (2005). This shows that strategic alliances are important determinants on growth of commercial banks. According to Mbwayo (2005) having a good relationship with customers in a service industry is the most important thing. This is because customers want to have a sense of belonging that will keep them from seeking alternatives. Thus organizations have to be mindful of the customers they handle and serve them with consciousness. When the number of customers increase then there is going to be increase in branch network hence a good market share which leads to growth of commercial banks.

1.1.2 Organizational Growth

According to Barringer and Ireland (2008), there are seven primary reasons why firms try to grow. This includes the following: first is the attainment of economies of scale which are generated when increasing production lowers the average cost of each unit of production, second to capture economies of scope whereby the firm deals with a range of products, third to attain market leadership whereby the organizations want to be leaders in their markets. Fourth a business may decide to grow in order to execute a scalable business model where they ask how high in terms of growth can the business go. Fifth for the business to gain influence, power and survivability. Sixth is the need to accommodate growth of key customers and seventh and last while at the same time being able to attract and retain talented employees.

Some surveys show that growth is not an objective for all firms, but the ability of firms to grow is important, because it has been suggested that firms with low or negative growth rates are more likely to fail (Headd & Kirchhoff, 2007).According to Saxena and Maru (2016) the determinants of firm growth are summarized and classified into three dimensions: individual, organizational, and environmental determinants. The individual one are majorly about the leadership of the organization and also the rest of the employees and how they cope with the leaders instructions. The leadership style used by the leader may lead an organization to growth or decline. The organizational determinants are those emanating from the organization such as resources, systems and structures, the organizational culture and climate. Then the community surrounding an organization because organizations do not exist in a vacuum. Hence the relationship of the firm and the people around it is a very important factor that may enhance growth.

According to Johnson and Scholes (2002) all organizations exist in complex commercial, economic, political, cultural and social settings that are always under constant change and hence the need to come up with strategies that will ensure that the company grows amidst all the environmental challenges. In order for the firm to grow, the entrepreneur needs to formulate an exact, clear mission and vision for his or her firm.

The growth of commercial banks is a vital part of any country's economy. Commercial banks have continued to develop and provide products that address customers' needs (World Book Encyclopedia, 2008).

These banks have come up with strategic management determinants for growth in order to fit in the changing business environment dictated to some extend by the category of the bank with the international banks coming up with new products to survive the turbulent times (Uiboupin, 2005). The banks under the umbrella of Kenya bankers association have strived to serve the sectors interests however most multinational banks have continued to owe their allegiances to their head offices without considering pertinent issues affecting local clients. Banks have continued to vary strategic management with a view of addressing complex customer needs rather than the traditional off the shelf banking products.

In Africa, the increasing competitions in the national and international banking markets have seen new technological innovations. A research investigated the effectiveness of Nigerian banks based on their political affiliation and found that political factors were a major determinant of growth of Nigerian banks (Aburine, 2009). In Kenya the banking sector is governed by multiple rules such as the company act, the central bank of Kenya act and various prudential guidelines and policies issued by central Bank of Kenya (CBK, 2009). Studies have shown that internal strategic management determinants for growth of commercial banks employ strategies such as size, capital, risk management, human resource and bank innovativeness. On the other hand external determinants focus majorly on banks' profitability.

In Africa Equity bank and Capitec bank are both examples of banks whose strategic management determinants for growth are specifically geared towards the mass market and innovation. Recently, focus on service delivery including accessibility has been the key to success of many banks (Kihumba, 2008). When Irish banks provided service via the web for their corporate customers, customers demanded much type of support from banks such as after sales service support for customer training in using web based business to implement innovative new services for their customers (Heffernan, 2005).

Several regional commercial banks in Kenya have adopted a market development model or strategy combining the setting up of subsidiaries at country level with an attempt to develop regional linkages between their clients and their undertakings. This competition and regionalization of the banking sector is due to the requirements and consolidation at the global and national level which allows stronger banks and financial institutions to take advantage of increasing levels of liberalization (Karanja, 2010).

A successful innovation thus generates a properly competitive position that bestows on the firm a competitive advantage and superior performance (Lyons, Chatman and Joyce, 2007). Other management innovation in the commercial banks in Kenya include increased use of paper money instead of cash, use of magnetic ink character recognition(MICR) to clear cheques speedily and efficiently. The Kenya electronic payment and settlement system (KEPSS) was introduced in July 2005 in an effort to modernize the country's payment with global trends (Oloo, 2007). Other financial innovations include mobile and internet banking.

The Kenyan banking sector has reported massive growth in recent years in branch network expansion, growth in capitalization, asset base and expansion of some of the banks regionally. A Kenyan banking survey revealed that the flurry of fresh entrants in some countries is credited with helping to drive down banking, improve access to banking services and spark off a wave of new products and services (Oloo, 2007).

1.1.3 Commercial Banks in Kenya

Kenya has 43 commercial banks and Out of the 43 financial institutions. 31 are locally owned while 12 are foreign owned. The locally owned financial institutions comprises 3 banks with significant shareholding by the Government and State Corporations and 27 commercial (CBK, 2012).

According to CBK (2005), the banking industry in Kenya has been exposed to a lot of controversies in the past. The general public has accused the industry of exploitation .Banks have been accused of making immoral profits by charging exorbitant fees and charges in an economy under recession. However in the middle of all these accusations, the Kenyan banking industry is said to remain more stable than ever, with 17 percent core capital/deposit, with solvency of 8 percent as required by the Central Bank of Kenya and liquidity margin far beyond 20 percent which is the total required reserve with most banks having 40 percent or more in the reserve. The future of the industry looks promising with the financial and legal sector restructuring.

According to the Central Bank, (2010) over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; 1) an industry wide branch network expansion strategy both in Kenya and in the East African community region, and 2) automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (CBK, 2010).

1.2 Statement of the problem

The increasing competition in the national and international banking market has called for extensive search for suitable strategic management to be adopted by commercial banks for growth and survival in the changing and turbulent market place, (Almansour, 2005). Kenya is not an exception with most of the commercial banks facing stiff competition from within and without as a result of the liberalization of the banking sector. Many studies that have been done show that commercial banks are registering growth (Almansour, 2005; Omar, 2007; Almossawi, 2001; Adhiambo, 2009; Porter, 2005; Wittmann et al, 2009). However for the last two years, the financial sector has experienced remarkable growth not withstanding some serious challenges. Some three banks namely Imperial bank, Dubai bank and Chase bank were placed under receivership and this state of affairs send shock waves across the banking subsector, Kisirkoi (2016). It is evident that though banks are recording remarkable return on investment, there are still some management issues that need to be sorted. These management issues can only be dealt with if the commercial banks' managers exercise good strategic management. This motivated the researcher to carry out this study by examining the effect of strategic positioning, strategic leadership style, corporate social responsibility, diversification of products and strategic alliance on the growth of commercial banks in Kenya

Strategic management is about giving a strategic direction to an organization through its leadership hence leadership style was examined as one of the determinants which has an effect on growth of commercial banks. For the growth of commercial banks are therefore inevitable because firms have to change their business models to conform to the rapidly changing environment or else lose business due to bad times affecting the market. In this regard a successful innovation will thus generate a properly competitive position that bestows on the firm a competitive advantage and superior growth. The urgency of acting is acute and if the commercial banks fail to take action they risk entering a spiral of decline similar to laggards in other industries.

Many studies have been done on the field of commercial banks. Most of the studies that have been done in this field focus on the performance of financial institutions and very few studies have been done on growth of commercial banks. None of those that have been done looked into the effect of positioning, leadership style, CSR, diversification of products and strategic alliance on growth of commercial banks in Kenya. There is therefore existence of a gap that the researcher wished to fill. It is against this background that the researcher came up with a study on effect of strategic management determinants on growth of commercial banks in Kenya.

1.3 Objectives

1.3.1 General Objective

To identify the effect of strategic management determinants on growth of commercial banks in Kenya.

1.3.2 Specific Objectives

1. To determine the effect of strategic positioning on the growth of commercial banks in Kenya.
2. To find out the effect of leadership style on the growth of commercial banks in Kenya.
3. To establish the effect of corporate social responsibility on the growth of commercial banks in Kenya.
4. To determine the effect of diversification of products on the growth of commercial banks in Kenya.
5. To determine the effect of strategic alliance on the growth of commercial banks in Kenya.

1.4 Hypotheses

The following null hypotheses were tested.

$\mathbf{H_{01}}$: There is no significant effect of strategic location on growth of commercial banks in Kenya.

$\mathbf{H_{02}}$: There is no significant effect of leadership style on growth of commercial banks in Kenya.

$\mathbf{H_{03}}$: There is no significant effect of corporate social responsibility on growth of commercial banks in Kenya.

H_{04}: There is no significant effect of diversification of products on growth of commercial banks in Kenya.

H_{05}: There is no significant effect of strategic alliance on growth of commercial banks in Kenya.

1.5 Significance of the study

The study sought to investigate the effect of strategic management determinants on growth of commercial banks in Kenya. The specific objectives included the following: the effect of strategic position, effect of leadership style, effect corporate social responsibility, effect of diversification of products and effect of strategic alliance on growth of commercial banks.

The study results will enable the management to establish the effects of strategic management determinants on growth of commercial banks, hence identify the areas where improvements can be done. It will also help the management in planning for the development and implementation of effective and efficient strategic management determinants that will lead to improved growth of commercial banks. This will in turn help in ensuring economic growth and stability of the country.

Other researchers who may need reference to information on effect of strategic management determinants on growth of commercial banks will also benefit by being able to assess previous approaches used to solve similar management questions and revise their research on growth of commercial banks. In addition they will be able to spot errors in assumptions or even management questions that are not adequately addressed by the objectives of the study. The study will also advance literature and show areas of further research were researchers can work on.

It will also be useful to the policy makers who include the government, the regulator, who is the central bank of Kenya and other stakeholders such as the shareholders.

1.6 Scope of the study

According to Simon (2011) delimitations are boundaries that researchers impose on the research project to minimize the scope of a study. The scope of this study was the 43 commercial banks with a charter of operating in Kenya according to the regulator the central bank of Kenya (CBK, 2012). At the time the study was contacted four banks had been put under receivership and hence they were not included in the sample. These banks included the following: Chase bank, Dubai bank, imperial bank and charter house bank. This brought the final sample to 39 banks. The study was contacted in Mombasa County which is one of the 47 counties in Kenya. The choice of Mombasa County was arrived at by use of the multi- stage probability sampling method. One of the provinces in Kenya was randomly selected which was the coast province and one county was randomly selected which was Mombasa county. The study focused on the effect of strategic management determinants on the growth of commercial banks in Kenya.

1.7 Limitations of the study

The main limitation of the study was that most commercial banks were reluctant to provide the information required because they considered it confidential. This was overcome by the introductory letter from the University reassuring them that the information was strictly for academic purpose and would be treated with utmost confidentiality.

Some respondents did not find time to fill the questionnaires hence this reduced the number of those targeted. This is because the bank employees are usually busy all the day long dealing with clients. Those who filled the questionnaires had to wait until the weekend and sometimes they even found themselves very occupied even over the weekend. This called for the researcher to exercise a lot of patience. However the number of those who responded was above 70% which is acceptable.

Another limitation was getting the bank branch managers. Majority of them are also very busy during the working hours and other times they are either in for meetings or out of town. This was solved by the researcher making several visits to their offices until they responded.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses literature on effect of strategic management determinants on growth of commercial banks in Kenya as well as empirical findings by scholars in other parts of the world.

2.2 Theoretical Framework

Several theories have been designed by different scholars to explain effect of strategic management determinants on growth of commercial banks.

2.2.1 Game theory

The proponent of game theory is Oscar Morgenstern in 1944. This theory ascertains that a strategic game represents a situation where two or more participants are faced with choices of action, by which each may gain or lose, depending on what others choose to do or not to do. The participants in this case represent different organizations that are engaged in competition. In times of uncertainty, (Weidinger & Platts, 2012) advises that a set of concepts aimed at decision making in situations of competition and conflict known as game theory to be used. A strategic game represents a situation where two or more participants are faced with choices of action, by which each may gain or lose, depending on what others choose to do or not to do.

The final outcome of a game, therefore, is determined jointly by the strategies chosen by all participants. Game theory can provide timely guidance to managers to develop a range of outcomes based on decisions and to present the advantages and disadvantages of each option, (Huber, 2004). In 1713, James Waldegrave wrote out a strategy for a card game that provided the first known solution to a two player game. Game theory with its focus on the interactions of multiple players, each trying to maximize their own rewards, is a natural fit for many types of business issues. From labor negotiations to competitive pricing, game theory provides a structured way to analyze the set of possible strategies and recommend an optimal strategy for each player. This theory is relevant to the study in the sense that the commercial banks are ever engaged in constant competition to realize growth. The growth of each commercial bank depends on the strategic leadership style that will be offered by the management of each commercial bank that will lead to growth

2.2.2 Contingency Theory and Service Strategy Choices

This theory was advanced by Fred Edward Fieldler in 1964. Contingency theorists argue that organizational structure depends on environmental conditions, technology, or scale of operation. Strategy must mesh with the firm's environment if it is to yield good organizational growth. Contingency theorists argue that organizational structure depends on environmental conditions, technology, or scale of operation (Bateson 1990, Scott 1992).

Early contingency theorists, however, did not incorporate the concept of strategic choice and resultant competitive capabilities. Neocontingency theorists filled this void by placing greater attention on the relationships among strategic choices and the long-term capabilities of the firm’s growth. They argue that strategy must mesh with the firm's environment if it is to yield good growth. Thus, strategic management requires an evaluation of the firm's environment (e.g., market conduct) and the specification of the firm's goals that are reflected in strategic actions; e.g., staff configuration, technology, and structural arrangements. This theory is relevant to the study in the sense that the firm’s environment mentioned in this case represents both the internal and external business environment. The internal for this matter represents the organizations employees including the management, the resources to be used and all the structures. The external environment represents the community in which the suppliers and consumers are drawn from. One of the determinants outlined in the study is the corporate social responsibility. That's the relationship between the organization and the community. The organization should be careful on how it interacts with the people surrounding it in terms of assistance and being associated with the environment.

2.2.3 Theory of Constrains

The theory of constraints (TOC) is a versatile systems methodology that has been developed to assist people and firms to think about their problems, develop breakthrough solutions and implement those solutions successfully. The theory was developed by Eliyahu Goldratt in 1990 (Mabin & Balderstone, 2003).The constraints begin when the firm loses its customers to its competitors or needs to attract more customers to sustain profitability. Firms use the TOC to assess attraction and retention of customers. Customers choose alternative financial service providers because of quality constraints, speed of service, and staff courtesy among others. Customers expect higher product and service quality than the price they are willing to pay to acquire those products and services (Mabin & Balderstone, 2003). The theory of constraints is relevant to the study because it is highly applicable to commercial banks.

Commercial banks are constrained by competitive pressures and a rapidly changing environment and need to attract and retain customers if they want to survive and prosper. Therefore, understanding strategic management determinants for growth of commercial banks is one of the ways to reduce or eliminate the constraints commercial banks face in achieving their growth (Bramorski, Madan & Motwan, 2002).

2.2.4 Management Theory

This theory was advanced by Frederick Taylor 1890-1940. The following are the underpinnings of the theory. The authoritarian style of management behavior is often based on the assumption that the power of managers is derived from the position they occupy while the democratic Style assumes that the power of managers is granted by the group they are to lead, and that people can be basically self-directed and creative at work if properly motivated.

This theory is very important as far as organizations' management is concerned. According to (Bhargava, 2003), managers should strive to create an environment in which others are motivated to put in their best. The work of the leader is to give a strategic direction to the rest of the employees. The manager must get commitment to assume leadership of his subordinates (employees). The provision of a conducive environment to the employees is key in achieving effectiveness and innovation Judge and Robinson (2008). From a broad perspective management involves accomplishing goals with and through people. Therefore the manager must be concerned about managing human capital through motivation so that they can ensure maximum use of their skills. According to Cole (2002) Fredrick Taylor in the early 1900s came up with the scientific management school of thought. Another school of thought was led by Elton Mayo in the 1920s and early 1930.

According to Cole (2002) the authoritarian style of management behavior is often based on the assumption that the power of managers is derived from the position they occupy and that human beings are basically lazy and unreliable and that they hate work (theory x). The democratic style assumes that the power of managers is granted by the group they are to lead, and that people can be basically self-directed and creative at work if properly motivated (theory y). In the authoritarian style, all decision making is by the manager, in the democratic style decision making is open for group discussion. Theory x employees need to be directed well by the manager during strategic implementation because they are not expected to take initiative by themselves like Theory y employees they may even need to be pushed in order to produce results.

McClelland (1961) in Abok (2013) advanced the psychological paradigm which postulates that people with an inner trait of high need achievement (n-arch) are more likely to be more successful at tasks. They feel the need to excel. This theory further states that people who are highly motivated are likely to take moderate risks, have an internal locus of control, have a strong drive to excel and solve problems. Achievement motivated people can be the backbone of most organizations. As we know, people with a high need for achievement get ahead because as individuals they are producers, they get things done. Managers with n-arch are likely to influence their departments and teams towards effective implementation of strategic plans.

This theory is relevant to the study because strategic leadership style is one of the strategic management determinants outlined in the study. The bank managers may involve all types of employees to be team players in working towards the growth of commercial banks. According to this theory using different leadership styles at different situations may help make use of all types of human capital in the organization to realize growth.

