INFLUENCE OF STRATEGIC MANAGEMENT CAPABILITIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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Influence of Strategic Management Capabilities on the Performance of Commercial Banks in Kenya

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DECLARATION

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

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Christine Akoth Oswago

This thesis has been submitted for examination with our approval as university supervisors.

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DEDICATION

To my husband, Sylvester, who has been a constant source of support and encouragement during the challenges of course work and writing of this thesis. I am truly thankful for having you in my life.
ACKNOWLEDGEMENT

This thesis is a product of invaluable support and guidance I received from various organizations and individuals. It is really not possible to name all those who participated but I wish to take this earliest opportunity to sincerely appreciate all those who contributed in one way or the other.

I will however mention a few others who made tremendous effort towards the realization of this study. First, I am sincerely grateful to my supervisors Prof. Gregory S. Namusonge and Prof. George Orwa for their guidance and insightful comments that helped in shaping this work. I also benefited a great deal from my course lecturers, classmates and work mates who gave me the impetus to continue with the project.

My heartfelt appreciation goes to my family especially my husband Mr. Sylvester Odinga, children; Tracy, Xavier and Whitney and my mother Joyce who ensured that I was fully supported through prayers, materials, discussion and reading ambience. Your absolute sacrifice and unwavering support were quite humbling.

I would also like to thank Jomo Kenyatta University of Agriculture and Technology (JKUAT) management for giving me an opportunity to pursue my doctoral studies at the prestigious institution. I also wish to appreciate my field assistant Tracy chimita for her tireless effort in data collection and entry. I am particularly grateful to her for her ingenuity in arranging appointment with respondents and being ready to work for long hours to ensure we met the deadlines.

I also acknowledge with utmost sincerity all respondents and officials from various banks who participated in filling our questionnaires or assisted with discussions on pertinent issues of the research. Finally, I wish to acknowledge that whereas it is clear that somebody else could have made a different product out of this, it is important that I carried out the study at this time. For that reason, I am solely responsible for the content of this thesis including all omissions and commissions arising therein.
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<th>Definition</th>
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<tbody>
<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CBs</td>
<td>Commercial Banks</td>
</tr>
<tr>
<td>DV</td>
<td>Dependent Variable</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IV</td>
<td>Independent Variable</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
</tr>
<tr>
<td>MBV</td>
<td>Market Based View</td>
</tr>
<tr>
<td>NBK</td>
<td>National Bank of Kenya</td>
</tr>
<tr>
<td>NIM</td>
<td>Net Interest Margin</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Asset</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>SAPs</td>
<td>Structural Adjustment Programmes</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
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## DEFINITION OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Capability to Envision:</td>
<td>A roadmap that guides what needs to be accomplished for achieving sustainable, quality performance (Kavale, 2014).</td>
</tr>
<tr>
<td>Capability to Evaluate:</td>
<td>This is an attempt to appraise the short-term and long-term health of a business (Rugman &amp; Verbeke, 2008).</td>
</tr>
<tr>
<td>Capability to Monitor:</td>
<td>The practice of ensuring that business strategies meet predetermined goals and objectives (Lipsey, 2010).</td>
</tr>
<tr>
<td>Capability to Strategize:</td>
<td>It is the choice of the tactics and techniques by the firm that assist in managing performance (Hill &amp; Jones, 2009).</td>
</tr>
<tr>
<td>Management Capability:</td>
<td>The ability of an organization’s management team to realize the stated objectives (Pearce &amp; Robinson, 2007).</td>
</tr>
<tr>
<td>Organizational performance:</td>
<td>Is a critical indicator of the extent to which organizational goals have been met (Abu-jarad, Yusof, &amp; Nikbin, 2010).</td>
</tr>
<tr>
<td>Performance:</td>
<td>Level of work or activity of a firm over a specific period of time (Murerwa, 2015).</td>
</tr>
<tr>
<td>Strategic Capability:</td>
<td>On-going process of ensuring a firm is continually able to plan and actualize its performance (Lwova, 2013).</td>
</tr>
<tr>
<td>Strategic Management Capability:</td>
<td>Knowhow to realize the achievement in the formulation and implementation and achievement of an organization’s objectives (Pearce &amp; Robinson, 2007).</td>
</tr>
<tr>
<td>Strategy:</td>
<td>Policy direction that establishes the goals of a company, the methods of meeting them and the level resource allocation necessary for their realization(Nickols, 2012)</td>
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ABSTRACT

The performance of commercial banks in the past decade has attracted substantial interest among development economists and academicians. This is because of the pivoted role commercial banks play in a country’s growth and development. The purpose of the study was to investigate the influence of strategic management capabilities on the performance of commercial banks in Kenya. The specific objectives of the study were To establish the influence of strategic management capability to envision on performance of commercial banks in Kenya; To examine the influence of strategic management capability to strategize on performance of commercial banks in Kenya; To evaluate the influence of strategic management capability to monitor on performance of commercial banks in Kenya; and to determine the influence of strategic management capability to evaluate on performance of commercial banks in Kenya. The study employed a descriptive cross-sectional design. The total target population was 5432 employees in the head offices that is middle and senior level managers from 42 commercial banks in Kenya. A total of 358 respondents were used as the sample size for the study. The sample size was arrived at by use of random and stratified random sampling techniques. The data collected was then analyzed by both descriptive and inferential statistical tools. Being that the current study was dealing with the relationship study, the study therefore used regression model as a tool of analysis and the results generated were presented in form of tables. The results of this study is to benefit policy makers, managers, researchers, consultants, scholars and trainers on the performance of commercial banks. The study found out that appropriate application of each of the four strategic management capabilities positively and significantly influence the performance of commercial banks in Kenya. Of the four strategic management capabilities, it was established that strategic management capability to evaluate has a strong positive relationship with the performance of commercial banks. The key aspects of bank’s capability to evaluate were response to market changes and dynamics, availability of corrective measures to address failures and communicating assessment results to stakeholders. The study determined that most commercial banks have monitoring strategies to enable them seize the strategic initiatives and maintain a competitive edge in the market. The study concluded that effective strategic management capabilities have direct influence on the performance of commercial banks. The study recommended that commercial banks should continuously engage in creating visions and missions statements that spell their strategic focus in the future. The study recommends that commercial banks should plan on effective performance strategies to evaluate the achievement of performance targets. From the findings, the study concludes that appropriate application of strategic management capabilities and accurate response to market dynamics enhances the performance of commercial banks in Kenya.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A number of changes have taken place in the global economy over the past few years. These changes have caused several challenges to the banking sector and triggered off a flurry of activities aimed at increasing performance. The main aim of commercial banks is to register better performance through sustained profitability and growth (Pearce & Robinson, 2011). However, attempts to realize such successes, are often affected by multiple operating market conditions such as the level of competition, stakeholders management, political landscape, business legal regime, the cost of doing business, new innovative products, internal organizational structure, emerging technologies, and effects of globalization (Kotler & Armstrong, 2013).