2.2.5 Strategic decision theory

This theory is also known as best fit strategic management or strategic fit theory.This theory was advanced by Chester Barnard in the mid-20th century. It expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. The matching takes place through strategy and hence the organization must have the actual resources and capabilities to execute and support the strategy. Wright and Snell (2005) in Sasaka (2016) argue that the application of strategic management practices depends on the organization's context, business strategy and culture. He further continues to argue that the proponents of this theory further observe that strategic management practices would be more effective only once they are rightfully integrated with specific organization and environmental understanding. Strategic fit theory elaborates the significance of making sure that strategic management practices are rightful to the circumstances of the organization such as culture, external environment and operational processes Sasaka (2016). The strategic management practices must consider the specific requirements of both the organization and its stakeholders. This theory is relevant to the study because for the growth of commercial banks to be realized there are several factors to be considered such as the strategic positioning, the leadership style, the corporate social responsibility, diversification of products and strategic alliance. All these determinants will lead to the growth of commercial banks.

2.3 Conceptual Framework

Review of related literature suggests that a multiple of factors influence the growth of commercial banks. The growth of commercial banks is influenced by several factors namely; strategic location of the bank, leadership style, corporate social responsibility, diversification of products and strategic alliance. These factors interact with one another to determine the degree to which commercial banks attain growth at a given time and recover from management shocks in order to provide sustainable livelihood opportunities for the next generations.

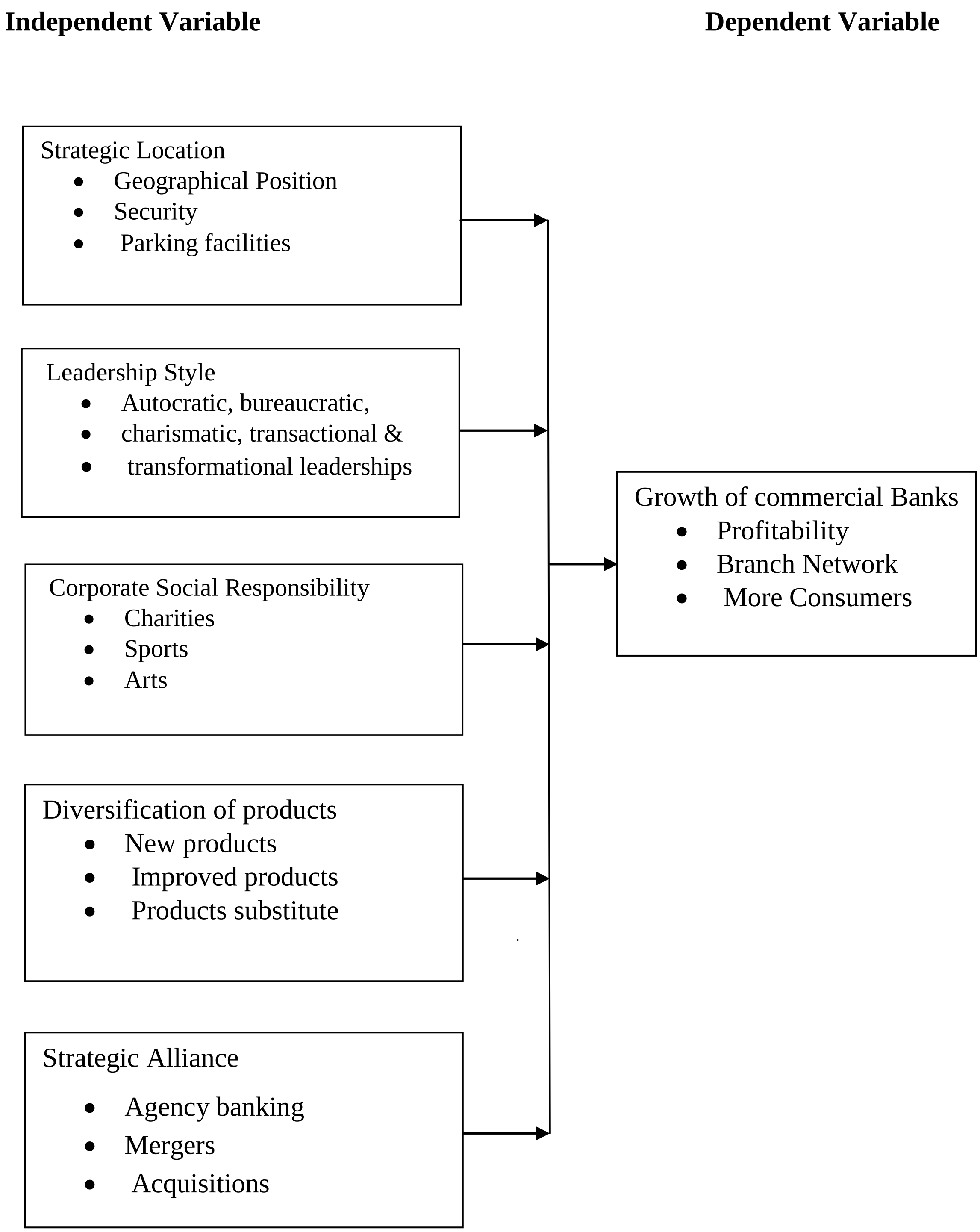

Figure 2.1: Conceptual framework

2.4 Empirical Review of Variables

Ngui (2014) studied the effects of human resource management on performance of commercial banks while Ngumi (2013) studied the effects of bank innovations on financial performance of commercial banks. This study is about strategic management determinants for the growth of commercial banks. The determinants that were examined included the following: strategic location, leadership style, CSR, diversification of products and strategic alliance.

2.4.1 Effect of strategic positioning of the bank

A study contacted in Nigeria showed that the location of the bank was a major factor (Omar, 2007). Customers were really concerned about how far the bank was from their homes or working areas and at the same time how accessible it was. Most of the banks situated in the CBD fetch more customers because most businesses are situated there and also accessibility is quite good.

The geographical location of the premises makes it suitable for business. Its proximity to communication network ensures that the business is well connected with all customers. Its location within walking distance in the central business district, and the industrial area facilitates the movement of goods and services as well as the flow of information. The business location also facilitates personal experiences and connections, such as the face-to-face meetings that are crucial to the flow of knowledge into the business (Kinyajui, 1998).

Customers will consider opening accounts with banks that are located in a place that is near the road. Not many people will want to visit a bank whose location is so far in the interior. Thus commercial banks that are near the road side will always fetch more clients than those away from the road. This is the reason where the hawkers are always in constant battles with the council workers. The places that are preserved for them are those which are away from most people. Sometimes the location of the business makes people do impulse buying. This is buying because one has seen something but not because they are in need of.

At the same time, a business that is located in a place where there is no security will not attract customers. Therefore the choice of a business location is very important and hence needs to be considered. Those near the roads sell more and hence get more profit hence obtaining a competitive advantage. Without a successful market position there is no competitive advantage, successful position is based on the firms' resources and capabilities (Walker, 2004). A superior position is achieved when higher value is given to the customer through better quality or stronger technology. A secure feeling reflects the desire of banking with a stable bank and assurance of confidentiality when making a financial transaction. This implies that secure feeling includes both the security at the bank and the security of the bank.

The key focus of any marketing campaign should be on making customers feel secure more particularly emphasizing the bank's stability. Banks should also try to build good brand image, as many of customers prefer to have accounts in prominent banks where security arrangement are good so they can be assured of the safety of their money (Sharma & Rao, 2010). Renman and Ahmed (2008) reveal that convenience is one of the most important variable influencing customer choices among other factors, where convenience is a product of security. A study conducted on bank selection criteria employed by MBA students in India concludes that convenience is an important determinant (Sharma & Rao, 2010).

Factors such as parking facility next to the banking hall suggest that consumers want convenience in banking and they want to save time. (Omar, 2007) in Nigeria established that customers are attracted to banks in which these factors were evident: safety of funds, efficient service, and speed of transaction, friendly staff, overdraft privileges and good customer care. Almossawi (2001) points out that proximity and service quality are important factors in commercial bank selection by customers. This suggests that for instance university students will prefer to bank with commercial banks with offices or

ATM facilities that are close to their campuses. This emphasizes on the location of the bank

2.4.2 Effect of leadership Style of the bank

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2004). Leadership style is the way in which that process is carried out. Leadership style is a key determinant of the success or failure of any organization. Each style of leadership affects organizational growth differently; some helping organizations succeed and others hamper their growth leading to failure. Good leadership entails listening, getting time to understand and being prepared for the unexpected because that is what is expected (Etemesi, 2012).

A study conducted in Bahrain to examine the bank selection criteria employed by college students in Bahrain, revealed that bank's reputation is one of the key factors (Almossawi, 2001). This means that confidence in the bank management leads to the conclusion that the customers consider management to be most responsible for both success and failure of the banks. This means strategic leadership by the bank managers is very important.

Research suggests that the most effective executives use a collection of distinct leadership styles, each in the right measure, at just the right time. Such flexibility is tough to put into action, but it pays off in performance and better yet it can be learned (Goleman, 2000). Leaders' set strategy, motivate, create a mission and build an organisational culture. The greatest job of a leader is to get results. A good leader has emotional intelligence which refers to the capability for recognising our own feelings and those of others, for motivating ourselves and for managing emotions in ourselves and in our relationships. There are many different leadership styles.

Different styles work in different situations and a team will be stronger with a variety of different leadership styles. Different scholars have looked at different leadership styles namely: autocratic leadership, bureaucratic leadership, charismatic leadership, transactional leadership, and transformational leadership, all of which are based on several different approaches to leadership.

Effective transactional leadership style is characterized by transactions or exchanges or the promise of reward for good performance, and discipline for poor performance (Bass, Avolio, Jung and Berson, 2003). It doesn't offer much in terms of inspiration, to motivate people to go beyond the basics; therefore employees might get complacent and develop a tendency to achieve minimal expectations that only would help them avoid penalties. If managers do not effectively follow-up on the contingent reward promises, they display behavioral inconsistency and are therefore viewed as ineffective leaders. This type of leadership style is very applicable to commercial banks. The employees of a bank work with set targets which they must achieve. Once the targets have been realized then the staff should be rewarded to motivate them realize the next set target.

Transformational leadership style on the other hand focuses on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail *et al.,* 2009). This leadership tends to improve the team's morale and motivates the team members (Stewart, 2006). The degree of transformational leadership (charisma, intellectual stimulation, and individual consideration) in a branch manager has a direct impact on the business unit's performance (Judge & Piccolo, 2004).

Bureaucratic leaders create, and rely on, policy to meet organizational goals. They use policies to drive and execute strategy, objectives and outcomes. Bureaucratic leaders are usually strongly committed to procedures and processes instead of people, and as a result they may appear aloof and highly change adverse. They ignore motivating and developing the people (Michael, 2010). This leadership style is very effective in commercial banks where people deal with big chunks of money

Authoritarian leaders, also known as autocratic leaders, provide clear expectations for what needs to be done, when it should be done, and how it should be done. There is also a clear division between the leader and the followers. Authoritarian leaders make decisions independently with little or no input from the rest of the group. Abuse of this style is usually viewed as controlling, bossy, and dictatorial.

Authoritarian leadership is best applied to situations where there is little time for group decision-making or where the leader is the most knowledgeable member of the group. Most followers of autocratic leaders can be described as biding their time, waiting for the inevitable failure this leadership produces and the removal of the leader that follows (Michael, 2010). This leadership style is very applicable in commercial banks where the managers have to set the targets for the rest of the staff. However studies done in Malaysia gave different results.

Several managers and subordinates who were interviewed strongly stated that autocratic style that used to be predominant in Malaysian organizations can no longer be relied upon. In fact they felt that they have the competence needed to carry out their job effectively without needing their superior to keep a watchful eye over them or to tell them exactly what or how to do their job. Fundamentally, they perceive their superior (managers) to be effective if they display a personalized and flexible leadership style. Subordinates who perceived their leaders to be effective readily divulged that they feel more respect towards their superior and therefore were willing to exert more effort to achieve the objectives set (Sharmila, 2009).

2.4.3 Effect of Corporate Social Responsibility (CSR)

Corporate social responsibility is a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems (Ethos Institute, 2007). Corporations have four responsibilities or “four faces” to fulfill to be good corporate citizens: economic, legal, ethical, and philanthropic (which is called “altruistic” or “humanitarian” CSR), (Carroll, 2000). Much of the uncertainty about the legitimacy and domain of CSR stems from failure to distinguish the ethical and philanthropic dimensions as well as from the misguided notion that it is somehow objectionable for business to prosper from good works known as strategic CSR. Social responsibility is currently a universal notion in business. It has been incorporated by top management as an integral component in executive jobs. It is motivated by personal values and altruism as strategic advantages that can be developed.

A company can add value and obtain competitive advantage through socially responsible activities, but it must act strategically and CSR should be connected with the corporate strategies. Actions should be seen as adding value to products in the eyes of the public and should also improve the local business environment (Porter & Kramer, 2002). Kenyan commercial banks have not been left behind. The standard chartered banks supports sport marathons and equity and Kenya commercial bank have a program for supporting bright students who cannot afford education

2.4.4 Effect of diversification of Products

A study on performance of commercial banks established that firms must repackage their products, be innovative and move with modern technology for survival in the so dynamic world of business (Adhiambo, 2009). A firm differentiates itself from its competitors “when it provides Products that are unique that is valuable to buyers’ beyond simply offering a low price” (Porter, 2005)

Long term success of organizations, involves Creating, managing and exploiting assets and skills which competitors find it difficult to match or counter (Greenstein & Mazzeo, 2006). When an organization is described as “innovative,” it generally means that the firm consistently develops new, dynamic products, programs, or services for its own use or customer and client usage. Innovation is concerned with the development of a new product or process, or the improvement of an existing product or process. Successful organizational innovation is a multi-step process which involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Innovation activity is often cut during recession. Innovation activity tends to vary over the business cycle, with fewer major innovations and patents awarded during periods of downturn (Geroski & Walters, 1995).

Thus the main content of strategic innovation management is the development and implementation of innovative strategies. They determine the general policies of the bank in introducing innovation of different types, taking into account the existing resources and organizational capabilities, in order to achieve strategic corporate objectives, increase the economic value for consumers, and provide banking flexibility and responsiveness. Strategic innovation banking management includes: Promotion of environmental protection (innovative lending and investment products, introduction of paperless, energy-saving technologies); active participation in the life of local communities (creating financial products to meet the local needs, develop small business, and establish effective social communications, combining common functions of bank branches with the ones of regional communities social life centers); Involvement of under banked people, low-income people, immigrants, residents of rural and remote district in using modern financial services; Formation of children and teenagers financial competence and culture and offering Islamic banking services to cater for the Muslim community.

Customers devote much emphasis on electronic services (ATM) which gives them quick and convenient access to the bank service and this shows diversification of products, (Mokhlis, 2009). A study by Claessens and Laeven (2003) on multinational banks in Denmark found that four factors influencing adoption of the Internet and other technology to design new products and services are aggressive technology policy, compatibility of the technology with organization culture and infrastructure, top management support, and potential advantage.

2.4.5 Effect of strategic Alliance

Strategic alliances can be used as a tool which enables firms to overcome threats from their competitors while gaining additional benefits. The unbanked are currently estimated to be 2.5 billion people worldwide (Daley-Harris *et al*, 2009). Furthermore, the majority of the unbanked live in developing countries that lack sufficient availability of conventional banking infrastructure that is available in developed countries. It will be necessary for local banks to strategically find a way to beat the competition though focusing on the unbanked is a largely untapped market, there exist several competitors.

Strategic alliances are collaborative efforts between two or more firms in which the firms pool their resources in an effort to achieve mutually compatible goals that they could not achieve easily alone (Wittmann *et al*, 2009). Strategic alliances have different structures based on the type of relationship between the firms in the alliance (Kale & Singh, 2009). The Inter organizational arrangements can be categorized in terms of equity sharing and contractual agreements (Kale & Singh, 2009). The Finance bill of 2008 raised the requirement for banks' core capital from the current KES 250 Million to KES 1 billion by December 31st 2012.

This is likely to force the low capitalized banks to merge lead to further consolidation in the industry. Other banks will be forced to collaborate with foreign banks like EABS with Ecobank of Nigeria. Last year saw the simultaneous mergers of CFC and Stanbic Bank, Prime Bank and Prime Capital and Credit. The range of inter-firm relationships based on their contractual agreements and their equity arrangements is shown in Figure 2. 2.