A number of scholars such as Armstrong (2010); Mondy (2009), and Pearce and Robinson (2011), argue that businesses that create competitive advantage usually experience higher profitability and are more successful. However, not all firms would make similar successes in individual markets. As a result, commercial banks must adopt strategies to enable them keep afloat and attain their desired goals of growth and development (Kotler & Armstrong, 2013).

The past two decades have witnessed increased interest by policy makers and the Breton Wood Institutions on the performance of commercial banks. It is their contention that a vibrant banking sector is the main driver of national and global economic growth and development (World Bank, 2013b). The commercial banks therefore should be managed in such a way as to continuously register better performance.

The commercial banking sector is expected to contribute greatly in mobilizing and allocating vital funding through savings to support trade and project implementation. Savings is a means towards greater capital accumulation, provision of credit and investment by the private sector. Lipsey (2009) supported by Allen and Carletti
(2010) argued that, commercial banks channel substantial savings into productive activities and provide other services that include portfolio investments and risk sharing endeavours that other financial intermediaries cannot provide. The banks also engage in asset development for their customers and help revitalize local economies by ensuring prudent investment by the citizenry.

Whereas it is possible for commercial banks to register growth and better performance, this can only be achieved when market factors and other variables are favourable. Such market factors may include political stability and readily available skilled workforce. Allen and Carletti (2010) and Jones (2010) have identified a number of factors contributing largely to the performance of commercial banks such as the characteristics and type of stakeholders and their management. Since most of the countries in the world have adapted free economies, a number of commercial banks tend to enter into foreign markets. This has increased competition levels among banks. Consequently, commercial banks must employ strategic management capabilities to compete better if they are to make profits (Onuonga, 2014).

Commercial banks globally have registered some remarkable development in the past five years. This is because of the relatively stable market factors and favourable global political dispensations. According to World Bank (2013b), there were over 10,000 operational commercial banks spread across the globe by December 2012. Out of these, 60% were located in developing countries which account for 80% of the total world population. Africa accounted for about 12% of this total, Asian country having 70%, and Latin America accounted for 17%.

1.1.1 Strategic Management Capabilities

Strategic management as a practice originated in the 1950’s and 60’s with significant contributors being Chandler, Ansoff, Porter and Drucker (Freeman, 2010). Strategic management practice is the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. Strategic management is involved in deploying a firm’s internal
strengths and weaknesses to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele & Oyenuga, 2008).

Thompson and Strickland (2003) defined strategic management practice as the process whereby managers establish an organization’s long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. According to Drucker (1974), the prime task of strategic management is thinking through the overall mission of a business. This leads to setting of objectives, development of strategy and making of today’s decision for tomorrow’s result. This should be done by balancing the present objectives and needs against those of the future in the light of available resource (both present and future) of men and materials.

Thompson and Strickland (2003) identified five major tasks of strategic management capabilities that include developing a strategic vision and business mission, setting objectives, crafting a strategy to achieve the objectives, implementing and executing the strategy, evaluating performance. Ansoff (1979) made some of the earlier contributions to the concept of strategic capability in terms of general management capability and competence, logistical competence, strategic capacity and discussed their dynamics.

While Ansoff’s work broke new ground on the subject, certain questions still remain unanswered. For example, the distinction between individual competence and organizational competence is blurred, the transformation process from individual competence to organizational competence is not explained, and further development of the concepts was needed.

1.1.2 Management Capabilities of Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2013). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance
docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (Price Water Coopers, 2012).

The banking sector in Kenya can be described as vibrant and growing. It compares favourably with other developing economies in terms of contribution to economic growth. By December 2015, Kenya had one Central Bank as a regulatory authority, 44 Commercial banking Institutions, seven Representative Offices of Foreign Banks, nine Microfinance Banks, two Credit Reference Bureaus and 101 Forex Bureaus (CBK, 2013). Based on their size (in terms of assets), of the 44 banking institutions, six are classified as top commercial banks. These include Kenya Commercial Bank Limited, Equity Bank Limited, Barclays Bank (K) Limited, Standard Chartered (K) Limited, Cooperative Bank of Kenya and CFC Stanbic Bank (K) Limited (CBK, 2013).

Over the past few years, the banking sector in Kenya has undergone several developments including interest deregulation, liberalized lending rates and improved financial laws. Besides, the sector has witnessed steady influx of foreign owned banks into the country. Equally, major world money transfer giants such as Western Union, a host of international foreign exchange bureaus, and Islamic *Hawalas* have found their way into the country. This trend has led to high competition. Through deregulation, barriers to competition have been removed resulting to new entries with more appealing concepts (Kotler & Armstrong, 2013).

The element of competition has brought about new innovation among commercial banks in Kenya. Banks are thus engaging in measures to edge-out others. For instance, CFC Bank decided to merge with Stanbic Bank so as to reduce stiff competition and capture a wide market share (CBK, 2010). The CFC-Stanbic Bank thereafter came up with gender based products which triggered off a flurry of equivalent measures by other banks. Further, a number of banks were converted into a one-stop shop, for example, the Equity Bank has acquired a stock broking license, operates insurance, mobile money transfers, and electronic money transfer services for its clients.
Globalization processes has encouraged marketers in the banking sector to take a fresh look at the ways in which they relate with the broader world around them. Local banks are thus challenged by skilful international marketers and products. Commercial banks must therefore take a global look of the industry, their competitors, and opportunities. Most local banks in Kenya, faced with this reality are locating into global market and importing practices that appeal to global customers (Kotler & Armstrong, 2013). For instance, the Kenya Commercial Bank (KCB) expanded into Rwanda, Britain, South Sudan, Tanzania, Uganda, and South Africa, while Equity bank has branches in South Sudan, Uganda, and Rwanda. This has led customers also to demand value for their money. Commercial banks are currently engaged in different management strategies to ensure they achieve better performance in both their financial and non-financial development goals.

1.2 Statement of the Problem

Strategic management can assist in deploying an organization’s internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Tatar & Moradi, 2015). According to Melchorita (2013), strategic management addresses the reason why some organizations succeed while others fail. Strategic management capabilities can greatly enhance the performance of financial organizations like commercial banks.

The Kenyan banking industry is currently facing stiff competition from new entrants like mobile phone companies and international banks (CBK, 2015). In this regard, incorporation of strategic management capabilities will go a long way in reducing this competition thus enhancing performance. One way commercial banks in Kenya have attempted to wither competition is the adoption of market expansions strategies to realize larger customer base like opening new branches and operating beyond Kenyan borders (Kungu, Desta, & Ngui, 2014).

In his study on the influence of firm activities on performance of commercial bank in Kenya, Mwangi (2016) indicated a positive significant relationship between bank activities and performance of the commercial banks in Kenya. In spite of these performance related strategies, commercial banks in Kenya are still facing challenges
due to the dynamism of the environment in which they operate. Some of the challenges include declining interest margins, global financial crisis, increasing levels of inflation, exchange rate volatility, increased competition from banks and non-banks, technological changes, product improvement, and new regulations (Watuka, 2014).

Whereas, studies by have identified strategic management capabilities as critical factors contributing largely to the performance of commercial banks in developed countries, the same has not been fully replicated in Kenya. Failure to seek management strategies to guarantee performance and survival of commercial banks will lead to decline in profits and flight of critical stakeholders.

A number of studies which have been done including: Allen and Carletti (2010); Jones (2010); Ozturk and Coskun (2014); Mulonzi, Namusonge and Mugambi (2017); Kivuja (2011); Lwova (2013), and Mbondo (2011) do not clearly explain the relationship between strategic management capabilities and performance of commercial banks. It is this gap which this study sought to bridge by investigating how strategic management capabilities adopted by commercial banks in Kenya have influence on their performance.

1.3 Objectives of the Study

1.3.1 General objective

The general objective was to establish the influence of strategic management capabilities on the performance of commercial banks in Kenya.

1.3.2 Specific objectives

The specific objectives of the study were:

1. To establish the influence of strategic management capability to envision on performance of commercial banks in Kenya.
2. To examine the influence of strategic management capability to strategize on performance of commercial banks in Kenya.
3. To evaluate the influence of strategic management capability to monitor on performance of commercial banks in Kenya.
4. To determine the influence of strategic management capability to evaluate on performance of commercial banks in Kenya.

1.4 Research Questions

The research questions of the study were:

1. To what extent does strategic management capability to envision influence performance of commercial banks in Kenya?
2. To what extent does strategic management capability to strategize influence performance of commercial banks in Kenya?
3. To what level does strategic management capability to monitor influence performance of commercial banks in Kenya?
4. To what extent does strategic management capability to evaluate influence performance of commercial banks in Kenya?

1.5 Hypothesis of the Study

1. The following null hypothesis guided the study:
2. H01: Strategic management capability to envision has no significant influence on performance of commercial banks in Kenya.
3. H02: Strategic management capability to strategize has no significant influence on performance of commercial banks in Kenya.
4. H03: Strategic management capability to monitor has no significant influence on performance of commercial banks in Kenya.
5. H04: Strategic management capability to evaluate has no significant influence on performance of commercial banks in Kenya.

1.6 Significance of the Study

The investigation to establish the underlying factors responsible for commercial banks performance in Kenya is paramount, given the recent reforms of the commercial banking sector. The study provided insight for bank owners and policy
makers, on factors that determine bank performance and efficient utilization of resources, for sustainable competitiveness.

The study will enable commercial banks in Kenya to review the way they have been conducting business. Understanding factors that have great impact on bank performance is essential for survival and also useful in sustaining profitability in the dynamic and competitive business. The study findings presented a basis for the regulatory authorities to find a solution to persistent poor performance of domestic commercial banks. The appropriate course of action has to be taken to strengthen the commercial banking sector in Kenya.

The study contributes to existing knowledge on factors responsible for bank performance and serves as a basis to provide measures and policy formulation for stakeholders and to embark upon bank specific factors in order to enhance the quality of bank services in Kenya. Researchers and academicians in the field of strategic management will find this study a useful guide for carrying out further studies in the area. The study acts as a forum of informing current scholars on the important role strategic management capabilities play in enhancing performance of commercial banks in Kenya. The study creates a basis of continuity for future scholars on the field of strategic management capabilities and performance of commercial banks in Kenya and beyond.

1.7 Scope of the Study

The study was based in Nairobi County and examined the 44 commercial banks operating in Nairobi. The headquarters of these banks are located in Nairobi and formed the target of this study. Nearly all banks operating in Nairobi have branches across the whole country. For the study to arrive at viable and accurate conclusions, it covered the period between 2012 and 2016.

Although there are many strategic management capabilities, this study specifically explored four strategic management capabilities which include strategic management capabilities to envision, strategize, monitor and evaluate the performance of commercial banks in Kenya. Capability to envision in this study is taken as a guiding
and future principle in commercial banks that assists in achievement of sustainable and quality performance. Capability to evaluate refers to ability to evaluate or assess both the short and long term health of commercial banks.

Capability to monitor in this study refers to the practice of guaranteeing there is achievement of predetermined goals and objectives in commercial banks. Capability to strategize on the other hand refers to the techniques of enhancing management performance in commercial banks. Four theories formed the foundation of the study, they include the generic strategy theory, dynamic capability theory, competitive advantage theory and resource based theory.

1.8 Limitations

A number of limitations were encountered during the study, it was quite hard to get all historical information on aspects of performance from a number of banks that did not keep proper documentations. The researcher however managed to extract performance data from the Central Bank of Kenya and the Kenya Bureau of Statistics libraries where substantial historical information on the activities of commercial banks are documented and stored.

The study was also faced with cases of none or sometimes inaccurate responses. Where such data was forthcoming, they were majorly in hard copies which became very difficult to retrieve. The researcher made arrangement to engage additional research assistants who were able to get the required information in time. Arrangements were also made to approach alternative institutions and use key informants to validate the information gathered.

In addition to the above, certain banks appeared to be operating in secrecy as to the returns on their performance and were reluctant to divulge required information. This limitation was however resolved by reassuring the managers on the basis of the research and conduct personal interviews which proved helpful.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the conceptual framework and analyses the theoretical foundation upon which the influence of strategic management capabilities on the performance of commercial banks is based. It also analyses the theoretical and empirical literature to explore the contextual foundations, scholarly debates and gaps on topical aspects of strategic management capabilities and how they might influence performance of commercial banks.

2.2 Theoretical Framework

The factors that determine the level of performance of commercial banks can best be understood through key theories in strategic management within organizations. These theories include the generic strategy theory, dynamic capability theory and resource based theory.