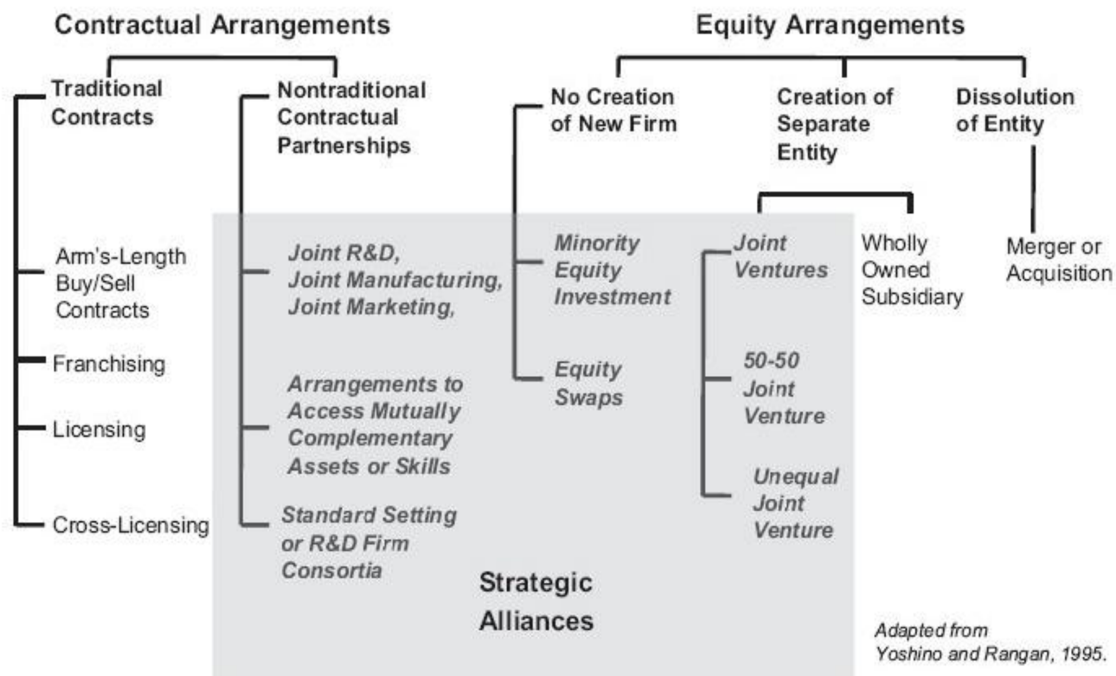

Figure 2.2: Scope of Interfirm relationship: source (Kale & Singh, 2009)

Strategic alliances therefore contain different forms of cooperation which should be beneficial to both parties in the alliance as it leads to acquisition of new knowledge and/or resources that help to develop a company's competitiveness hence leading to the growth of commercial banks. Strategic alliances can be divided into exploration alliances and exploitation alliances depending on their learning goals (Koza & Lewin, 2000). Exploitation alliances are those that come about when different parties combine their respective resources together so as to gain increased revenue, while exploration alliances focus on "accomplish learning of unknown technologies, new geographic markets or new product domains which can be seen as prospecting strategies"

2.4.6 Growth of commercial banks

In this study growth is measured in terms of market share, branch network and increased profitability. Strategic growth is vital to all organizations in the 21st century, therefore for a company to survive in today's competitive world they need to spread their wings and look beyond their normal way of doing business and begin to embrace growth. Kenyan banks have not been left behind in driving their growth agenda and this has led them to grow into different countries for different reasons. The banks should focus on market leader strategy where a company wants to always remain number one (Keegan, 1998).

Before a company embarks on its growth journey, one of the first things it definitely needs to do aside from assessing the firm's growth readiness is, to identify and know the market(s) it intends to penetrate into (Kasembeli, 2009). The foundation of international business studies rests on the assumption that increased expansion is good for a firm's growth. There is a positive relationship between performance indicators such as return on investment (ROI) or return on sales (ROS) and the extent of multi-nationality expansion of the firm (Kundu & Hsu, 2003). Regional expansion allows the firm to capture economies of scale, or geographic scope.

In recent years, Kenyan banks have made tentative steps into the Sub-region, opening branches in Sudan, Rwanda, Tanzania and Uganda. Their experience in risk management at home prepared them for potential success, with a hope of injecting the much-needed vitality into East Africa's financial institutions. Less saturated foreign markets provide companies with the means to maintain and expand distribution and gain overall market share by exploiting their current stock of assets-that companies with valuable transaction-based ownership advantages can reap internalization benefits, circumvent market failure, and avoid trade barriers, moral hazards, and broken contracts (Dunning,1993).

2.5 Critique of Existing Literature

The literature reviewed shows that Kenya has 43 commercial banks, nine micro finance institutions and eight representatives of foreign banks. However it is never reported that over 70% of the banking business is done by only eight commercial banks, and the fragmentation of the industry is hindering the scale needed by banks to offer more complex services. The country has many small banks which ultimately limits their contribution to the economic development.

Most recent literature selected themes that addressed the immediate needs of the researcher. No wonder most names of these banking institutions are mentioned in the study with exemption of few indigenous and foreign banks. The literature focuses mainly on SMES and financial innovations ignoring other causative factors that may influence the growth of commercial banks. To support this most of empirical researchers do not seem to focus on growth of commercial banks but on performance of the same.

2.6 Research Gaps

The literature reviewed showed that to a certain extent strategic management determinants for the growth of commercial banks can be an important tool not only to spur economic growth but also to promote feeling of wellness among bank employees and stakeholders .Although several studies have been conducted for example, Ngui (2014) on effect of human resource management strategies on the performance of commercial banks in Kenya, Ngumi (2013), on effect of bank innovations on financial performance of commercial banks in Kenya Cherop (2014); Oloo (2007), none of them has looked at the five factors discussed in this study and their effect on growth of commercial banks. These factors are namely: strategic positioning of the bank, strategic leadership style, corporate social responsibility, diversification of products and strategic alliance. No such a study has been contacted in Mombasa County hence the gap that the researcher wishes to bridge.

Most of these studies have concentrated in performance of commercial banks, and other financial innovations ignoring the influence of location of the bank, leadership style, corporate social responsibility, diversification of products and strategic alliances on the growth of commercial banks, which is key to achieving the economic pillar in vision 2030. This calls for equitable distribution of resources. This study therefore seeks to investigate strategic management determinants for the growth of commercial banks in Mombasa County.

2.7 Summary

This chapter has explored studies on the general strategies and players in the commercial banks (Oyugi, 2007; Cherop, 2012). The studies indicate that strategic management determinants for the growth of commercial banks are a powerful tool in achieving growth and economic freedom. Studies in most developed countries indicate that estimated inefficiencies may be a combination of management inefficiencies or else the absence of effective management strategy which is likely to affect financial performance, product market performance and shareholders return. The literature reviewed further showed that certain setbacks due to poor management, political influence among others is not an end to itself. Banks can still make positive recovery and regain the stakeholders' confidence.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter highlights the research design that was adopted by the researcher. It covers the research design, the target population, sampling frame and sampling technique, data collection procedure and research instruments.

3.2 Research Design

The study used descriptive research design because the study tried to obtain information concerning the current status of the effect of strategic management determinants on growth of commercial banks. A descriptive research design determines and reports the way things are (Mugenda & Mugenda, 2003).

This design was appropriate in conducting this study since the samples were large, a lot of data was to be collected within a short time and it was to be collected at one point in time. This enabled the researcher to capture the incidence distribution and interrelations of the variables, Kothari (2007). The rationale for selecting this design lies in the fact that events that were under investigation had taken place and the researcher would not be able to manipulate them in any way. Moreover a lot of data was collected within a short time owing to the large population.

3.3 Research Philosophy

Research philosophy can also be described as a paradigm which involves a broad framework and comprises perception, beliefs and understanding of several theories and practices that are useful when conducting research. The two main philosophies that guide research in social sciences include positivism and phenomenology which was drawn from the study by. In this study the researcher chose to use the positivism approach which is very objective and free of the researcher's biasness which was drawn from a study by Flowers (2009). This dictated the researcher to draw conclusions from the data obtained from the respondents responses to the questions in the research instrument. This ensured that the findings of the study would be purely from data collection and that it would be useful to other scholars.

3.4 Target Population

The target population for the study comprised of the bank managers and some selected employees of the 43 commercial banks in Mombasa County. The managers and employees were found useful for this study because they are the market drivers tasked with the implementation of strategies for growth of commercial banks. The decisions are made at each bank's headquarters and then it trickles down to the rest of the branches

3.5 Sampling frame

For adopting any sampling procedure, it was important to have a list establishing each sampling unit by a number (Cooper & Schindler, 2013). This study targeted the commercial bank employees in Mombasa County. The sampling frame was the complete list of all the 43 commercial banks operating in Kenya and their branches as recorded by the CBK annual report for the year 2012.

Table 3.1: Population Size

Category	Population
Branch Managers	43
HR Managers	43
Finance Managers	43
Operations Managers	43
Research & innovations Managers	43
Supervisors	43
Tellers	43
Customer care	43
Total	**344**

Source: CBK annual report 2012

3.6 Sample and sampling techniques

The sample was carefully selected to be representative of the population and the researcher also needed to ensure that the subdivisions entailed in the analysis were accurately catered for (Denscombe, 1998). The Yamane formula for calculating sample sizes was used to calculate the sample size at 95% confidence level where P = 0.05.

$$\mathbf{n = N / (1 + N (e)^2}$$

Where **n** is the sample size and **N** is the total population size and **e** is the level of significance

$$n = 43/ (1 + 43(0.05)^2$$

$$n = 43 / 1 + 43 (0.0025)$$

$$n = 43 / 1 + 0.1075$$

$n = 43/ 1.1075= 38.826$ Approximately 39 banks

All the commercial banks which were not in operation by the time of data collection were left out. This included Chase bank, Dubai bank, Imperial bank and Charter House bank. Out of the forty three commercial banks the above four were subtracted to come up with thirty nine commercial banks from which data was collected. Out of each of the thirty nine banks five high cadre managers were chosen including branch managers, HR managers, operations managers, and research and innovation managers. Other three employees including supervisors, tellers and customer care one from each bank were purposively chosen. Thus the total sample came to three hundred and twelve.

Table 3.2: Sample size

Population Category	**Population**	**Sample**
Branch Managers	43	39
HR Managers	43	39
Finance Managers	43	39
Operations Managers	43	39
Research & innovations Managers	43	39
Supervisors	43	39
Tellers	43	39
Customer care	43	39
Total	**344**	**312**

Source: CBK annual report 2012

3.7 Data collection methods

Research instruments are useful to researchers because they help in data collection. These include questionnaires, interview guide, observations and document analysis. The researcher in this study used questionnaires. The questionnaire was made up of two sections. The first section was on the background details of the respondents. The second section of the questionnaire capitalized on the survey questions on the five dependent variables namely: strategic positioning, strategic leadership style, corporate social responsibility, diversification of products, strategic alliances which were the independent variables and growth of commercial banks which was the dependent variable.

Each variable was operationalized with three indicators on line with Cooper and Schindler (2013) who suggest that due to the identification issue each construct should be measured by at least three indicators. A five point Likert scale was used for all the questions. Thus 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1 = strongly disagree. In this research, the questionnaires were guided by the objectives of the study in-order to ascertain the relationships between the independent and dependent variables. Thus the questionnaire addressed the variables to be investigated. Closed questionnaires that yielded numeric data were administered to bank employees. This is because all the respondents are literate and it was assumed that they all could read, interpret the questions, and answer them appropriately. This also enabled easy and cheap collection of data, save time, ensure confidentiality and was free from bias of the researcher.

However Kothari (2007) points out that the researcher needs to be careful regarding the selected sample because there are possibilities of low rate of return of the dully filled in questionnaires. To overcome this impediment, the researcher self-administered the questionnaires to ensure that they were dully filled in and returned. Closed ended questions with pre-determined responses measured on the Likert scale were used to guide the respondents on the required numerical data used.

3.8 Data collection procedure

In preparation to undertake the study, a research permit was obtained from National council of Science and Technology under the ministry of Higher Education, Science and Technology. This is in line with the legal aspects of conducting research in Kenya. Moreover, authority to collect data made respondents more convinced to relay the needed information. The researcher then made visits to the identified banks for this research for coordination purposes with the respective authorities. Permission to conduct research in a particular bank was obtained from the bank branch manager. The researcher issued the questionnaires to respondents concerned and arranged with them the date for collecting the completed questionnaires.

3.9 Pilot test

A pilot study with the use of questionnaires was carried out in two commercial banks. Twenty respondents who were not in the final sample were given the questionnaires to fill. This was in order to test the reliability of the instruments at an interval of 2 weeks. Subjecting questionnaires to pilot test before the administration helps the researcher to find out if participants will understand the questions, if the questions mean the same thing to all participants, and how long it takes to complete, (Sekaran & Bougie, 2011). The results were used in revising the tools of research. Therefore the piloting enabled the researcher to capture information on the ground giving a bearing to the study.

3.9.1 Reliability of research instruments

Reliability relates to the consistency of the data collected (Wallen & Fraenkel, 2001). Cronbach's coefficient alpha was used to determine the internal reliability of the instrument. The survey instrument was tested in its entirety, and the subscales of the instrument were tested independently. Cronbach's alpha coefficient ranges between 0 and 1 (Kipkebut, 2010). Higher alpha coefficient values means that scales are more reliable. As a rule of thumb, acceptable alpha should be at least 0.70 or above. The following table was used to test the alpha coefficient

Table 3.3: Reliability Index

Cronbach's Alpha	Internal Consistence
$\alpha \geq 0.9$	Excellent(High stakes testing)
$0.7 \leq \alpha < 0.9$	Good(Low stakes testing)
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

3.9.2 Reliability Results

Even though many of the measures used in this study were adopted from well-established scales in the extant literature, it was still necessary to assess the psychometric properties of the constructs. This study investigated the reliability of the independent variables (strategic Location, leadership style, CSR, Diversification of products and strategic alliance) and the dependent variable (growth of commercial banks) in order to check for internal consistency. Internal consistency of measures was tested by computing Cronbach's alpha coefficients and after running all the 49 items in SPSS, the reliability test results are illustrated in Table 3.4.

Table 3.4: Pilot test reliability Results

Variables	No. of items	Ratings	Comments
Growth	18	0.723	Accepted
Location	6	0.700	Accepted
Leadership Style	7	0.910	Accepted
CSR	6	0.858	Accepted
Diversification of Products	6	0.783	Accepted
Strategic Alliance	6	0.767	Accepted

Overall was 0.796

3.9.3 Validity of research instruments

An instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed (Patten, 2004; Wallen & Fraenkel, 2001). Validity is a matter of degree and no test instrument is perfectly valid, Patten, (2004). Validity involves the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected (Wallen & Fraenkel, 2001). Content validity is determined by judgments on the appropriateness of the instrument's content, Patten (2004). There are three principles to improve content validity: Use of a broad sample of content rather than a narrow one, to emphasize on important material, and to write questions to measure the appropriate skill (Patten, 2004). The three Principles were considered in this study. The researcher discussed the research instrument with two regional bank managers and also with the supervisors to test its validity.

3.9.4 Data Management

Data collected was screened to find out any missing values or errors that could be corrected. Before any statistical analyses were done, the researcher checked for normality of the variables under the study. The assumption is that the variables are normally distributed. According to Ali, Namusonge and Sakwa (2016), the assumptions and application of statistical tools as well as suitability of the tests are important aspects for statistical analysis. When results are verified data inspires stakeholder confidence and give reliable inferences and trustworthy interpretations for policy making. To check for normality, the study adopted the One-sample Kolmogorov-Smirnov test, Skewness and Kurtosis test, and Durbin-Watson (Auto correlation test).

3.10 Data processing and analysis

Data collected was subjected to thematic analysis, which Creswell (2009) asserts is carried out by designing detailed descriptions of the case study and using coding to put themes into categories. Questionnaires were edited, coded and entered into the SPSS computer package software version 23 for further data analysis. Data collected was analyzed by use of descriptive statistics where the mean, standard deviation and frequencies were calculated. Inferential statistics which included Pearson's Product moments correlation coefficient was used to reflect the degree of linear relationship between two variables and determine the strength of the linear relationship between the variables. Multiple regression analysis was conducted using growth of commercial banks as the dependent variable, and strategic positioning, corporate social responsibility, diversification of products and strategic alliance as the predictor variables. Univariate analysis was first done for each independent variable to establish their influence on the dependent variable and as a preparation for multivariate analysis. The five hypotheses were tested using multiple regression analysis at 95% confidence level. The aim was to establish whether or not these variables were related. The decision to employ these methods in this study was influenced by the fact that it can be applied in a situation where data to be tested consists of more than two variables. The data was presented by the use of tables and pie charts.

3.10.1 Quantitative Analysis

Regression analysis is used when a researcher is interested in finding out whether an independent variable predicts changes in a given dependent variable. Multiple regressions on the other hand attempts to determine whether a group of variables together predict a given dependent variable. The following multiple regression model was used.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + €$$

Where;

Y = the dependent variable.

X_1-X_5 are the independent variables

β_0 is a constant, the value of Y when all X is zero.

β_1-β_5 represent the regression coefficients or change induced in Y by each X.

€ is an error term.

In this study:-

Y was the growth of commercial banks.

X_1 was strategic positioning.

X_2 was leadership style.

X_3 was corporate social responsibility.

X_4 was diversification of products.

X_5 was strategic alliance.

In this study, generated data was used to describe, explain, tabulate and interpret findings in relation to research objectives.

3.10.2 Hypotheses Testing

The null hypotheses in Table 3.5 were tested to guide the study. The study was based on the assumption that strategic management determinants have an effect on the growth of commercial banks. The conceptual framework was used to guide the study and five relevant hypotheses were therefore set out and tested at 95 % confidence level (level of significance, $\alpha = 0.05$). To test the hypotheses of the study, the p-value was used to test the significance of each independent variable to the dependent variable. If the p-value calculated was less than 0.05, the null hypothesis was rejected.

Table 3.5: Hypotheses testing

Hypothesis statement	Hypothesis test	Decision rule and anticipated model
H_{01}:There is no significant effect of strategic positioning on growth of commercial banks in Kenya	-Pearson's product moment correlation analysis supported by multiple regression analysis -Karl Pearson (Beta test) product moment. **H_0**: $\beta1 = 0$ **H_A**: $\beta1 \neq 0$	Reject**H_{01}**if P- value ≤ 0.05 otherwise fail to reject if P-value is > 0.05 $Y = + \beta0 + \beta1X1+ \varepsilon$ where Y is growth of commercial banks, $\beta0$ is the y-intercept, $\beta1$ is the regression coefficient (beta), X1 is strategic positioning and ε is error term- random variation due to other unmeasured factors.
H_{02}:There is no significant effect of leadership style on growth of commercial banks in Kenya	- Pearson's product moment correlation analysis supported by multiple regression analysis -Karl Pearson (Beta test) product moment. **H_0**: $\beta2 = 0$ **H_A**: $\beta2 \neq 0$	Reject **H_{02}**if P- value ≤ 0.05 otherwise fail to reject if P-value is > 0.05 $Y = + \beta0 + \beta2X2+ \varepsilon$ where Y is growth of commercial banks, $\beta0$ is the y-intercept, $\beta2$ is the regression coefficient (beta), X2 is leadership style and ε is error term- random variation due to other unmeasured factors.
H_{03}:There is no significant effect of corporate social responsibility on growth of commercial banks in Kenya	- Pearson's product moment correlation analysis supported by multiple regression analysis -Karl Pearson (Beta test) product moment. **H_0**: $\beta3 = 0$ **H_A**: $\beta3 \neq 0$	Reject **H_{03}**if P- value ≤ 0.05 otherwise fail to reject if P-value is > 0.05 $Y = + \beta0 + \beta3X3+ \varepsilon$ where Y is growth of commercial banks, $\beta0$ is the y-intercept, $\beta3$ is the regression coefficient (beta), X3 is corporate social responsibility and ε is error term- random variation due to other unmeasured factors.
H_{04}: There is no significant effect of diversification of products on growth of commercial banks in Kenya	-Pearson's product moment correlation analysis supported by multiple regression analysis -Karl Pearson (Beta test) product moment. **H_0**: $\beta4 = 0$ **H_A**: $\beta4 \neq 0$	Reject **H_{04}**if P- value ≤ 0.05 otherwise fail to reject if P-value is > 0.05 $Y = + \beta0 + \beta4X4+ \varepsilon$ where Y is growth of commercial banks, $\beta0$ is the y-intercept, $\beta4$ is the regression coefficient (beta), X4 is diversification of products and ε is error term- random variation due to other unmeasured factors.
H_{05}:There is no significant effect of strategic alliance on growth of commercial banks Kenya	-Pearson's product moment correlation analysis supported by multiple regression analysis -Karl Pearson (Beta test) product moment. **H_0**: $\beta5 = 0$ **H_A**: $\beta5 \neq 0$	Reject **H_{05}**if P- value ≤ 0.05 otherwise fail to reject if P-value is > 0.05 $Y = + \beta0 + \beta5X5+ \varepsilon$ where Y is growth of commercial banks, $\beta0$ is the y-intercept, $\beta5$ is the regression coefficient (beta), X5 is strategic alliance and ε is error term- random variation due to other unmeasured factors.

3.10.3 Operationalization and measurement of variables

The study variables were given operational meaning as given in Table 3.6.

Table 3.6: operationalization and measurement of variables

Category	Variable	Indicators	Measurement of Variable
Dependent Variable	Growth of commercial banks	Profitability More branches More consumers	Overall, on a scale of 5 to 1, where 5 is 100% effect on growth of commercial banks and 1% is 0% effect on growth of commercial banks the highest extent of use of CRM and 1 is the lowest.
Independent Variable	Strategic positioning	Geography, security and parking facilities	Overall, on a scale of 5 to 1, where 5 is the scale of the highest effect of strategic location and 1 is the lowest.
Independent Variable	Leadership style	Managerial skills, Staff motivation/ satisfaction & customer focus	Overall, on a scale of 5 to 1, where 5 is the scale of the highest effect of strategic location and 1 is the lowest.
Independent Variable	Corporate Social Responsibility	Charities, Sports And arts	Overall, on a scale of 5 to 1, where 5 is the scale of the highest effect of strategic location and 1 is the lowest.
Independent Variable	Diversification of products	New products, improved products and Products substitute	Overall, on a scale of 5 to 1, where 5 is the scale of the highest effect of strategic location and 1 is the lowest.
Independent Variable	Strategic Alliance	Agency banking, mergers and acquisitions	Overall, on a scale of 5 to 1, where 5 is the scale of the highest effect of strategic location and 1 is the lowest.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussions of the study. The general objective of this study was to establish the effect of strategic management determinants on growth of commercial banks in Kenya. The specific objectives included the following: the effect of strategic positioning, effect of leadership style, effect of corporate social responsibility, effect of diversification of products and effect of strategic alliance on growth of commercial banks in Kenya. The chapter presents the findings of the study and discussion of the research response rate, reliability and validity test, data normality analysis, demographic characteristics of study variables, descriptive statistics of independent variables and dependent variable, correlation of variables, regression analysis, hypothesis testing and a summary of the chapter

4.2 Response Rate

The researcher distributed 312 questionnaires for data collection to 39 commercial banks in Mombasa County. Out of the 312 questionnaires issued for data collection to the respondents, a total of 219 questionnaires accounting for 70.2% were returned. The rate of return was perhaps influenced by misplacement of questionnaires by some respondents and lack of time to fill them by other. Other possible reasons for this rate of return could be attributed to some employees fearing to divulge information concerning their respective institutions.

After cleaning of data, the study used the 219 completed questionnaires for analysis. According to Mugenda and Mugenda (2003) over 50% response rate is adequate for analysis while over 70% is rated as very good. The response rate was thus rated as very good and was deemed suitable for analysis. The results of the response rate are shown in Table 4.1.

Table 4.1: Response Rate

Category	**Population**	**Percentage**
Respondents	**219**	**70.1%**
Non Respondents	**93**	**29.9%**
TOTAL	**312**	**100**

4. 3 Pilot Results

4.3.1 Validity Results

Factor analysis was carried out in order to test for the validity of the research instrument. Hair *et al*. (2010) highlighted that factor analysis was necessary in research to test for construct validity and highlight variability among observed variables and to also check for any correlated variables in order to reduce redundancy in data. Mwiti (2013) suggested that variables with factor loadings greater than 0.3 were the ones that had the highest significance and influence. The results for the validity are shown in Table 4.2.

Table 4.2: Validity

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.799
Bartlett's Test of Sphericity	Approx. Chi-Square	566.373
	Df	15
	Sig.	.000

The results from the analysis show a KMO of 0.799 which is within the range between 0 and 1.0. A value close to 1 indicates that the pattern of correlations are relatively compact and so factor analysis should yield distinct and reliable factors and therefore it was valid. Bartlett's test is valid when the level of significance is less than 0.05. The analysis of validity of the instruments showed a high level of significance at 0.000 which is less than 0.05

4.3.2 Reliability Results

Cronbach's alpha was used to determine the internal reliability of the questionnaire which was the research instrument used in this study. Cronbach's alpha coefficient ranges between 0.0 and 1.0. A coefficient of 1.0 indicates perfect reliability while a coefficient of 0.0 indicates no reliability at all. A coefficient of 0.70 is deemed to be the starting level of acceptability (Hair, Black, Barry, Anderson, & Tatham, 2006). The reliability statistic for each of the identified factors is presented in Table 4.3. It is evident from Table 4.3 that Cronbach's alpha for each of the identified factors is well above 0.70.

The findings indicated that the position of the bank had a coefficient of 0.70, leadership style had a coefficient of 0.910, corporate social responsibility had a coefficient of 0.858, diversification of products had a coefficient of 0.783, strategic alliance had a coefficient of 0.767, the growth of the commercial bank had a coefficient of 0.723 and the overall coefficient was 0.796. The results indicate that the questionnaires administered in this study had a high level of reliability. The table indicates that each of the independent variables significantly relates to the dependent variable and that the coefficient alpha value of the dependent variable will not increase if some of the independent variables are left out.

Table 4.3: Reliability

Variables	No. of items	Ratings	Comments
Growth	18	0.723	Accepted
Location	6	0.700	Accepted
Leadership Style	7	0.910	Accepted
CSR	6	0.858	Accepted
Diversification of Products	6	0.783	Accepted
Strategic Alliance	6	0.767	Accepted

Overall was 0.796

4.4 Demographics and Personal Data

Although it was not part of the purpose of the study, this set of data was intended to describe demographic characteristics of the sample and to assess for any influence on the research findings. The study found it crucial to ascertain the broad information of the respondents since it plays a great role in determining the nature of information provided in terms of accuracy. The analysis relied on the information of the respondents to classify the different results according to their knowledge and responses. The demographic data consisted of gender, income, education level and age of respondents.

4.4.1 Gender of respondents

The gender of respondents was considered important in this study. This is because according to the Kenyan constitution there is supposed to be fair distribution of job opportunities to both men and women in the public facilities. As far as this study is concerned majority of the respondents were males representing 54.3% of the respondents which is just slightly above average while the females were rated at 45.7% of the respondents. This shows a fair representation for all genders in the jobs associated with commercial banks. This implies that almost an equal number of males and females are willing to take up jobs with commercial banks and that the management of banks does not discriminate on gender lines. This is motivated perhaps by prestige and financial benefits associated with financial institutions. This is shown in Figure 4.1.

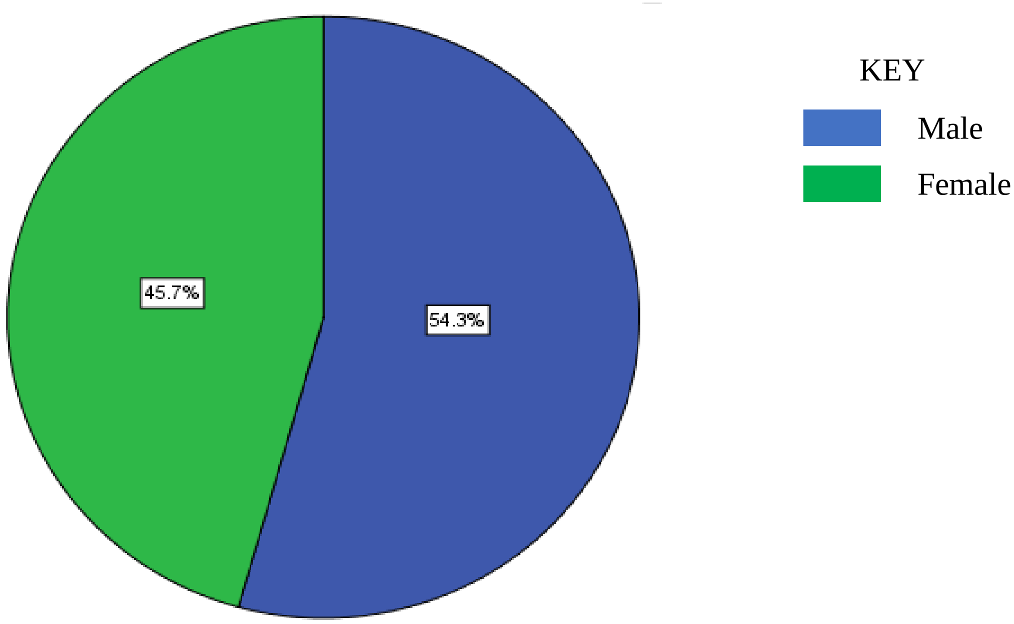

Figure 4.1: Gender of respondents

4.4.2 Income of respondents

The income of the respondents who are the bank employees was important in this study because it determines the level of satisfaction hence motivation which enhances the growth of commercial banks. Those who earned an income below sh. 50,000 were the least represented by 21.9% of the respondents. Those who earned an income between sh. 50,000 and sh.100, 000 were the majority represented by 40.6% and finally those who earned above sh.100, 000 were represented by 37.4% of the respondents. This implies that majority of the bank employees are well paid and therefore were highly motivated to serve the customers in line with the banks strategic objectives which is a key component to growth of commercial banks. This is shown in Figure 4.2.

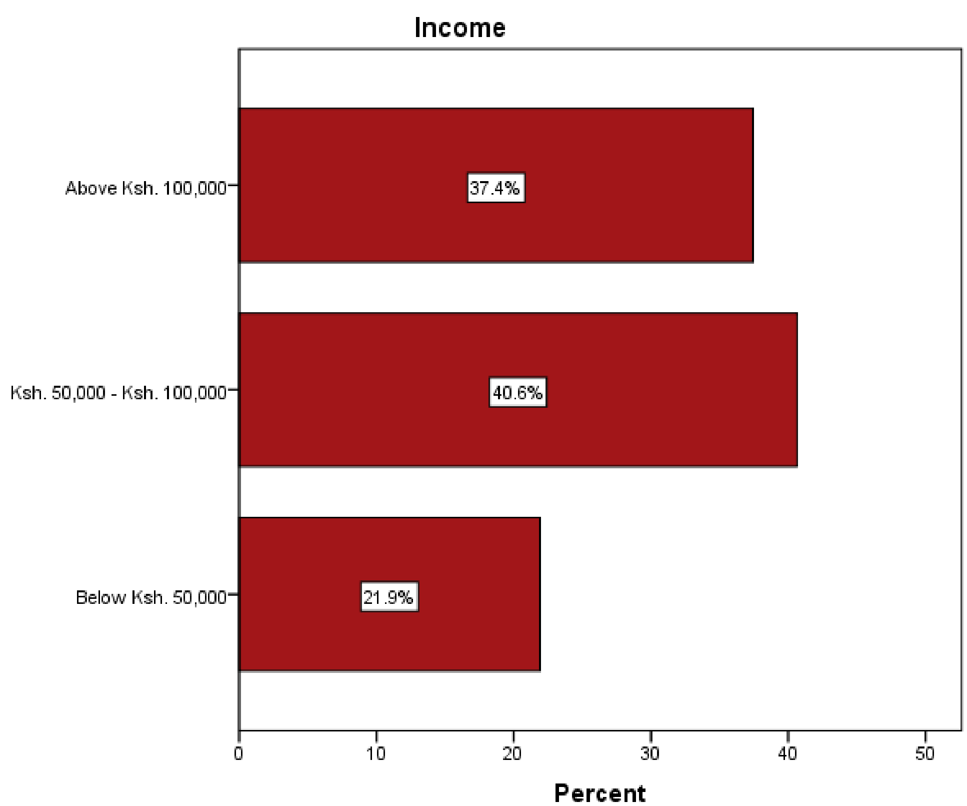

Figure 4.2: Income of respondents

4.4.3 Age of respondents

In this study out of 219 respondents 101 (46.1%) were below 30 years of age, 75 (34.2%) were between 31 years and 35 years, 25 (11.4%) were between 36 years and 40 years, 15 (6.8%) were between 41 years and 45 years and 3 (1.4%) were over 46 years of age. This is shown in Table 4.4. The age bracket of respondents was considered in this study as it is believed that older employees are more engaged and committed to their organizations and hence contribute to the growth of organizations while younger employees are more active, are perceived to be more acquainted with the current technology and practices and more flexible to achieve the set targets which contributes to the growth of commercial banks. Those in the middle age bracket are perceived to play a critical role in orientating new employees and sometimes act as a link between the newly employed and the veterans in the commercial banks.

Table 4.4: Age of respondents

Age	Frequency	Percent
Below 30 years	101	46.1
31 years - 35 years	75	34.2
36 years - 40 years	25	11.4
41 years - 45 years	15	6.8
Over 46 years	3	1.4
Total	219	100.0

4.4.4 Level of Education of respondents

The level of education of the respondents is important because education facilitates the acquisition of more current technical skills which allow them to have more innovative ideas or be able to better adapt to new environments (Ouimet & Zarutskie, 2014). Out of the 219 respondents 11 (5.0%) had diploma which was the lowest qualification level, 145 (66.2%) had degrees, 54 (24.7%) had masters, 1 (0.5%) had a PhD and 8 (3.7%) had other levels of qualifications namely CPA, Post graduate diploma in business studies and other professional courses. The analysis showed that the minimum requirement for employment with banks is at graduate level. Most of those with form four certificates represent the old generation employees who have risen to managerial positions through hard work and also registering for professional courses. Education and training was found to be is a key component of strategic management and growth of commercial banks. The results are in Table 4.5.

Table 4.5: Level of Education of respondents

Education level	Frequency	Percent
Diploma	11	5.0
Degree	145	66.2
Masters	54	24.7
PhD	1	0.5
Others	8	3.7
Total	219	100.0

4.5 Factor Analysis

The major purpose of factor analysis is to summarize data so that relationships and patterns can easily be interpreted and understood. According to Yong and Pearce (2013), it is normally used to regroup variables into a limited set of clusters based on shared variance Factor Analysis is necessary in research to test for construct validity and highlight variability among observed variables and also to check for any correlated variables in order to reduce redundancy in data (Hair *et al.*, 2010).KMO test is a measure of sample adequacy which ranges between 0 and 1. The closer the value is to 1 the higher the correlation between the variables and hence the Factor Analysis is reliable and useful for the study. Bartlett's test checks if the observed correlation matrix diverges significantly from the identity matrix. According to Leech, Barrett, and Morgan, (2008), Bartlett test should be significant (that is, a significant value of less than 0.50); this means that the variables are correlated highly enough to provide a reasonable basis for factor analysis. Factor loadings greater than 0.3 have the highest significance and influence (Mwiti, 2013)

In order to determine the effect of strategic management determinants on the growth of commercial banks the factor analysis of each study variable was carried out. All the independent variables were taken through factor analysis to study their individual contribution to growth of commercial banks.