2.2.1 Resource Based Theory

The Resource Based Theory/View (RBT) was advanced by organizational structuralisms (Freeman, 2010). He argued that a firm’s competitive advantage is gained out of firm-specific resources that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). A firm’s resources may include various forms such as machinery and equipment, financial capital, human capital, management team, management systems, technology and knowledge, and intangible assets like reputation and brand. It is the availability of these resources that provides a firm with advantages for growth and development.

Resources should be indispensable to generate differentially greater value, leading to better performance for the firm (Kotler & Armstrong, 2013). Whether a resource is critical or not is determined by its superior efficiency that can provide the customers with higher value with a given cost or can provide them with the same level of value.
with a lower cost. The RBT also focuses on the resources controlled by a firm and to centre on intangible resources such as capabilities, knowledge, and reputations (Peteraf, 1993). RBT explains performance disparity across firms in a factor-based, efficiency-oriented, and firm-level approach (Peteraf & Bergen, 2003). The theory is based on the idea that the effective and efficient application of all useful resources that the company can gather helps determines its competitive advantage (Dixon, 2011).

In this study, RBT sees a commercial bank as a collection of assets, or capabilities. In the modern economy, most of these assets and management capabilities are intangible. The success of a commercial bank is based on those of their capabilities that are distinctive. Commercial banks with distinctive strategic management capabilities have attributes which others cannot replicate, even after they realize the benefit they offer to the company which originally possesses them. The intangible resources such as strategic management capabilities held by a commercial bank play a major role in enhancing its performance levels. Capability to envision is a resource that assists in achievement of sustainable and quality performance by a commercial bank through a well stated mission and vision. Capability to evaluate is a resource that assesses both the short and long term health of commercial banks. Capability to monitor acts as a resource that guarantees the achievement of predetermined goals and objectives in commercial banks. Capability to strategize is a resource that enhances management performance in commercial banks.

2.2.2 Agency Theory

The Agency theory was first mentioned by Jensen and Meckling in their 1972 article on the ‘Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure’ (Lan et al., 2010, Daily et al., 2003). In the article, the theory is established as a simple model which explains a relationship of one or more persons (the principal) who engages another person (the agent) to perform some service on their behalf including delegating certain decision making authority (Mitnick, 2006).

According to Alchian and Demsetz (1972), Jensen and Meckling (1972), and Kaplan (1984), contracts are considered as an appropriate means for resource allocation
which in essence reveals the scope of the firm's activities. The strategic management processes and activities that affect performance measure are explained by adapting the "agency theory" framework.

Laffort and Marti (2016) argue that the agency theory of strategic Management is so crucial since the action chosen by a particular individual (the agent) affects not only one, but several other parties (the principals). In addition, the Agency Theory suggests that there should be proper synergy between the management and its stakeholders in order to work towards a common goal which is basically a question of performance.

Of serious interest is Jensen and Meckling (1996) explanation of the agency theory as a framework for strategic management in which they see the theory on management issues such as accountability, responsibility through monitoring and correction.

It is on this premise that I observe that the agency theory should be embraced in strategy formulation where the principals should always co-operate with the agents in formulating the organization’s mission, vision and the objectives. All that is done at the strategy formulation to strategy evaluation and control should carry the hopes, aspirations and the values of the principals, the agents and all other stakeholders of the firm.

The agency theory has been criticised as only showing a relationship between owners and managers and it provides deception and misappropriation of funds by the (Laffont, 2002). In addition, it is difficult for management of organization to exercise substantial control or monitoring of the activities of employees (agents) as the theory suggests.

Besides, the agency theory has been criticised Buchaman (2014) who argues that the agents embraced by the agency theory in strategic management tend to make those decision which best fit them without necessarily looking at the overall goal of the firm. This is why the agency theory inherently suggests appreciate the elements of monitoring and control by the management.
On the basis of our study especially on the variable of management capability to monitor, the agency theory is useful in the formulation of the corporate strategy by defining the parameters of the organization problem which is then passed on to the employees to implement (James & Raposo, 2011).

In conclusion, the Agency theory is suitable in explaining the influence of strategic management capabilities on the performance of commercial banks especially of the options of monitoring and evaluation of programmes. Thus, the Agency Theory is important in understanding the overall process of strategic management capabilities as an essential element is enhancing organizational performance.

2.2.3 Survival Based Theory

The survival theory was initially introduced in the field of economics by Schumpeter (1934), Alchian (1950), Harrod (1939) and Marshall (1949). According to Herbert Spencer, the theory emphasise that by following the principle of nature, only the best and the fittest of competitors will win. Those firms which survived and prospered will adapt to their environment by engaging in ruthless business rivalry and unprincipled strategies (Miesing & Preble, 2005).

In organization terms, the Survival Theory entails fundamental transformation of drastic, radical, sporadic, brief and all encompassing change of organization’s routine activities covering most of organization’s processing. Subsequently, those firms which will survive must have substantial strategic management capabilities to strategies and out do their rivals. (Murmann et al., 2003).

The survival-based view in strategic management emphasized on the assumptions that in order to survive, organizations has to deploy strategies that should be focused on running very efficient operations and can respond rapidly to the changing of competitive environment (Khairuddin, 2005), since the one that survive is the one that is the fittest and most able to adapt to the environment. Whereas this theory has could explain the need for firms to engage in competition, it lacks the scope to fully benchmark our study on the influence of strategic management capabilities on the
performance of banks. It does not explain the relationship between elements of competition and overall performance goals.

2.3 Conceptual Framework

The conceptual framework is an illustration of factors that influence the performance of commercial banks in any country. These factors include strategic management capabilities to: envision, strategize, monitor and evaluate. Effective application of these factors will positively influence the level of performance within the commercial banks. Based on the generic strategy theory, dynamic capability theory, resource based theory and competitive advantage theory, the conceptual framework of this study is illustrated in figure 2.1
Conceptual Framework

**Strategic Management Capability to Envision**
- No. of benchmarked performance schemes
- Total investment metrics used
- Projected Return on Investments (ROIs)

**Strategic Management Capability to Strategize**
- Strategy effectiveness levels
- No. of reviewed strategies
- No. of capacity needs analysis strategies

**Firms' Performance**
- Profitability
- Return on shareholders’ wealth

**Strategic Management Capability to Monitor**
- SWOT analysis reviews
- Established strategic control measures
- Reviewed investment performance
- Established strategic control measures

**Strategic Management Capability to Evaluate**
- Volume of assessed strategies
- Number of corrective actions
- Number of successful ROI measures

**Independent Variables**

**Dependent Variable**

Figure 2.1: Conceptual framework
2.3.1 Strategic Management Capabilities to Envision

Lodato (2014) explains that a company's vision is a transcendent ideal that represents shared values, and which is ideological in nature. He went further to suggest that vision results in the internalization of organizational values and goals, which encourages individuals to adopt behaviours that add value towards the attainment of desired performance goals.