4.5.1 Factor Analysis of strategic position of the bank

A Principal Component Analysis with varimax rotation was performed on six strategic positioning measures in order to examine the dimensionality of strategic position and growth of commercial banks. This was also aimed at finding out if all the variables were significant to growth of commercial banks. KMO measures on strategic position of the bank was 0.628. This meant great acceptability of the use of factor analysis and showed sufficient correlation between the variables. Bartlett's test of Sphericity is significant (chi-square=286.836, $p<0.000$). This is shown on table 4.6(a).

Table 4.6 (a): KMO and Bartlett's Test on position of the bank

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.628
Bartlett's Test of Sphericity	Approx. Chi-Square	286.836
	Df	15
	Sig.	.000

The total variance explained in strategic position of the bank is explained in table 4.6(b).

This identified the Eigen value which is the variance of each component compared to the total variance of all the items in the construct. Other items included the percentage of variance and the cumulative percentages which were explained by the extracted factors before and after the rotation. The principal component analysis with a Varimax rotation was used to analyze the six items under strategic position of the bank and how they relate to growth of commercial banks. Two items were found to influence growth of commercial banks to a great extent as they had Eigen values of more than 1.0. Component one had the highest variance of 2.414 which accounted for 24.14 % of the variance. Component 2 had the second highest variance of 1.198 which accounted for 11.98% of the variance. The cumulative results showed that there were two critical factors which influenced the growth of commercial banks which accounted for 60.202% of the total variance in this construct. The other four factors explained the variance at less than 40% which meant that some variance had been explained by latent variables.

Table 4.6(b): Total Variance Explained for strategic position of the bank

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.414	40.235	40.235	2.414	40.235	40.235	2.016	33.594	33.594
2	1.198	19.967	60.202	1.198	19.967	60.202	1.596	26.608	60.202
3	.971	16.178	76.380						
4	.646	10.768	87.148						
5	.443	7.381	94.530						
6	.328	5.470	100.000						

Extraction Method: Principal Component Analysis.

Table 4.6(c) shows the factor loadings for strategic positioning statements. All the six factors 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 also in line with Mwiti (2013) which points out that factor loadings greater than 0.3 are considered adequate.

Table 4.6(c): Rotated Component Matrix for strategic positioning of the bank

	Component	
Statement	1	2
The location is very convenient	.783	.423
The bank is very accessible to customers	.895	.416
Most people choose this bank because of its location	.723	.541
The bank is situated in a place where there is security	.564	.726
The bank has more than one branches in Mombasa County	.441	.598
There is a parking facility outside the bank	.378	.802

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 3 iterations.

4.5.2 Factor Analysis of strategic leadership style of the bank

Leadership style of the bank was also considered. KMO measures on strategic leadership style of the bank was 0.805. This meant great acceptability of the use of factor analysis and showed sufficient correlation between the variables. Bartlett's test of Sphericity is significant (chi-square=782.449, $p<0.000$). Bartlett's test checks if the observed correlation matrix diverges significantly from the identity matrix. The results are shown on Table 4.7(a).

Table 4.7 (a): KMO and Bartlett's Test of leadership style

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.805
Bartlett's Test of Sphericity	Approx. Chi-Square	782.449
	Df	21
	Sig.	.000

All the seven statements under leadership style were subjected to factor analysis and two factors were found to be very critical with Eigen accumulated value of 71.539%. The first factor had the greatest influence with a value of 56.773% while the second one had a value of 14.766%. The rest of the values accounted for the remaining 28%. This is shown on Table 4.7(b).

Table 4.7(b): Total Variance Explained for leadership style

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.974	56.773	56.773	3.974	56.773	56.773	2.881	41.155	41.155
2	1.034	14.766	71.539	1.034	14.766	71.539	2.127	30.384	71.539
3	.623	8.894	80.434						
4	.496	7.084	87.518						
5	.437	6.247	93.764						
6	.238	3.400	97.165						
7	.198	2.835	100.000						

Extraction Method: Principal Component Analysis.

The rotated component matrix is shown on table 4.7c. The factors with factor loadings of 0.4 or greater are the only ones that were retained for analysis since they are significant. This is in line with the studies by Rahn (2010) and Zandi (2006) which assert that factor loadings of 0.4 or greater are considered significant.

Table 4.7(c): Rotated Component Matrix for leadership style

Statement	Component 1	Component 2
There is teamwork amongst the employees of the bank	.883	.086
The bank employees enjoy serving the customers	.782	.413
The customer is highly appreciated	.844	.173
The customer takes a short time to get services at the bank	.593	.358
The branch manager is easily accessible	.169	.897
The bank employees are motivated and satisfied	.222	.820
The bank employees are competent and understand their work	.590	.561

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 3 iterations.

4.5.3 Factor analysis of CSR

Factor analysis was done on the statements under CSR and the results are shown on table 4.8(a).KMO had a value of 0.796 which showed a high correlation between the variables. The Bartlett's test of Sphericity is significant (chi-square= 625.233, p<0.000).

Table 4.8(a): KMO and Bartlett's Test for CSR

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.796
Bartlett's Test of Sphericity	Approx. Chi-Square	625.233
	Df	15
	Sig.	.000

The total variance explained showed that one factor was critical with an Eigen value of 3.530 and a cumulative value of 58.832%. The rest of the factors accounted for less than 42%. This is shown on Table 4.8(b).

Table 4.8 (b): Total Variance Explained for CSR

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.530	58.832	58.832	3.530	58.832	58.832
2	.870	14.502	73.334			
3	.684	11.396	84.730			
4	.395	6.590	91.320			
5	.304	5.073	96.393			
6	.216	3.607	100.000			

Extraction Method: Principal Component Analysis.

The rotated component matrix is shown on Table 4.8(c). The results show that all the factor loadings were greater than 0.4 hence all the statements were highly significant in influencing CSR hence growth of commercial banks.

Table 4.8 (c): Component Matrix[a] for CSR

Statement	Component 1
My bank offers scholarships to the excellent students	.729
My bank offers bursaries to the needy students	.778
My bank sponsors community based development projects	.816
My bank organizes for charity walks to raise money to cater for medical care for the in the society	.786
My bank organizes and sponsors sports championships	.845
My bank offers unsecured loans in support of small business	.631

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

4.5.4 Factor analysis on Diversification of products

The factor analysis was calculated on diversification of products and the results shown on table 4.9(a). The KMO value was 0.808 which showed a very high correlation between the variables. This meant that diversification of products had a very strong positive correlation on the growth of commercial banks and that if banks considered it then definitely they were going to observe growth to a very great extent. The Bartlett's test of Sphericity is significant (chi-square= 624.624, $p<0.000$). This means that diversification of products influences the growth of commercial banks significantly.

Table 4.9 (a): KMO and Bartlett's Test for diversification of products

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.808
Bartlett's Test of Sphericity	Approx. Chi-Square	624.624
	Df	15
	Sig.	.000

The total variance explained for diversification of products was calculated and the results are on Table 4.9(b). The statements under diversification of products were analyzed and one factor was found very critical. This critical factor had an Eigen value of 3.450. This factor accumulated to 57.505%. The rest of the factors accounted for less than 42%. This showed that all the statements under diversification of products can be narrowed down to one statement.

Table 4.9 (b): for total variance explained for diversification of products

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.450	57.505	57.505	3.450	57.505	57.505
2	.822	13.706	71.211			
3	.757	12.616	83.827			
4	.522	8.698	92.526			
5	.261	4.347	96.873			
6	.188	3.127	100.000			

Extraction Method: Principal Component Analysis.

The rotated component matrix was calculated on diversification of products. All the factors were found to have factor loadings of greater than 0.4. This meant that all the statements were significant hence they were all used for the analysis.

Table 4.9 (c): Rotated Component Matrix[a] for diversification of products

Statements	Component 1
The bank offers a variety of products	.853
Digital banking is practiced in my bank	.883
Junior banking is practiced in my bank	.844
My banks offers Muslim banking services	.587
My bank offers prestige banking services	.713
My bank offers credit cards	.615

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

4.5.5 Factor analysis of Strategic alliance

The factor analysis of strategic alliance was calculated and the results shown in the table 4.10(a). The KMO value was 0.684 hence there was a high correlation between the variables. The Bartlett's test of Sphericity is significant (chi-square= 227.245, $p<0.000$).

Table 4.10(a): KMO and Bartlett's Test for strategic alliance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.684
Bartlett's Test of Sphericity	Approx. Chi-Square	227.245
	Df	15
	Sig.	.000

Table 4.10(b) shows the total variance explained. Two factors were found to be very significant. The first one had an Eigen value of 2.380 and the second one had an Eigen value of 1.117. This means that the six statements under strategic alliance can be reduced to only two statements.

Table 4.10(b): Total Variance Explained for strategic alliance

Component	Initial Eigenvalues Total	% of Variance	Cumulative %	Extraction Sums of Squared Loadings Total	% of Variance	Cumulative %	% of Variance	Cumulative %
1	2.380	39.671	39.671	2.380	39.671	39.671	30.711	30.711
2	1.117	18.616	58.287	1.117	18.616	58.287	27.576	58.287
3	.864	14.392	72.679					
4	.719	11.976	84.656					
5	.493	8.221	92.877					
6	.427	7.123	100.000					

Extraction Method: Principal Component Analysis.

Table 4.10(c) shows the rotated component matrix for strategic alliance. The factors with factor loadings of greater than 0.4 have a great influence on strategic alliance hence growth of commercial banks. Such factors are the ones that were retained.

Table 4.10(c): Rotated Component Matrix[a] for strategic alliance

Statement	Component 1	Component 2
My bank has partnered with a mobile service provider	.868	
My bank offers agency banking	.754	
My bank is in partnership with another bank		.675
Strategic alliances can accelerate the growth of commercial banks	.575	
My bank has ever acquired another bank		.565
My bank has ever been acquired by another bank		.882

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

4.5.6 Factor analysis on Growth of commercial banks

Factor analysis results for growth of commercial banks are shown on Table 4.11(a).

KMO was found to be 0.760 which was significant. Bartlett's test of Sphericity was significant ie a p-value of 0.000

Table 4.11(a): KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.760
Bartlett's Test of Sphericity	Approx. Chi-Square	1585.106
	Df	153
	Sig.	.000

The total variance explained for growth of commercial banks was calculated and five critical factors explained the variance for growth of commercial banks. The first factor had an eigen value = 5.686, the second factor had an eigen value = 1.733, the third had an eigen value = 1.635, the fourth had an eigen value = 1.268 and the fifth had an eigen value = 1.081 which explained more variance than a single variance. These results are shown on Table 4.11(b)

Table 4.11(b): Total Variance Explained for growth of commercial banks

Component	Initial Eigenvalues Total	% of Variance	Cumulative %	% of Variance	Cumulative %	% of Variance	Cumulative %
1	5.686	31.591	31.591	31.591	31.591	21.144	21.144
2	1.733	9.630	41.221	9.630	41.221	18.307	39.451
3	1.635	9.082	50.303	9.082	50.303	9.902	49.353
4	1.268	7.042	57.345	7.042	57.345	7.241	56.594
5	1.081	6.007	63.352	6.007	63.352	6.758	63.352
6	.921	5.117	68.469				
7	.884	4.909	73.377				
8	.732	4.065	77.443				
9	.728	4.046	81.489				
10	.612	3.398	84.887				
11	.542	3.011	87.898				
12	.497	2.761	90.659				
13	.410	2.280	92.940				
14	.362	2.011	94.951				
15	.282	1.569	96.520				
16	.265	1.471	97.991				
17	.218	1.209	99.200				
18	.144	.800	100.000				

Extraction Method: Principal Component Analysis.

The results of rotated component matrix for growth of commercial banks are shown on Table 4.11(c). The five factors were found critical and were used for the final analysis.

Table 4.11(c): Rotated Component Matrix[a] on growth of commercial banks

	Component				
	1	2	3	4	5
Mobile banking	.839	.057	-.068	-.011	-.014
Product promotion mix	.671	.192	.201	-.006	-.100
Electronicmoney transfer	.703	.144	.090	.050	.282
Automated teller machine (ATM)	.324	.123	-.149	-.145	.543
Telephone banking	.338	.078	.745	-.064	.070
Mobile money transfer	.772	.300	.047	-.185	-.115
Increased use of paper money	-.176	-.148	.143	.102	.760
Use of magnetic ink character recognition	-.121	.052	.847	.019	-.039
Internet banking	.227	.077	.187	-.670	.002
Strategic location of the bank	.556	.373	.174	.171	.227
Strategic leadership style in the bank	.220	.382	.330	.574	.028
Corporate social responsibility	.321	.475	.403	.024	.281
Diversification of products	.371	.658	.027	.228	-.144
Strategic alliance in the bank	.574	.014	.102	.552	-.004
Team work amongst employees	.019	.759	.208	.088	.164
Concern for the consumer needs	.095	.869	-.096	.031	.010
Diversified products offered in the bank	.219	.720	.114	-.206	-.236
Interaction/networking of the bank with the society	.512	.546	.004	-.118	-.016

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

4.6Assessment of Data Normality, Linearity and Independence

Kolmogorov-Smirnov (K-S) one-sample test was computedin order to establish whether the distribution of the study data was normally distributed. According to Malhotra (2007) Kolmogorov-Smirnov (K-S) one-sample test is a non-parametric goodness of fit test that compares the cumulative distribution function for variables within a specific distribution. Therefore, there was need to establish whether the distribution of the study data was normally distributed before data analysis

Table 4.12: One-Sample Kolmogorov-Smirnov Test

		Location	Leadership style	CSR	Product diversification	Strategic alliance	Growth
N		219	218	219	219	219	219
Normal Parameters[a,b]	Mean	26.1963	30.8303	21.0137	24.3425	19.4612	75.6119
	Std. Deviation	3.74322	4.18287	6.73242	5.91271	5.27867	10.73962
Most Extreme Differences	Absolute	.155	.211	.096	.172	.140	.112
	Positive	.155	.155	.091	.165	.061	.092
	Negative	-.151	-.211	-.096	-.172	-.140	-.112
Test Statistic		.155	.211	.096	.172	.140	.112
Asymp. Sig. (2-tailed)		.000[c]	.000[c]	.000[c]	.000[c]	.000[c]	.000[c]

a. Test distribution is Normal.

The overall verdict of K-S test using normalized Z-statistic as indicated in Table 4.12 revealed that data on strategic location, leadership style, CSR, diversification of products, strategic alliance and growth of commercial bank did not deviate significantly from normal distribution. Therefore, it would be appropriate to engage other statistical tests and procedures that had normality of these variables. Similarly, one-sample t tests for the quality of means conducted on the study variables indicated that there was no significant difference expected in the respective mean scores at 95 percent confidence level. These findings mean that correlation and regression analysis among other statistical tests could be appropriate.

Table 4.13: Normality-Skewness and kurtosis tests Statistics

	Location	Leadership style	**CSR**	Product diversification	Strategic alliance	Growth
Sample	219	219	219	219	219	219
Skewness	-.990	-.848	-.580	-.867	-.483	.077
Std. Error of Skewness	.164	.165	.164	.164	.164	.164
Kurtosis	.668	.198	-.440	.471	-.513	.411
Std. Error of Kurtosis	.327	.328	.327	.327	.327	.327

Hair *et al*. (2010) suggested that for a distribution to be considered normal, the Skewness value must be within ±2.00 standard error of Skewness and within ±3.00 standard error of kurtosis. The test results depicted on table 4.13 are in agreement with his suggestions. Skewness and kurtosis had standard errors for both independent and dependent variable which were within the correct range. The study data of strategic management determinants was therefore normally distributed and could be subjected for further analysis.

Table 4.14: Model Summary[b] for Durbin-Watson

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.641[a]	.411	.397	8.35796	1.762

a. Predictors: (Constant), Strategic alliance, Leadership style, Location, CSR, Product diversification

b. Dependent Variable: Growth

4.6.1 Checks for Multicollinearity

Multicollinearity, or excessive correlation among explanatory variables, can complicate or prevent the identification of an optimal set of explanatory variables for a statistical mode. Cohen et al., (2013)'s definition of variance inflation factor (VIF) is that it provides an index of the amount that the variance of each regression coefficient is increased relative to a situation in which all of the predictor variables are uncorrelated, and suggest VIFs of 10 or more to be the rule of thumb for concluding VIF to be too large hence not suitable. Table 4.15 indicates location had VIF of 1.750 (less than 10), leadership style had a VIF of 1.202 (less than 10), CSR had a VIF of 2.667 (less than 10) diversification of products had a VIF of 3.536 (less than 10) and strategic alliance had a VIF of 1.727 (less than 10) hence all variables are suitable.

Table 4.15: Multicollinearity

Coefficients

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	25.123	5.193		4.838	.000		
	Location	.229	.201	.080	1.140	.003	.571	1.750
	Leadership style	.746	.149	.290	5.015	.000	.832	1.202
	CSR	.100	.137	.062	.725	.015	.375	2.667
	Product diversification	.515	.181	.283	2.856	.005	.283	3.536
	Strategic alliance	.351	.143	.170	2.450	.015	.579	1.727

a. Dependent Variable: Growth

4.7 Study variables

The independent variables of the study included the following: strategic positioning of the bank; leadership style; corporate social responsibility; diversification of products and strategic alliance. The descriptive statistics that is the mean and the standard for each variable were calculated

4.7.1 Strategic position of the bank

The study sought to determine the effect of strategic positioning on growth of commercial banks in Kenya. The following items were investigated under the position of the bank: the location is very convenient; the bank is very accessible to customers; most people choose this bank because of its location; the bank is situated in a place where there is security; the bank has more than one branches in Mombasa County and there is a parking facility outside the bank. Most of the respondents felt that the bank was very accessible to customers and this was represented by a mean of 4.6027 and standard deviation of 0.7735. This was followed closely by the location of the bank is very convenient with a mean of 4.5890 and standard deviation of 0.8378. The third one was the bank has more than one branches in Mombasa County with a mean of 4.4292 and standard deviation of 1.1957. The bank is situated in a place where there is security had a mean of 4.4201 and standard deviation of 0.9020, there is a parking facility outside the bank had a mean of 4.1735 and standard deviation of 1.2996 and finally most people choose this bank because of its location was the least with a mean of 3.9817 and standard deviation of 1.0578. Generally the overall mean for location of the bank was 4.3660. Thus the strategic location was deemed as a very important factor that determines the growth of commercial banks. This is shown in Table 4.16.

Table 4.16: Strategic position of the bank

Descriptive Statistics			
Statement	**N**	**Mean**	**Std. Deviation**
The location is very convenient	219	4.5890	.83779
The bank is very accessible to customers	219	4.6027	.77353
Most people choose this bank because of its location	219	3.9817	1.05780
The bank is situated in a place where there is security	219	4.4201	.90196
The bank has more than one branches in Mombasa County	219	4.4292	1.19566
There is a parking facility outside the bank	219	4.1735	1.26963
Total	219		

4.7.2 Leadership Style of the bank

The study sought to find out the effect of leadership style on the growth of commercial banks in Kenya. The following items were investigated under leadership style: There is teamwork amongst the employees of the bank; the bank employees enjoy serving the customers; the customer is highly appreciated; the customer takes a short time to get services at the bank; the branch manager is easily accessible; the bank employees are motivated and satisfied; the bank employees are competent and understand their work. Majority of the respondents strongly agreed with all the items. The highly rated was that the customer is highly appreciated with a mean of 4.5799 and a standard deviation of 0.6183, followed by the bank manager is easily accessible with a mean of 4.5845 and a standard deviation of 0.7012, the bank employees are competent and understand their work was third with a mean of 4.4495 and standard deviation of 0.0.7618, the bank employees enjoy serving the customers had a mean of 4.4247 and standard deviation of 0.7826, there is teamwork amongst the employees of the bank had a mean of 4.3516 and standard deviation of 0.9135, the customer takes a short time to get services at the bank had a mean of 4.3014 and standard deviation of 0.7545 and finally the bank employees are motivated and satisfied had a mean of 4.1553 and standard deviation of 0. 0.9971. The overall mean for leadership style was 4.4067. This shows that the leadership style is a very important factor that affects the growth of commercial banks. This is shown in the Table 4.17.

Table 4.17: Leadership Style of the bank

Descriptive Statistics

Statement	**N**	**Mean**	**Std. Deviation**
There is teamwork amongst the employees of the bank	219	4.3516	.91352
The bank employees enjoy serving the customers	219	4.4247	.78257
The customer is highly appreciated	219	4.5799	.61834
The customer takes a short time to get services at the bank	219	4.3014	.75453
The branch manager is easily accessible	219	4.5845	.70120
The bank employees are motivated and satisfied	219	4.1553	.99706
The bank employees are competent and understand their work	219	4.4495	.76183

4.7.3 Corporate Social Responsibility (CSR)

The study sought to establish the effect of corporate social responsibility on the growth of commercial banks in Kenya. The following items were investigated: My bank offers scholarships to the excellent students; my bank offers bursaries to the needy students; my bank sponsors community based development projects; my bank organizes for charity walks to raise money to cater for medical care for the sickin the society; my bank organizes and sponsors sports championships and finally my bank offers unsecured loans in support of small business.

The responses given by the respondents were as follows: The highest scored item was my bank sponsors community based development projects with a mean of 3.7580 and standard deviation of 1.3883, my bank offers unsecured loans in support of small business had a mean of 3.7534 and standard deviation of 1.4410, my bank organizes for charity walks to raise money to cater for medical care for the sick in the society had a mean of 3.5479, and standard deviation of 1.4435,My bank organizes and sponsors sports championships had a mean of 3.5068 and standard deviation of 1.5034, my bank offers scholarships to the excellent students had a mean of 3.2968 and standard deviation of 1.5170 and finally my bank offers bursaries to the needy students had a mean of 3.1507 and standard deviation of 1.5115 The overall mean for CSR was 3.5022. This shows the banks were practicing CSR to a very slight extent. This implies that most banks are not fully committed to CSR. This is perhaps due to the prohibitive cost associated with such activities. These results are shown in Table 4.18.

Table 4.18: CSR Descriptive Statistics

Statement	N	Mean	Std. Deviation
My bank offers scholarships to the excellent students	219	3.2968	1.51704
My bank offers bursaries to the needy students	219	3.1507	1.51147
My bank sponsors community based development projects	219	3.7580	1.38831
My bank organizes for charity walks to raise money to cater for medical care for the sick in the society	219	3.5479	1.44350
My bank organizes and sponsors sports championships	219	3.5068	1.50342
My bank offers unsecured loans in support of small business	219	3.7534	1.44102

4.7.4 Diversification of products

The study sought to determine the effect of diversification of products on the growth of commercial banks in Kenya. The following items were investigated from the respondents: The bank offers a variety of products; digital banking is practiced in my bank; junior banking is practiced in my bank; my bank offers Muslim banking services; my bank offers prestige banking services and that my bank offers credit cards. The bank offers a variety of products was the highest rated with a mean of 4.6256 and standard deviation of 0.7081. This was closely followed by Junior banking is practiced in my bank with a mean of 4.4018 and standard deviation of 1.1183. Digital banking is practiced in the bank was rated third with a mean of 4.3470 and standard deviation of 1.0308. The fourth was my bank offers prestige banking services with a mean of 3.6758 and standard deviation of 1.4431. The next one was my bank offers Muslim banking services with a mean of 3.6667 and standard deviation of 1.5951 and the one that was rated last was that my bank offers credit cards with a mean of 3.6256 and standard deviation of 2.1666. The overall mean for diversification of products was 4.0570 which showed that in most of the banks there was diversification of products and this lead to this increased growth. These results are shown in Table 4.19.

Table 4.19: Diversification of products

Descriptive Statistics

Statement	N	Mean	Std. Deviation
The bank offers a variety of products	219	4.6256	.70807
Digital banking is practiced in my bank	219	4.3470	1.03078
Junior banking is practiced in my bank	219	4.4018	1.11832
My banks offers Muslim banking services	219	3.6667	1.59510
My bank offers prestige banking services	219	3.6758	1.44308
My bank offers credit cards	219	3.6256	2.16657

4.7.5 Strategic alliance

The study sought to determine the effect of strategic alliance on the growth of commercial banks in Kenya. The items which were investigated from the employees of the commercial banks included the following: My bank has partnered with a mobile service provider; my bank offers agency banking; my bank is in partnership with another bank; strategic alliances can accelerate the growth of commercial banks; my bank has ever acquired another bank and finally my bank has ever been acquired by another bank. The following were the ratings by the respondents: My bank has partnered with a mobile service provider had a mean of 4.1963 and standard deviation of 1.3656, my bank offers agency banking had a mean of 3.2648 and standard deviation of 1.7435, my bank is in partnership with another bank had a mean of 2.6393 and standard deviation of 1.3822, strategic alliances can accelerate the growth of commercial banks had a mean of 4.2922 and standard deviation of 0.9704, my bank has ever acquired another bank had a mean of 2.8813 and standard deviation of1.5158 and finally my bank has ever been acquired by another bank had a mean of 2.1872 and standard deviation of 1.3534. The overall mean for strategic alliance was 3.2435. The results are shown in Table 4.20.

Table 4.20: Strategic Alliance

Descriptive Statistics

Statement	N	Mean	Std. Deviation
My bank has partnered with a mobile service provider	219	4.1963	1.36563
My bank offers agency banking	219	3.2648	1.74345
My bank is in partnership with another bank	219	2.6393	1.38223
Strategic alliances can accelerate the growth of commercial banks	219	4.2922	.97043
My bank has ever acquired another bank	219	2.8813	1.51584
My bank has ever been acquired by another bank	219	2.1872	1.35343

4.7.6 Growth of commercial banks

The dependent variable in this study was growth of commercial banks. Several factors were used to measure the growth of commercial banks which included the following: mobile banking, product promotion mix, electronic money transfer, Automated Teller Machine (ATM), telephone banking, mobile money transfer, increased use of paper money, use of magnetic ink character recognition, internet banking, strategic location of the bank, strategic leadership style in the bank, CSR in the bank, diversification of products, strategic alliance in the bank, teamwork amongst employees, concern for the customer needs, diversified products offered in the bank, interaction/networking of the bank with the society. The respondents gave the following responses: Mobile banking had a mean of 4.4703 and standard deviation of 1.0239, product promotion mix a mean of 4.1187 and standard deviation of 1.0157, electronic money transfer a mean of 4.3562 and standard deviation of 0.9959, ATM a mean of 4.4932 and standard deviation of 3.5920, telephone banking a mean of 3.5342 and standard deviation of 1.3888, mobile money transfer a mean of 4.1689 and standard deviation of 1.1429, increased use of paper money a mean of 3.4521 and standard deviation of 1.1419, use of magnetic ink character recognition a mean of 3.1918 and standard deviation of 1.4807, internet banking a mean of 4.4155 and standard deviation of 2.7605, strategic location of the bank a mean of 4.4977 and standard deviation of 0.8035, strategic leadership style in the bank a mean of 4.4521 and standard deviation of .9243, CSR a mean of 3.8721 and standard deviation of1.0545, diversification of products a mean of 4.5662 and standard deviation of 0.7097, strategic alliance in the bank a mean of 3.8402 and standard deviation of 1.0866, team work amongst employees a mean of 4.5068 and standard deviation of 0.7504, concern for the customer needs a mean of 4.6393 and standard deviation of 0.6443, diversified products offered in the bank a mean of 4.6347 and standard deviation of 0.6236 and interaction/networking of the bank with the society a mean of 4.4018 and standard deviation of 0.7975.

The overall mean for growth of commercial banks was 4.2007. This shows that apart from increased use of paper money and use of magnetic ink character recognition the rest of the items contributed to growth of commercial banks vary to a very great extent. This is due to the fact that majority of the commercial banks in Kenya are embracing new technology in order to compete favorably with other banks by the use of current technology to promote growth. This is shown in Table 4.21.

Table 4.21: Growth of commercial banks Descriptive Statistics

Statement	N	Mean	Std. Deviation
Mobile banking	219	4.4703	1.02393
Product promotion mix	219	4.1187	1.01573
Electronic money transfer	219	4.3562	.99591
Automated teller machine (ATM)	219	4.4932	3.59200
Telephone banking	219	3.5342	1.38884
Mobile money transfer	219	4.1689	1.14289
Increased use of paper money	219	3.4521	1.14188
Use of magnetic ink character recognition	219	3.1918	1.48068
Internet banking	219	4.4155	2.76046
Strategic location of the bank	219	4.4977	.80352
Strategic leadership style in the bank	219	4.4521	.92431
Corporate social responsibility	219	3.8721	1.05452
Diversification of products	219	4.5662	.70966
Strategic alliance in the bank	219	3.8402	1.08663
Team work amongst employees	219	4.5068	.75035
Concern for the consumer needs	219	4.6393	.64432
Diversified products offered in the bank	219	4.6347	.62360
Interaction/networking of the bank with the society	219	4.4018	.79747

4.8 Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (growth of commercial banks) and the independent variables (strategic positioning, leadership style, CSR, diversification of products and strategic alliance).

According to Sekaran (2008), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari, 2013).

The results of Table 4.22 suggest that there was a strong positive and significant relationship between strategic positioning and growth of commercial banks ($r = 0.447$, $P < 0.01$). There was a strong positive and significant relationship between leadership style and growth of commercial banks ($r = 0.406$, $P < 0.01$). There was a strong positive and significant relationship between CSR and growth of commercial banks ($r = 0.479$, $P< 0.01$). There was a strong positive and significant relationship between diversification of products and growth of commercial banks ($r = 0.553$, $P < 0.01$). There is a strong positive and significant relationship between strategic alliance and growth of commercial banks ($r = 0.412$, $P < 0.01$). Generally the five factors that is strategic positioning, leadership style, CSR, diversification of products and strategic alliance highly influenced the growth of commercial banks in Kenya.

The findings concurs with what was established during the interviews with bank regional managers. Those interviewed reported a significant relationship between growth of commercial banks and the independent variables namely strategic positioning, leadership style, CSR, diversification of products and strategic alliance. This is what one respondent said, ‘when you change your product you advise customers. Some embrace changes others ignore them and some close accounts.’ This narration alludes to the fact that some customers were resistant to change and therefore to ensure growth banks have to advise customers appropriately when changes are introduced in the banking sector as this may affect their growth.

Table 4.22: Coefficient of Correlation

Correlations

	Growth	Location	Leadership style	CSR	Product diversification	Strategic alliance
Growth	1					
	219					
Location	.447**	1				
	.000					
	219	219				
Leadership style	.406**	.393**	1			
	.000	.000				
	219	219	219			
CSR	.479**	.526**	.211**	1		
	.000	.000	.002			
	219	219	219	219		
Product diversification	.553**	.594**	.233**	.782**	1	
	.000	.000	.001	.000		
	219	219	219	219	219	
Strategic alliance	.412**	.326**	.036	.530**	.634**	1
	.000	.000	.001	.000	.000	
	219	219	219	219	219	219

**. Correlation is significant at the 0.01 level (2-tailed).

4.9 Regression Analysis

Multiple regression analysis was performed to assess the relationship between the dependent variable (growth of commercial banks) and the independent variables (strategic positioning, leadership style, CSR, diversification of products and strategic alliance) and to test the research hypotheses on effect of strategic management determinants on the growth of commercial banks in Kenya.

4.9.1 Regression analysis of the effect of strategic positioning on growth of commercial banks

The linear regression analysis models the relationship between the dependent variable which is the growth of commercial banks in Kenya and the strategic positioning of the bank. The results of the findings are found in Table 4.23. The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between positioning and growth of commercial banks in Kenya. The model summary shows a moderate but positive correlation between positioning and growth of commercial banks (R = 0.447). The R^2 of 0.20 suggests that 20% of the variation in growth of commercial banks in Kenya is explained by the model.

$Y = \beta_{0} + \beta 1X1$and the remaining 70% of growth of commercial banks is accounted for by other factors not present in the model.

Adjusted R^2 is a modified version of R^2 has been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.196 which is slightly lower than the R^2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. Thus there is a moderate linear relationship between strategic positioning and growth of commercial banks Kenya.

Table 4.23: Model summary of strategic location and growth of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.447[a]	.200	.196	9.63012

a. Predictors: (Constant), Location

Table 4.24 shows the results of ANOVA test which reveal that the positioning of a bank has a significant effect on the growth of commercial banks since the P value is actual 0.000 which is less than 5% level of significance. This is depicted by linear regression model $Y = \beta 0 + \beta 1X1$ where Y is the growth of commercial banks and X1 is the positioning of the bank. The P value was 0.000 implying that the model was significant. The study therefore rejected the first null hypothesis;

H_{01}: There is no significant effect of location on growth of commercial in Kenya.

Table 4.24: Analysis of Variance of strategic location and growth of commercial banks

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5019.590	1	5019.590	54.126	.000[b]
	Residual	20124.419	217	92.739		
	Total	25144.009	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), Location

Table 4.25 indicates there was positive gradient which reveals that when a bank is situated in geographically accessible area with good security and a parking facility it attracts many customers which leads to profitability and eventually opening of more branches which eventually leads to its growth.

Table 4.25: Regression coeffients of strategic positioning and growth of commercial banks

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	42.030	4.611		9.116	.000
	Location	1.282	.174	.447	7.357	.000

a. Dependent Variable: Growth

4.9.2 Regression analysis of the effect of Leadership style on growth of commercial banks

The linear regression analysis models the relationship between the dependent variable which is the growth of commercial banks in Kenya and the Leadership style of the bank. The results of the findings are found in Table 4.26. The model summary shows a moderate but positive correlation between the leadership style and growth of commercial bank. (R = 0.406) The R^2 of 0.165 suggests that 16.5% of the variation in growth of commercial banks in Kenya is explained by the model Y = $\beta_{0} + \beta 2X2$and the remaining 83.5% of growth of commercial banks is accounted for by other factors not present in the model. Adjusted R^2 is a modified version of R^2 has been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.161 which is slightly lower than the R^2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. Thus there is a moderate positive linear relationship between Leadership style and growth of commercial banks in Kenya.