Visioning is an important leadership capability which most organizations have embraced as a management tool to spur their performance. Lebens and Euske (2006) argued that the essential components of organizational performance are dependent on clear vision statement and how the management is able to charismatically involve all stakeholders in its application. Similar sentiments are expressed by Weber (1968) who pointed out that organization performance is mostly influenced by a leadership with charisma to properly articulate the vision of the organizations.

Scholes and Whittington (2008) argue that strategies in effective visioning involve use of benchmarks and best practices from other organizations within the industry which have recorded superlative performance. According to Jerop and Juma (2014), benchmarks in strategic innovations encompass the use of total investment metric and how firms will work towards their projected Return on Investment (ROIs).

While commercial banks may come up with quality products, give reasonable interest rates and deliver banking policy that suit its clientele, positive effect of such effort can only be realised through involvement of all stakeholders to adopt the bank's vision statement. When clients or employees are poorly mobilized and managed to envision, the bank performance indicators elements such as profitability, market share, shareholders wealth and growth are likely to be depressed.

2.3.2 Strategic Management Capability to Strategize

Strategizing is a core process of strategic management which involve strategic planning and thinking. David and David (2015) define strategic management as the art and science of formulating, implementing and evaluating cross-
functional decisions that enable an organisation to achieve its objectives. This implies that strategic management focuses on integrating management, effective marketing, financial controls and developing information systems which are viable and easily understood by employees and other stakeholders. Thompson et al. (2010), argue that the act of crafting a strategy is primarily a market driven activity which involves the identification of the desired competencies and capabilities to build a strategy and help in achievement of competitive advantage over rival firms.

Strategic management process consists of four basic elements including environmental scanning, strategy formulation, strategy implementation and, strategy evaluation and control. Strategy formulation involves development of long range plans including mission, objectives, strategies and policies (Wheelen & Hunger, 2008). A bank must therefore be aware of its environment and should put in place strategies to address any emerging challenges or maximise on the opportunities for better results (Cennamo et al., 2009).

Good strategies entail selection of progressive policies; periodic review and allocation of requisite capacities available to effect individual strategy have positive and direct influence on organizational performance (Freeman, 2010). A bank with progressive ideas in terms of its market choice, product innovation, knowledge of competitors and effective corporate social responsibility is likely to appeal to majority of clients thus resulting into better performance. Commercial banks which lack capabilities to strategise are likely to register poor performance and close down in the long run.

### 2.3.3 Strategic Management Capability to Monitor

The concept of monitoring in organizational framework refers to continuous tracking of key indicators (outputs and outcomes) throughout the implementation process of programmes (Mondy, 2009). According to Ozturk and Coskun (2014), it involves a regulated observation and checks on the progress or quality of programmes implementation over a period of time. The purpose is to ensure that the strategy being implemented is on course and meeting performance targets (Kungu et al., 2014). The indicators in strategic management capability to monitor include regular
review of the strength, weakness, opportunity and threat that may face the implementation of policies and putting in place the strategic control measures to avert negative impact that may ensue.

Monitoring uses systematic collection of data on specific indicators to provide the management and the main stakeholders with indications of the extent of achievement of objectives and progress of an ongoing intervention. Effective monitoring will directly result into better performance of organizations.

2.3.4 Strategic Management Capability to Evaluate

The term evaluation is defined as a systematic determination of the success or failure of what was predicted or what was to be accomplished and how it was accomplished. This includes, assessing whether deadlines were met, implementation steps and processes are working correctly and whether the expected results were achieved.

Evaluation establishes challenges which may affect the attainment of the expected results besides providing information on the reasons for the success. In the case of shortcoming, the strategy that was used can be modified or reformulated (Johnson & Scholes, 2002). When success is realised, the information obtained for such outcome form part of the reference material for managerial decision on future performance issues.

Evaluation is conducted by determining the volume assessed strategies, tabulation of the corrective action taken and establishing the number of successful return on investments made. When evaluation is done regularly, managers are provided with opportunities to respond or intervene on the internal and external environmental challenges that may occur during the implementation strategies. Additionally, it allows the management to adjust to the changing business environment which essentially is a requisite for better performance outcome.
2.3.5 Performance of Commercial Banks

The notion of organizational performance is very common in academic literature and within organizational conversations. As such, people of different persuasions understand it differently. In early 1950s, organizational performance was viewed as the extent to which organizations systems fulfilled their set objectives (Yuchtman & Seashore, 1967). During this period, the performance evaluation was focused on work, people and organizational structure. The idea however changed in the 1960s and 70s when organizations begun to explore new ways of determining their performance.

According to Yuchtman and Seashore, (1967), performance denoted an organization's ability to exploit its environment by accessing and using the limited resources available. A firm would therefore claim successful performance on the basis of maximising scarce resources to attain its objectives. Some of the measures included underpaying workers and cutting cost on social arrangements such as housing scheme for employees, corporate social responsibility and benevolent support (Pearce & Robinson, 2009).

The evolution of the concept continued and in the period of 1980s and 90s a new paradigm emerged with the realization that the identification of organizational objectives is more complex than initially imagined. Managers began to understand that an organization is successful if it effectively accomplishes its goals by using a minimum of resources at its disposal. Subsequently, the organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Wheelen & Hunger, 2008). This school of thought conceived profits as the main indicator of performance.

Today, the term organization performance is viewed as the attainment of superior profit levels, larger market share and the level of growth registered by companies (Lebans & Euske, 2006). This is similar to Richard (2009) contention that organizational performance is a measure of the actual output or results of an organization as measured against its goals and objectives. The goals include financial
performance (profits, return on assets, return on investment); product market performance (sales, market share), and return on shareholders' wealth.

The performance of commercial banks, as in any other business organization, is the extent to which the bank is able to meet its corporate objectives. These objectives are both financial and non-financial. Financial performance depends on the level and sustainability of profits that the bank is able to make as a firm. A firm’s profitability is usually a function of the size of the market the company controls, the efficiency and effectiveness of cost reduction strategies being employed, and price of the products offered (Jones, 2010). Organizations mainly aspire to maximise on shareholders wealth, have stable share capital, and greatly expand into new markets. The non-financial performance goals include delivering sound environmental management programmes, having good corporate reputation, implementing popular corporate social responsibility programmes, and maintaining a loyal and highly skilled workforce. The attainment of these goals or its failure depends on the prevailing market and socio-economic circumstances upon which the banks operate (CBK, 2013).

The success of commercial banks is a measure of the level of profits that they earn and how sustainable that profit is. Other than profits, performance of commercial banks is also a measure of the cash available to meet operational costs, product quality and diversification, level of market share, corporate identity, growth, and the amount of capital base (World Bank, 2013). While commercial banks may come up with quality products, give reasonable interest rates, and deliver banking policy that suit its clientele, positive effects of such effort can only be realized with better management of all stakeholders of the bank. When clients or employees are poorly mobilized and managed, commercial banks are likely to make losses in their annual earnings (Nicklos, 2012).

Banks which have better strategies in the management of stakeholders can achieve immense growth. Successful performance in commercial banks is also dependent on the type of banking policies in operation. A bank with progressive ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to
be appealing to many customers, thus resulting into higher sales and subsequently better performance (Allen & Carletti, 2010). To clearly understand what constitute the performance of commercial banks, understanding the meaning of organizational performance is paramount. The concept of organizational performance is very common in academic literature but its definition presents a great challenge to most scholars. This is because of its complexities, the so many meanings that it attracts and marked differences in its definition over time (Albrecht, 2011).

In the 1950s, performance was defined as the means through which organizations meet their objectives (Paulo, 1957). This definition looks at performance in terms of work, people and organization. It was interested in the amount of work each employee does and what product is produced by the company. By 1960s through to the 70s performance came to be seen as an organization ability to exploit its environment which enables it to access and use limited resources it has (Seashore, 1967). The focus here was to optimize the utilization of scarce resources available to an organization. Later, in the 1990s, organizational performance assumed a new definition which saw it as the accomplishment of organizational goals by using available resources in the most effective and efficient ways (Adrian, 1998). The idea here incorporated quality and efficiency as the basis of delivering organizational objectives.

Today however, scholars still grapples with how best to define organizational performance. Lebans and Euske (2006) define performance results as encompassing a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results. In this view, performance focuses on the dynamisms requiring continuous and strategic judgment and interpretation in the functions and operation of a firm. According to Armstrong (2010), performance refers to the actual output or results of an organization measured against its intended outputs (goals and objectives). The position is supported by Albrecht (2011) who points out that performance is merely the extent to which an organization achieves a set of pre-defined targets that are unique to its mission. These target will include both objective (numerical) and subjective (judgment) indicators.
From the above it can be concluded that organizational performance comprises the ability of an organization to fulfil its mission through sound, strong governance and persistent formulation of new strategies to achieve results (Mondy et al., 2009). Additionally, performance depicts those operational activities which are put in place to attain goals, monitor the progress towards these goals and make adjustment to achieve the objectives more effectively (Richard, 2009). It can clearly be seen that performance is a measure on the attainment of goals (success) that organizations make. According to Pearce (2010), any output registered by an organization should bring in benefits to the organization’s stakeholders. As for the commercial banks, management is expected to come up with strategies to increase output/results and inputs/behaviour of the organization and ensue that they have clear competitive advantage over their rivals (World Bank, 2013a). Drawing from the World Bank position, organizational performance is exercised and attained from excellent leadership by the executive officers.

The importance of strategic capability to evaluate has been critically evaluated (Porter, 2008; Tatar & Moradi, 2015; Suvita & Hui, 2012). These scholars have even stated that a strategy can neither be formulated nor adjusted to changing circumstances without a process of strategy evaluation. However, few local scholars have replicated similar studies especially focusing on capability to evaluate and its application in the performance of commercial banks in Kenya.

The performance of commercial banks is looked at both in terms of financial performance and non-financial performance. The World Bank in its annual financial report indicated that commercial banks globally seek to increase their profit levels and ensures higher prices for their shares capital (World Bank, 2014). Profit earnings and its sustainability is the ultimate goal of commercial banks. As such most of their strategies are designed and actions carried out to realize goal. Profitability is a ratio that measures net return on assets, net return on equity and net return on interest margin (Flamini, 2009).
Return on Equity (ROE) is a financial ratio that measures how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet (Khrawish, 2011). It is what the shareholders look for in return for their investment. A bank that has a high return on its equity is likely to generate more cash internally. ROE reflects how effectively bank management is using shareholders’ funds. The Return on Asset (ROA) is another major ratio that indicates the profitability of a bank. It is a ratio of income to its total asset (Lipsey, 2010). It measures the ability of the bank management to generate income by utilizing company assets at their disposal and shows how efficiently the resources of the company have been used to generate the income. It is also pointed out that ROA depicts the efficiency of the management of a company in generating net income from all the resources available to it (Khrawish, 2011).

The Net Interest Margin (NIM) represents the difference between the interest of income generated by banks and the amount of interest paid out to their lenders. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (CBK, 2014). Net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. It reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions (Khrawish, 2011).

2.4 Empirical Literature Review

This empirical review assesses recent studies and research work by scholars on the study aspects. The basis of this analysis is to expose gaps and concerns which exist and might need further discourses or new approaches on various aspects of strategic management capabilities and organizational performance.
2.4.1 Strategic Management Capability to Envision and Bank Performance

Mission and vision are crucial elements of strategic management. The difference between vision and mission is in its time component; mission determines what the company does, whereas vision shows what the company will become and do in the future. Visions can be considered sources of energy for achievement of formulated objectives (Porter, 2008). In order for an organization to enhance performance, the utilization of capability to envision will ensure management’s formulation of clear mission and vision (Asewe, 2010). According to Nabela (2014), an organization’s mission is its purpose, or the reason for its existence. It states what it is providing to society.

A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its types and identifies the scope of the company's operation in terms of products offered and markets served. Objectives are the end results of planned activity; they state what is to be accomplished by when and should be quantified if possible Grant, (2005). The achievement of corporate objectives should result in fulfilment of the corporation’s mission. Nabela (2014) further states that just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth.

According to Kavale (2014), capability to envision serves as the framework for a roadmap and guides every aspect of an organization by describing what needs to be accomplished in order to continue achieving sustainable, quality growth. Capability to envision is an essential factor in building scalable organizations that last for the long haul and reveals how companies can stay their course, even as they grow. Growing companies require a vision—a precise idea of their raison d’être, strategy and values that are both inspiring and concrete enough to guide corporate action. A company's vision should describe a future that is more attractive than the present, and its leaders should recognize that diverse viewpoints as debates are essential to vision development (Johnson, Scholes & Whittington, 2008).
An organization’s corporate strategy unifies the organization through the corporate vision, which directly influences corporate growth (Thomas, Jethro, & Strickland, 2006). Capability to envision involves strategy formulation which is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors (David, 2001).