Table 4.26: Regression model on leadership style and growth of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.406[a]	.165	.161	9.85849

a. Predictors: (Constant), Leadership style

Table 4.27 shows the results of ANOVA test which reveal that leadership style has a significant effect on growth of commercial banks in Kenya since the P value is actual 0.000 which is less than 5% level of significance. This is depicted by linear regression model below.

Y= β0 + β2X2 where Y is Growth of commercial banks and X2 is the leadership style of the bank. The P value was 0.000 which is less than 5% implying that the model was significant. The study rejected the second null hypothesis;

H_{02}: There is no significant effect of leadership style on growth of commercial banks in Kenya.

Table 4.27: ANOVA on leadership style and growth of commercial banks

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4150.651	1	4150.651	42.707	.000[b]
	Residual	20992.982	217	97.190		
	Total	25143.633	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), Leadership style

The results in Table 4.28 show that there is a positive gradient between leadership style and growth of commercial banks implying that leadership style move in the same direction with growth of commercial banks. This means improved managerial style, staff motivation/satisfaction and customer focus leads to growth of commercial banks.

Table 4.28: Regression coefficients of leadership style and growth of commercial banks

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	43.379	4.978		8.715	.000
	Leadership style	1.046	.160	.406	6.535	.000

a. Dependent Variable: Growth

4.9.3 Regression analysis of the effect of CSR on Growth of commercial banks

The linear regression analysis models the relationship between the dependent variable which is the growth of commercial banks in Mombasa County and the CSR of the bank. The results of the findings are found in Table 4.29. The model summary shows a moderate but positive correlation between the leadership style and growth of commercial bank. (R = 0.479). The R^2 of 0.229 suggests that 22.9% of the variation in growth of commercial banks in Mombasa County is explained by the model $Y = \beta_0 + \beta 3X3$and the remaining 77.1% of growth of commercial banks is accounted for by other factors not present in the model.

Adjusted R^2 is a modified version of R^2 has been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.226 which is slightly lower than the R^2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. It shows that 22.6% of variation in growth can be explained by the model while 77.4% cannot be explained by the model. Thus there is a moderate positive linear relationship between CSR and growth of commercial banks in Mombasa County.

Table 4.29: Regression model of CSR and growth of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.479[a]	.229	.226	9.45093

a. Predictors: (Constant), CSR

The results in Table 4.30shows the results of ANOVA test which reveal that CSR has a significant effect on growth of commercial banks in Mombasa County since the P value is actual 0.000 which is less than 5% level of significance. This is depicted by linear regression model

$Y = \beta 0 + \beta 3X3$ where Y is Growth of commercial banks and X3 is the CSR of the bank. The P value was 0.000 which is less than 5% implying that the model was significant. The study rejected the third null hypothesis;

H_{03}: There is no significant effect of CSR on growth of commercial banksin Kenya.

Table 4.30: Analysis of Variance of CSR and growth of commercial banks

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5761.537	1	5761.537	64.504	.000[b]
	Residual	19382.473	217	89.320		
	Total	25144.009	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), CSR

The results of Table 4.31show that there is a positive gradient between CSR and growth of commercial banks implying that CSR move in the same direction with growth of commercial banks. This means that when a commercial bank engages in community projects in terms of charities, sports and arts this leads to growth of commercial banks.

Table 4.31 Regression coeffients of CSR and growth of commercial banks

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	59.566	2.098		28.398	.000
	CSR	.764	.095	.479	8.031	.000

a. Dependent Variable: Growth

4.9.4 Regression analysis of the effect of Diversification of products on Growth of commercial banks

The linear regression analysis models the relationship between the dependent variable which is the growth of commercial banks in Kenya and the Diversification of products of the bank. The results of the findings are found in table 4.32. The model summary shows a strong and positive linear correlation between the diversification of products and growth of commercial bank. (R = 0.553). The R^2 of 0.306 suggests that 30.6% of the variation in growth of commercial banks in Kenya is explained by the model Y = $\beta_{0} +$ β4X4and the remaining 69.4% of growth of commercial banks is accounted for by other factors not present in the model.

Adjusted R^2 is a modified version of R^2 has been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.306 which is slightly lower than the R^2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. It shows that 30.2% of variation in growth can be explained by the model while 69.8% cannot be explained by the model. Thus there is a strong positive linear relationship between diversification of products and growth of commercial banks in Mombasa County.

Table 4.32: Model summary of diversification of products and growth of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553[a]	.306	.302	8.96973

a. Predictors: (Constant), Product diversification

The results in Table 4.33shows the results of ANOVA test which reveal that diversification of products has a significant effect on growth of commercial banks in Mombasa County since the P value is actual 0.000 which is less than 5% level of significance. This is depicted by linear regression model Y= β0 + β4X4 where Y is Growth of commercial banks and X4 is the diversification of products of the bank.

The P value was 0.000 which is less than 5% implying that the model was significant. This is also in line with document analysis where banks have displayed their diversified products. The study rejected the fourth null hypothesis;

H_{04}: There is no significant effect of diversification of products on growth of commercial banks in Kenya.

Table 4.33: Analysis of Variance of diversification of products and growth of commercial banks ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7685.037	1	7685.037	95.518	.000[b]
	Residual	17458.972	217	80.456		
	Total	25144.009	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), Product diversification

The results of Table 4.34 show that there is a positive gradient between diversification of products and growth of commercial banks implying that diversification of products move in the same direction with growth of commercial banks. This means that when a commercial bank engages in coming up with new products, improved products and product substitutes this may lead to its growth.

Table 4.34: Regression coefficients of diversification of products and growth of commercial banks

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	51.168	2.573		19.883	.000
	Product diversification	1.004	.103	.553	9.773	.000

a. Dependent Variable: Growth

4.9.5 Regression analysis of the effect of strategic alliance on Growth of commercial banks

The linear regression analysis models the relationship between the dependent variable which is the growth of commercial banks in Kenya and the strategic alliance of the bank. The results of the findings are found in Table 4.35. The model summary shows a moderate and positive linear correlation between the strategic alliance and growth of commercial bank. (R = 0.412). The R^2 of 0.170 suggests that 17% of the variation in growth of commercial banks in Kenya is explained by the model $Y = \beta_0 + \beta5X5$and the remaining 83% of growth of commercial banks is accounted for by other factors not present in the model.

Adjusted R^2 is a modified version of R^2 has been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.166 which is slightly lower than the R^2 value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. It shows that 16.6% of variation in growth can be explained by the model while 83.4% cannot be explained by the model. Thus there is a moderate positive linear relationship between strategic alliance and growth of commercial banks in Kenya.

Table 4.35: Model summary of strategic alliance and growth of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.412[a]	.170	.166	9.80614

a. Predictors: (Constant), Strategic alliance

The results in Table 4.36shows the results of ANOVA test which reveal that strategic alliance has a significant effect on growth of commercial banks in Kenya since the P value is actual 0.000 which is less than 5% level of significance. This is depicted by linear regression model

Y= β0 + β5X5 where Y is growth of commercial banks and X5 is the strategic alliance of the bank and other financial institutions. The P value was 0.000 which is less than 5% implying that the model was significant. The study rejected the fifth null hypothesis;

H_{05}: There is no significant effect of strategic alliance on growth of commercial banks in Kenya.

Table 4.36: Analysis of Variance of strategic alliance and growth of commercial banks ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4277.191	1	4277.191	44.480	.000[b]
	Residual	20866.818	217	96.160		
	Total	25144.009	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), Strategic alliance

The results of Table 4.37 show that there was a positive gradient between strategic alliance and growth of commercial banks implying that strategic alliance move in the same direction with growth of commercial banks. This means that when a commercial bank engages in agency banking, mergers and acquisitions this leads to their growth.

Table 4.37: Regression coefficients of strategic alliance and growth of commercial banks

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	59.281	2.537		23.370	.000
	Strategic alliance	.839	.126	.412	6.669	.000

a.

The results of Table 4.38 show the model summary for all the independent variables on growth of commercial banks.(R = 0.641). The R^2 of 0.411 suggests that 41% of the variation in growth of commercial banks in Mombasa County is explained by the model and the remaining 59% of growth of commercial banks is accounted for by other factors not present in the model. Adjusted R is 0.397

Table 4.38: Model summary of strategic location, leadership style, CSR, diversification of products and strategic alliance on growth of commercial banks

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	.641[a]	.411	.397	8.35796	.411	29.587	5	213	.000

a. Predictors: (Constant), Strategic alliance, Leadership style, Location, CSR, Product diversification

The ANOVA test in Table 4.39 on the overall model indicates that the independent variables position of the bank, leadership style, CSR, diversification of products and strategic alliance have a significant effect on growth of commercial banks in Mombasa County since the p value is actual 0.000 which is less than 5% level of significance. The linear regression model

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5$. Where Y = Growth of commercial banks, X1 = location of the bank, X2 = Leadership style, X3 = corporate social responsibility, X4= diversification of products and X5= Strategic alliance. The P value was 0.000 implying that the model was significant. This therefore implies that the factors significantly affect the growth of commercial banks in Mombasa County.

Table 4.39: Analysis of Variance of strategic location, leadership style, CSR, diversification of products and strategic alliance on growth of commercial banks

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10334.252	5	2066.850	29.587	.000[b]
	Residual	14809.381	213	69.856		
	Total	25143.633	218			

a. Dependent Variable: Growth

b. Predictors: (Constant), Strategic alliance, Leadership style, Location, CSR, Product diversification

Table 4.40: Regression coefficients of strategic location, leadership style, CSR, diversification of products, strategic alliance and growth of commercial ban

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
(Constant)	25.123	5.193		4.838	.000
Location	.229	.201	.080	1.140	.001
Leadership style	.746	.149	.290	5.015	.000
CSR	.100	.137	.062	.725	.003
Product diversification	.515	.181	.283	2.856	.005
Strategic alliance	.351	.143	.170	2.450	.015

a. Dependent Variable: Growth

4.10 Overall Regression Analysis

The researcher used the results of Table 4.40to decide on whether to accept or reject the study hypotheses.

H_{01}: There is no significant effect of position on growth of commercial banks in Kenya .For the first hypothesis the null hypothesis was rejected and the alternative hypothesis taken that there is a significant effect of location on growth of commercial banks in Kenya. This is because the p-value 0.000<0.05 making the coefficient of location significant in the model.

H_{02}: There is no significant effect of leadership style on growth of commercial banks in Kenya .For the second hypothesis the null hypothesis was rejected and the alternative hypothesis taken that there is a significant effect of leadership style on growth of commercial banks in Kenya. This is because the p-value 0.001<0.5 making the coefficient of leadership style significant in the model.

H_{03}: There is no significant effect of CSR on growth of commercial banks in Kenya.For the third hypothesis the null hypothesis was rejected and the alternative hypothesis taken that there is a significant effect of CSR on growth of commercial banks in Kenya. This is because the p-value 0.000<0.05 making the coefficient of location significant in the model.

H_{04}: There is no significant effect of diversification of products on growth of commercial banks in Kenya. For the fourth hypothesis the null hypothesis was rejected and the alternative hypothesis taken that there is a significant effect of diversification of products on growth of commercial banks in Kenya. This is because the p-value 0.005<0.05 making the coefficient of diversification of products significant in the model.

H_{05}: There is no significant effect of strategic alliance on growth of commercial banks in Kenya. For the fifth hypothesis the null hypothesis was rejected and the alternative hypothesis taken that there is a significant effect of strategic alliance on growth of commercial banks in Kenya. This is because the p-value $0.015<0.05$ making the coefficient of strategic alliance significant in the model.

With the results, the original conceptual framework in chapter two was retained as it captured the effect of strategic management determinants on the growth of commercial banks in Kenya.

Since the linear multiple regression model of the study was

$$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5$$

The estimated value of the model was found by inserting the unstandardized beta coefficients values in the study model. The constant was 25.123 showing that even in the absence of strategic management determinants for the growth of commercial banks there is an inherent growth factor which is constant and common to all commercial banks in Kenya. The β1 gave a value of 0.229, β2 gave a value of 0.746, β3 a value of 0.100, β4 a value of 0.515 and β5 was 0.351. To find the estimated value of the model hence; $Y= 25.123 + 0.229X1 + 0.746X2 + 0.100X3 + 0.515X4 + 0.351X5$

Table 4.41: Summary of hypotheses test results

Hypothesis	P-values	Decision
H_{01}: There is no significant effect of position on growth of commercial banks in Kenya	0.000	Rejected
H_{02}: There is no significant effect of leadership style on growth of commercial banks in Kenya	0.001	Rejected
H_{03}: There is no significant effect of CSR on growth of commercial banks in Kenya.	0.000	Rejected
H_{04}: There is no significant effect of diversification of products on growth of commercial banks in Kenya.	0.005	Rejected
H_{05}: There is no significant effect of strategic alliance on growth of commercial banks in Kenya.	0.015	Rejected

4.11 Discussion of key findings

The results of the study point out to some key findings which answer the research questions;

4.11.1 Specific objective 1: To determine the effect of strategic positioning on growth of commercial banks in Kenya

The study used both descriptive and inferential statistics to determine the effect of strategic positioning on growth of commercial banks. The study found out that strategic positioning had a statistically significant positive effect on growth of commercial banks. The factors which were being examined under strategic location included the geographical position of the bank, good security and parking facility. Geographical position of the bank was found crucial because it determined how secure the place is. Most of the banks had more than one branches to capture customers from different areas and also to check the long queues such that if a customer found a long queue in one branch then there are free to move to another branch. This is in line with a studies by Renman and Ahmed (2008) and Sharma and Rao (2010) which revealed that convenience of customers is one of the most important variables influencing customers choices which hence leads to growth of commercial banks.

Geographical position is also used to counter competition because most banks are situated around the same place especially in the CBD. This is because each bank wants to get a market share even in those places that are already saturated with other banks. It was established that for those who use mobile banking geographical position may not be such an issue although the account holders may need to visit the bank premises once in a while for some of the transactions. However such were not very many and this was attributed to fear of one losing money to fraudsters. The respondents also agreed that good security is very important and that banks which are located in places that are secluded did not have very many clients. This was attributed to the fear of being attacked as one left the banking hall. Parking facility was found to be important to the motorists who formed a good percentage. Therefore strategic location was quite significant to growth of commercial banks. This is in line with the findings study by Omar (2007) which found out that the strategic position of the bank was a major factor which led to growth of commercial banks.

4.11.2 Objective 2: To find out the effect of leadership style on growth of commercial banks

The indicators which were investigated under leadership style included the following: managerial skills, staff motivation/satisfaction and customer focus. Most of the respondents strongly agreed that managerial skills were very important. That it was the work of the bank managers at different levels to give the strategic direction to the other employees. That bank managers who work closely with their subjects achieve better results than those who don't. It is the duty of the managers to make sure that the bank mission and vision is achieved. This calls for allocation of resources for research and development which is a very important area of determining the need of the market at any given time and also establishing what the competitors are offering to the market.

Staff motivation was also very important as most of the respondents said that they were highly motivated and satisfied to work in the banks. They were entitled to a good pay package and allowances. A very small percentage of employees had changed banks due to getting greener pastures. Therefore staff motivation and satisfaction was found to be very important. It is only when employees are motivated and satisfied that they will work extra hard to achieving their set targets.

Customer focus was another factor which was studied under leadership style. Most of the respondents agreed that the customer is a very important person in their business because without him there is no banking. The customer is supposed to be received happily and served within the shortest time possible. This days in most of the banks the customers are given seats to relax as they wait to be served in order of arrival. The customer can also have an access to the bank manger if need be.

It was established that leadership style which had the greatest coefficient of correlation was very important for growth of commercial banks. Management skills, staff motivate ion/satisfaction and customer focus were cited as some of the critical factors influencing growth of commercial banks. It was established during interviews that good inter and intra personal skills, open door policy and good communication skills were important ingredients in growth of commercial banks. Statistically and using the un-standardized beta it was established that there was a strong and positive correlation between leadership style and growth of commercial banks which was rated at 0.746.

4.11.3 Objective 3: To establish the effect of CSR on growth of commercial banks

CSR is about the relationship between the bank and the environment within which it operates. The bank does not operate in a vacuum but in an environment surrounded by the society within which the customers are drawn. This is in line with Ethos institute (2007). It is very important for the bank to relate well with the society and give back goodies in return. These includes offering scholarships to the excellent students, offering bursaries to the needy students, sponsoring community based development projects, organizing charity walks to raise money to cater for medical care in the society such as those ailing diabetes, cancer and heart problems, organizing and sponsoring sports championships and offering unsecured loans in support of small businesses. These activities result to the community being positive about the operations of the organization. This is in line with Goddard (2005) who similarly observed that performance of CSR that could benefit the community could also increase the level of social participation and generate positive attitude towards the organization.

Majority of the respondents however disagreed that CSR increases growth of commercial banks .This is because most of the banks were practicing it to a very small extent or not practicing it at all. This was depicted by an unstandardized beta coefficient of 0.100 which showed a weak correlation. However the ANOVA results showed a strong significance, that is a P value of 0.003. In general the two modes of analysis used point towards the same direction that was a significant relationship between CSR and growth of commercial banks.