Watuka (2014) adds that the process of strategy formulation basically involves six main steps; first, setting organizations’ objectives, the key component of any strategy statement is to set the long-term objectives of the organization. Secondly, evaluating the organizational environment by evaluating the general economic and industrial environment in which the organization operates. Thirdly, setting quantitative targets whereby an organization must practically fix the quantitative target values for some of the organizational objectives. Fourthly, departments aiming to achieve the set goals in context with the divisional plans, Which is done by the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit.

The fifth step comprises of Performance Analysis which includes discovering and analyzing the gap between the planned or desired performance and lastly, Choice of Strategy. This is the ultimate step in Strategy Formulation where the best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities (Watuka, 2014). Organizations thus scan the environment in order to understand the external forces of change so that they may develop effective responses which secure or improve their position in the future. They scan in order to avoid surprises, identify threats and opportunities, gain competitive advantage and improve long –term and short term planning (Wheelen & Hunger, 2008).
Ogollah (2007) investigated the strategic management practices of pharmaceutical importers and distributors in Kenya. The study set the following singular objective, to establish the strategic management practices being undertaken by the pharmaceutical importers and distributors in Kenya and point out the challenges facing this sector. The study findings showed that; most firms had a vision, a mission statement and set objectives which were either written or implied and these governed the day to day business operations of these firms.

There were three categories of objectives i.e. sales objectives which aimed at making the firm to be the regional/leading distributor of pharmaceutical products, brand objectives aimed at maintaining the quality of the product and also production of other new products of different molecules and, those aimed at the growth of the firm like market expansion and segmentation to other regions or countries and the acquisition of more/new agencies (Richard, 2009). Most firms had strategies for operation which included growth, diversification and defensive strategies. The strategic planning process in most companies was characterized by having clearly assigned responsibility for planning, timetables for preparation of plans formal and informal planning processes and also the existence of a planning department in the firm. However strategic management systems were noted to vary widely among companies.

Whereas it is clear that many studies have been undertaken highlighting that firms have strategies for operation which included growth, diversification and defensive strategies (Johnson, Scholes & Whittington, 2008; Kavale, 2014; Nabela, 2014), few have focused on strategic management capabilities. In Kenya, studies on strategic capabilities indicating the importance of envisioning in organization performance in varying entities are few (Ogolla, 2007; Watuka, 2014). Specifically, few studies have been conducted in the area of strategic management capabilities and performance in commercial banks.
2.4.2 Strategic Management Capability to Strategize and Bank Performance

Capability to strategize helps to exercise the choice of direction that an organization adopts as a whole in line with the vision, mission and set objectives (Hill & Jones, 2009). It is primarily about the choice of the tactics and techniques for the firm as a whole and managing various product lines and business units for maximum value. Even though each product line or business unit has its own competitive or cooperative strategy that it uses to obtain its own competitive advantage in the marketplace, the corporation must coordinate these different business strategies so that the corporation as a whole succeeds as a “family” (Thomas et al., 2006). Capability to strategize answers the questions of ‘in which businesses should we compete and how? And how does being in that business add to the competitive advantage of the firm’s portfolio, as well as the competitive advantage of the corporation as a whole?

Capability to strategize includes decisions regarding the flow of firm resources to and from a company’s product lines and business units. Through a series of coordinating activities, a company transfers skills and capabilities developed in a one unit to other units that may need such resources. In this way, it attempts to obtain synergies among numerous product lines and business units so that the corporate whole is greater than the sum of its individual business unit parts. It is through competitive techniques and tactics this is achieved (Porter, 2008; Kutillovci, Shala & Troni, 2012).

The role of capability to strategize is to co-ordinate and directs all the resources of a firm towards the attainment of its goals and objectives and vision. It is a statement of strategic action. A capability to strategize states the means that will be used to achieve long-term objectives. Examples of business strategies include; concentration strategy, market development strategy, expansion or growth strategy, product development strategy, innovation strategy, integration strategy, divestiture, liquidation strategy, stability strategy and retrenchment or divestment strategy whichever is overarching (Porter, 2008).
Just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth by asking the following three questions: Should we expand, cut back, or continue our operations unchanged? Should we concentrate our activities within our current industry or should we diversify into other industries? If we want to grow and expand nationally and/or globally, should we do so through internal development or through external acquisitions, mergers, or strategic alliances? Firms choose expansion strategy when their perceptions of resource availability and past financial performance are both high (Hill & Jones, 2007).

At the core, the capability to strategize must be a clear logic of how the corporate objectives, will be achieved. Most of the strategic choices of successful corporations have a central economic logic that serves as the fulcrum for profit creation. Some of the major economic reasons for choosing a particular type capability strategy are: exploiting operational economies and financial economies of scope, uncertainty avoidance and efficiency, possession of management skills that help create corporate advantage, overcoming the inefficiency in factor markets and long term profit potential of a business (Ansoff & McDonald, 2003).

According to Jerop and Juma (2014), organizations operate in two distinct environments; internal and external. The environment under which organizations exist is defined by a combination of market and internal factors that influence the operation of a firm. These two environments are never static; they keep changing depending on a variety of dynamic circumstances. The external environments influence an organization's strategic development by creating both opportunities and threats. The operations of a bank depend on regulation, competition laws, prevailing political environment, the culture of the people, income per capital and amount of disposable income, and technological advancement. The bank should be aware of this and employ prudent strategies in managing them (CBK, 2013).

Developments within the banking sector in Kenya are strongly guided by the medium-term objectives of the financial sector reform and development strategies embedded in the economic development blueprint (Vision, 2030). Response
capability strategies are ways an organization ensures a fit into the changing environment (Watuka, 2014). Pearce and Robinson (2011) defined response capability strategies as the set of decisions and actions that results in the formalization and implementation of plans designed to achieve a firm’s objectives. Strategic management literature suggests that a successful firm’s strategy must be favourably aligned with the external environment. Changing business environments alter the way organizations fundamentally conduct business. Such adaptations made to suit the firm may be referred to as response capability strategies. Pearce and Robinson (2009) argued that firms adapt to economic environmental conditions by implementing business strategies centered on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance.

Local scholars like Jerop and Juma (2014), have identified the importance of strategies in organizations operations in two distinct environments; internal and external. They add that operations of a bank depend on regulation, competition laws, prevailing political environment, the culture of the people, income per capital and amount of disposable income, and technological advancement. However, they have not specifically underlined the importance of capability to strategize and its overall importance in performance of banks in Kenya.