4.11.4 Objective 4: To determine the effect of diversification of products on growth of commercial banks

The following indicators were tested under diversification of products: new products, improved products and substituted products. The following areas were investigated: the bank offers a variety of products, digital banking is practiced in the bank, junior banking is offered in the bank, and the bank offers Muslim banking services, the bank offers prestige banking services and the bank offers credit cards. This is in line with a study by Adhiambo (2009) which established that a firm differentiates it's self from its competitors when it provides products that are unique, valuable to buyers and beyond simply offering a low price. The study established that Muslim banking was majorly practiced by the Islamic banks and very few other banks. Prestige banking was practiced by very few banks and also credit cards were offered by very few banks.

Generally it was established that new products, improved products and substituted products were key in the growth of commercial banks. This was due to the ever changing technology. It was established that there was a significant effect of diversification of products on growth of commercial banks. In terms of ranking, diversification of products on growth of commercial banks was rated second following leadership style. Equally important it was established that improved products and substituted products were highly rated by the respondents. This was perhaps driven by the adage that people always resist change even with the changes occurring in the banking sector.

4.11.5 Objective 5: To determine the effect of strategic alliance on growth of commercial banks

Strategic alliances are inter-firm collaborations, for the purpose of achieving a sustainable competitive advantage; they are long-term, enduring in nature, as compared to transaction type of relationships or interimistic relationships (Kale, Dyer, & Singh, 2002).

The following indicators were investigated under strategic alliance: agency banking, mergers and acquisitions. The following factors were looked into: the bank has partnered with a mobile service provider, the bank offers agency banking, the bank is in partnership with another bank, strategic alliance can accelerate the growth of commercial banks, the bank has ever acquired another bank, and the bank has ever been acquired by another bank. It was established that some banks were already practicing mobile banking, very few were practicing agency banking, and a few had ever been acquired. There were however some banks that were in the process of acquiring or being acquired by other banks. Majority of the respondents agreed that strategic alliance increases growth of commercial banks. It was established that agency banking, mergers and acquisitions if well managed will spur up growth in commercial banks. It was further established there was a statistically significant relationship between strategic alliance and growth of commercial banks with a P value of 0.015. This is in agreement with a study by Mwangi (2014) which established that strategic alliance lead to growth of commercial banks.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the discussions of the study results, conclusions and the recommendations made from the findings of the study. The chapter also highlights the recommendations of the study and suggests areas for further research.

5.2 Summary of the findings

This section summarizes the findings of the study. The general objective of the study was to establish the effect of strategic management determinants on growth of commercial banks in Kenya. The study established that there was a significant effect of strategic location, leadership style, CSR, diversification of products and strategic alliance on growth of commercial banks in Kenya. In line with the findings presented and discussed in the previous chapter, the study derived the following findings.

5.2.1 Effect of strategic positioning on growth of commercial banks

The first specific objective was to determine the effect of strategic positioning on growth of commercial banks in Kenya. The study established that there was a significant effect of strategic positioning on growth of commercial banks in Kenya.

5.2.2 Effect of leadership style on growth of commercial banks in Kenya

The second specific objective was to find out the effect of leadership style on growth of commercial banks in Kenya. The study established that there was a significant effect of leadership style on growth of commercial banks in Kenya.

5.2.3 Effect of corporate social responsibility on growth of commercial banks in Kenya

The third specific objective was to establish the effect of corporate social responsibility on growth of commercial banks in Kenya. The study established that there was a significant effect of corporate social responsibility on growth of commercial banks in Kenya. The study established further that most of the commercial banks were not involved in corporate social responsibility activities.

5.2.4 Effect of diversification of products on growth of commercial banks in Kenya

The fourth specific objective of the study was to determine the effect of diversification of products on growth of commercial banks in Kenya. The study found out that there was a significant effect of diversification of products on growth of commercial banks in Kenya.

5.2.5 Effect of strategic alliance on growth of commercial banks in Kenya

The fifth specific objective was to determine the effect of strategic alliance on growth of commercial banks in Kenya. The study established that there was a significant effect of strategic alliance on growth of commercial banks in Kenya. However it was established that not many commercial banks were involved in strategic alliance activities.

5.3 Conclusion

The study findings showed that each of the five strategic management determinants namely strategic positioning, leadership style, corporate social responsibility, diversification of products and strategic alliance has an effect on growth of commercial banks in Kenya. However CSR displayed a weak relationship when tested against the growth of commercial banks. Leadership style had the greatest effect, followed by diversification of products, strategic alliance, strategic positioning of the bank and finally CSR. In spite of its mild relationship with growth of commercial banks CSR was identified as one of the key determinants of growth of commercial banks if commercial banks would emphasis on it.

There are various players and factors that contribute to the growth of commercial banks. The study concluded that strategic management determinants for the growth of commercial banks namely strategic location of the bank, strategic leadership style, CSR, diversification of products and strategic alliance played a crucial role in the growth of commercial banks. It is evident from the research findings that most banks are anchored on strong strategic management practices to ensure continued stability and growth. Most banks have come up with innovative ways like mobile and internet banking to remain in business and conform to global dispensation where by money can be wired into a person's account within the shortest time possible.

Customer related activities have become the backbone of the banking industry with enticing products readily available and within reach. As such, commercial banks have engaged in cut throat competitions to woo customers to bank with them. Those that remain non innovative may be thrown out of the business. In this context, growth of commercial banks is manifested by increased profits (strong financial base) increased branch network and more customers.

5.4 Recommendations

Based on the conclusions the following are the recommendations;

5.4.1 Managerial recommendations

The study established that each one of the strategic management determinants in this study had a significant effect on growth of commercial banks in Kenya. It is therefore important that the bank managers implement them in their respective banks. All of them may not apply to all the banks hence managers are advised to pick on the ones that apply to their specific commercial banks. There were major issues that should be addressed by each commercial bank in order to realize growth. The geographical position of the bank, the security of the customers going to the bank and a parking facility were found to be very important factors under strategic positioning of the bank. Thus the study recommends that the management should look into that. Before a bank is cited in a certain place feasibility studies should be contacted to check the suitability of the location. At times the geographical positioning may be to counter competition for example if there are no other banks located in that place.

As far as strategic leadership style is concerned, the study established that good management skills, staff motivation/satisfaction and customer focus were very vital. Each commercial bank should lay down policies that protect both the employees and also the customers. The bank managers should lead from the front and give a strategic direction to the organization. The bank managers should not be bosses but should be team players. It was established that those employees who were motivated worked extra hard and for even extra hours to achieve the mission and the vision of the bank. The managers are therefore advised to come down to the level of other employees for better results to be realized The customers need to be respected and listened to whenever there is need. This is because they are the ones who advertise the bank to fetch more clients

The study established that CSR was not being practiced by majority of the banks. Very few commercial banks were found to be assisting the communities around them in terms of charities, sports and arts. The commercial banks that were not practicing this were concerned about the finances. The study recommends that all commercial banks should be involved with the society and this will lead to growth. When budgeting for any given financial year some resources should be kept aside for CSR activities

Diversification of product was found to be very important in these days of changing technology. Through the use of technology banks can introduce new products in the market, improve on the old products and even substitute the products that seem not to attract the customers. Most of the banks were found to be copy pasting the products of other banks. The study recommends use of research and innovation to come up with new products, improved one ore product substitutes. The finance department of each bank should allocate enough resources for research, development and training for employees as well as bench marking in other countries. This calls for employees to be trained on research and innovation by experts who have the right skills. The Kenya banking association in conjunction with bank managers should organize seminars and workshops for newly employed staff in order to update them with emerging products and operations of the banking sector. The purpose of this training will be to link theory with practice.

Strategic alliances were found to be practiced to a very small extent. However majority of the respondents agreed that this can be used to sort out the banks that were having financial difficulties. This study recommends commercial banks to introduce agency banking especially in places that are in the out skirts of the town to assist the customers get the services closer to where they are. This is because this can decongest the main banks and have customer served within a short time. For the banks whose resource bases are shaky mergers are recommended and those that are mightier acquisitions of weaker banks is recommended.

The management of banks should train the employees on new technology and the need to embrace CSR. The training should be done by experts who have perquisite skills and adequate knowledge on the banking sector and who can readily safeguard the image of the bank and the customers. This will lead to improved customer base hence more branch networks leading to growth of commercial banks. As far as customers are concerned. Such workshops should focus on customers' confidentiality, strategic management, and fraud, opening of accounts, money transfers and withdrawals amongst others.

5.4.2 Policy recommendations

From the study, it came out clear that all the strategic management determinants had a significant positive effect on growth of commercial banks. The study will assist policy makers in coming up with policies geared towards improving on growth of commercial banks. The study will assist intellectuals and be a reference for future studies and practitioners undertakings on effect of strategic management determinants on growth of commercial banks. This study makes a useful contribution to the advancement of academic knowledge on strategic management determinants from the African perspective and particularly to commercial banks in Kenya.

On policy matters this study recommends the following: commercial banks should comply with the Kenyan law and also with the regulator’s expectations. The regulator is also expected to carry out bank supervision to look into the following issues: irregular lending, exaggerating profits, contacting frequent audits, check on internal controls of the banks, introduce new liquidity tools for the struggling banks such as lending to each other to encourage strategic alliances.

Policies should be put in place by the CBK, the regulator, to ensure that banks operate within their means in order to check against irregular lending and exaggerating profits.

Policies should be put in place to ensure good corporate management practices by ensuring that banks are not money driven and that boards should keep management honest and transparent. Internal audits should reflect the situation on the ground and these audits should be as frequent as possible. Therefore ethical standards are highly expected.

The central bank should improve on how it does inspection of banks. Banks that do not comply with the law and regulator should not be allowed to contact business. All banks must follow laid down procedure without exception. The government should create an enabling environment for banks to work in.

5.5 Areas for further research

The current study attempted to explore the effect of strategic management determinants on growth of commercial banks in Kenya where it was established that CSR plays a mild role in the growth of commercial banks. A similar study should be conducted to determine the extent to which CSR leads to growth of other organizations in Kenya. The findings of this study will be used to confirm or reject the earlier findings.

A further study should explore the relationship between geographical position and growth of other organizations in semi urban centers. The purpose will be to investigate whether apart from commercial banks whether other organizations are affected by geographical locations in terms of growth. Another study should be done to investigate the role of micro finances on the growth of commercial banks.

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APPENDICES

Appendix I: Letter of Introduction

P.O. BOX 98412

MOMBASA, KENYA,

TEL: 0712 895 510

DATE…………………

Dear Respondent,

<u>RE: RESEARCH PROJECT</u>

I am a PhD student from Jomo Kenyatta University of Agriculture and Technology

Carrying out a research on strategic management determinants for the growth of commercial banks in Mombasa County. Your objective response will highly be appreciated. The information given will solely be used for academic purposes and will be treated with high confidentiality.

Yours Faithfully,

MARY NGINA MULONZI

(RESEARCHER)

Appendix II: Questionnaire for Bank Employees

Section A: Demographic and Personal data

Kindly fill where it applies to you

1. Sex Male ☐ Female ☐
2. Monthly income i) Below Ksh. 50,000 ☐

   ii) Ksh. 50,000 – Ksh. 100,000 ☐

   iii) Above Ksh. 100,000 ☐

3. What is your age bracket i) Below 30 years ☐

   ii) 31 - 35 years ☐

   iii) 36 - 40 years ☐

   iv) 41 - 45years ☐

   v) Over 46 years ☐

5. Highest level of education: i) Diploma ☐

   ii) Degree ☐

   iii) Masters ☐

   iv) PHD. ☐

   v) Other, please specify………………………..

SECTION B: Effect of strategic management determinants

i) Positioning of the bank

6. Which of these phrases best describes the location of your bank? Kindly indicate by ticking your answer using the scale described below

Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1)

Factors	5	4	3	2	1
The positioning of the bank is very convenient					
The bank is very accessible to customers					
Most people choose this bank because of its location					
The bank is situated in a place where there is security					
The bank has more than one branches in Mombasa county					
There is a packing facility outside the bank					

ii) Leadership Style

7. Which one of the statements below best describes the leadership style of your bank? Kindly indicate by ticking your answer using the scale described below

Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1

Statement	5	4	3	2	1
There is teamwork amongst the employees of the bank					
The bank employees enjoy serving the customers					
The customer is highly appreciated					
The customer takes a short time to get services at the bank					
The branch manager is easily accessible					
The bank employees are motivated and satisfied					
The bank employees are competent and understand their work					

iii. Corporate Social Responsibility

8. Kindly rate the extent to which your bank is involved in community work. Kindly indicate by ticking your answer using the scale described below

Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1

Factors	5	4	3	2	1
My bank offers scholarships to the excellent students					
My bank offers bursaries to the needy students					
My bank sponsors community based development projects					
My bank organizes for charity walks to raise money to cater for medical care for the sick in the society					
My bank organizes and sponsors sports championships					
My bank offers unsecured loans in support of small businesses					

iv. Diversification of Products

9. Kindly rate the extent to which your bank uses diversification of products. Indicate by ticking your answer using the scale described below

   Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1

Measure	5	4	3	2	1
The bank offers a variety of products					
Digital banking is practiced in my bank					
Junior banking is offered in my bank					
My banks offers Muslim banking services					
My bank offers prestige banking services					
My bank offers credit cards					

v. Strategic Alliance

10. Describe the extent to which strategic alliances are applicable in your bank. Indicate by ticking your answer using the scale described below

    Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1

Measure	5	4	3	2	1
My bank has partnered with a mobile service provider					
My bank offers agency banking					
My bank is in partnership with another bank					
Strategic alliances can accelerate the growth of commercial banks					
My bank has ever acquired another bank					
My bank has ever been acquired by another bank					

SECTION C: Growth of commercial bank

11. Using the scale indicated below kindly rate the extent to which the following products are used in marketing commercial banks.

    Most used (5) moderately used (4) Least used (3) rarely used (2) Never used (1)

Measure	5	4	3	2	1
Mobile banking					
Product Promotion mix					
Electronic money transfer					
Automated Teller Machine (ATM)					
Telephone Banking					
Mobile money transfer					
Increased use of paper money					
Use of magnetic ink character recognition					
Internet Banking					

12. Using the scale below; show the extent to which each of the following factors influence the growth of commercial banks. Indicate by ticking your answer using the scale described below

100% (5) 75% (4) 50% (3) 25% (2) 0% (1)

Measure	5	4	3	2	1
Strategic location of the bank					
Strategic leadership style in the bank					
Corporate social responsibility in the bank					
Diversification of products					
Strategic alliance in the bank					
Others Please specify					

13. Using the scale indicated kindly rate the extent to which the following activities contribute to growth in commercial banks.

Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1)

Activities	5	4	3	2	1
Team work amongst employees					
Concern for the consumer needs					
Diversified products offered in the bank					
Interaction/networking of the bank with the society					

Thank You

Appendix III: List of Commercial Banks in Kenya

1. Kenya Commercial Bank Ltd	20. Guaranty Trust Bank.
2. Equity Bank Ltd	21. Gulf African Bank Ltd
3. Co-operative Bank of Kenya Ltd	22. African Banking Corporation Ltd
4. Barclays Bank of Kenya Ltd	23. Equatorial Commercial Bank Ltd
5. Standard Chartered Bank Kenya Ltd	24. Giro Commercial Bank Ltd
6. CFC Stanbic Bank Kenya Ltd	25. Development Bank of Kenya Ltd
7. Commercial Bank of Africa Ltd	26. Fidelity Commercial Bank Ltd
8. I & M Bank Ltd	27. K-Rep Bank Ltd
9. Diamond Trust Bank Kenya Ltd	28. Guardian Bank Ltd
10. NIC Bank Ltd	29. First Community Bank Ltd
11. Citibank. N.A. Kenya	30. Habib Bank A.G. Zurich
12. National Bank of Kenya Ltd	31. Transnational Bank Ltd
13. Bank of Africa Kenya Ltd	32. Victoria Commercial Bank Ltd
14. Bank of Baroda Kenya Ltd	33. Habib Bank Ltd
15. Prime Bank Ltd	34. Credit Bank Ltd
16. Ecobank Kenya Ltd	35. Paramount Universal Bank
17. Family Bank Ltd	36. Oriental Commercial Bank
18. Bank of India Ltd	37. Middle East Bank Kenya Ltd
19. Consolidated Bank of Kenya	38. UBA Kenya Ltd
	39. Housing finance cooperation

Appendix IV: 3 X 3 Matrix of the Kenya

N Commercial Banking Sector as of December 2015

SIZE	LOCAL BANKS	FOREIGN BANKS	GOVERNMENT BANKS
SMALL	• ABC • Credit bank • Equatorial Bank • Fidelity Bank • Giro Bank • Guardian Bank • Jamii Bora • Middle East Bank • Oriental Commercial • Paramount Bank • Trans-National • Victoria Bank	• First Community • Habib A.G. Zurich • Gulf Africa • Sidian • UBA	• Consolidated • Development
MEDIUM	• Family Bank • I & M Bank • NIC Bank • Prime Bank	• Bank of Africa • Bank of Baroda • Bank of India • Citi Bank • Diamond Trust • Eco Bank • Guaranty Trust	• Housing Finance • National Bank
LARGE	• CBA • Equity Bank • Cooperative Bank	• Barclays Bank • Standard Chartered	• KCB