2.4.3 Strategic Management Capability to Monitor and Performance of Commercial Banks

Firms are unable to successfully implement their chosen strategies unless they exercise effective capability to monitor performance strategies. This consists of two types. First, informational control requires that the organization continually monitor and scan the environment and respond effectively to threats and opportunities. Second, behavioural control involves the proper balance of rewards and incentives, culture, and boundaries (or constraints) (Flamini, 2009). Organizations that have strong and effective cultures and reward systems typically require fewer rules and regulations because employees tend to understand and internalize the “boundaries” of acceptable behaviour. Two forms of control are particularly relevant. These are strategic controls and financial controls (Thagana, 2013).
Financial controls are congruent with the distinctive competencies of most conservative firms. Financial controls are clear and unambiguous, which introduces a high degree of discipline into the control process (Johnson et al., 2008). Financial controls also provide an opportunity for the parties involved to agree on objective performance standards well in advance of any performance evaluation. These factors may be particularly beneficial to conservative firms, which are firms that do not have as salient a need to encourage creativity and innovation (Grant, 2005). Financial controls base performance on objective financial criteria such as net income, return on equity, and return on sales. In contrast, strategic controls base performance on strategically relevant criteria as opposed to objective financial information (Kay, 2007). Examples of strategic control measures include customer satisfaction criteria, new patent registrations, success in meeting target dates for new product or process introductions, and the achievement of quality control standards.

Strategic controls and financial controls can both be present simultaneously in a firm, they do not represent opposite ends of a conceptual continuum. These characteristics of strategic controls are important to sustain the innovation process because long time-lags frequently intervene between innovative initiatives and their eventual pay-off (Kanter, 2009). A well-designed strategic control system is capable of rewarding firm employees for incremental but substantive progress on product or process innovations that take a long time to reach market. Conversely, for conservative firms, strategic controls are less important. Conservative firms do not gain their competitive advantage by pursuing opportunities through innovation. There are costs involved in maintaining strategic controls in terms of managerial time and effort which conservative firms can avoid (Mondy, 2009).

Scholars (Thagana, 2013; Flamini, 2009) have identified two types of controls required by organization in order to continually monitor and scan the environment and respond effectively to threats and opportunities. These are strategic controls and financial controls. However, these controls have not ascertained that these crucial controls are practiced in banking institutions and specifically in commercial banks in Kenya.
2.4.4 Strategic Management Capability to Evaluate and Performance of Commercial Banks

According to Porter (2008) a strategy can neither be formulated nor adjusted to changing circumstances without a process of strategy evaluation. Whether performed by an individual or as part of an organizational review procedure, strategy evaluation forms an essential step in the process of guiding an organization. For many executives, strategy evaluation is simply an appraisal of how well a business performs. Has it grown? Is the profit rate normal? If the answers to these questions are affirmative, it is argued that the firm’s strategy must be sound.

Despite its unassailable simplicity, this line of reasoning misses the whole point of strategy; that the critical factors determining the quality of current results are often not directly observable or simply measured, and that by the time strategic opportunities or threats do directly affect operating results it may well be too late for an effective response. Thus strategy evaluation is an attempt to look beyond the obvious facts regarding the short-term health of a business and appraise instead those more fundamental factors and trends that govern success in the chosen field of endeavour (Kavale, 2014). A strategy is a set of objectives, policies and plans that, taken together, define the scope of the enterprise and its approach to business (Rugman & Verbeke, 2008). Johnson and Scholes (2008) suggest that three questions are central to the challenge of strategy evaluation: are the objectives of the business appropriate? Are the major policies and plans appropriate? Do the results obtained to date confirm or refute critical assumptions on which the strategy rests?

He further suggests that strategy must satisfy four broad criteria: Consistency: the strategy must not present mutually inconsistent goals and policies. Consonance: the strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. Advantage: strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity. Feasibility: the strategy must neither overtax available resources nor create insoluble problems. A strategy must be evaluated against each of these criteria; if it fails to meet one or more of them, the strategy is flawed.
In his study on the influence of evaluation on performance of organization, Vijay (2009) explains that evaluation is a systematic, rigorous, and meticulous application of scientific methods to assess the design, implement and improve outcomes of a strategy. It is a resource-intensive process, frequently requiring resources, expertise, labour, time and a sizeable budget. The process of evaluation involves two levels, tactical and strategic evaluation. Tactical evaluation compares performance against the plans and detects changes that should be made to the implementation or the strategy. It involves a review of the assumptions against what is really happening in the environment of the firm. The objective is to expose strategic assumptions that are no longer accurate or forecasted not to be accurate in the near future (Lodato, 2014).

Similarly, Grant (2005) contends that the process of strategy evaluation consists of following steps: Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as; what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation (Suvita & Hui, 2012).

The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the qualitative factors are subjective evaluation of factors such as skills and competencies, risk taking potential and flexibility (Ozturk & Coskun, 2014). While measurement of performance one has to put in mind that the standard performance is a bench mark with which the actual performance is to be compared.

The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier (Tatar & Moradi, 2015). But various factors such as manager’s contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which
measurement of performance can be done (Potter, 2008). Evaluating the performance of an organization, financial statements like balance sheet, profit and loss account must be prepared on an annual basis.

While evaluating the actual performance and comparing it with standard performance there may be variances which must be analysed. The evaluation strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it (Grant, 2005).

Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the evaluation strategists must carry a detailed analysis of the factors responsible for such performance. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process, (Jackson, 2005).

The importance of strategic capability to evaluate has been critically evaluated (Porter, 2008; Tatar & Moradi, 2015; Suvita & Hui, 2012). These scholars have even stated that a strategy can neither be formulated nor adjusted to changing circumstances without a process of strategy evaluation. However, few local scholars have replicated similar studies especially focusing on capability to evaluate and its application in the performance of commercial banks in Kenya.

2.5 Critique of the Existing Literature

The performance of commercial banks is hinged on what strategies the banks pursue to ensure they build and accumulate competitive structures that allow them to perform better than their rivals (Kathuni & Mugenda, 2012). The various studies reviewed however failed to identify which uniform method could be used in efficient
management capability strategies and what correlation it will have on the performance of commercial banks. There are numerous studies undertaken highlighting that firms have strategies for operation which included growth, diversification and defensive strategies (Johnson, Scholes & Whittington, 2008; Kavale, 2014; Nabela, 2014). However few of these studies have focused on strategic management capabilities. In Kenya, studies on strategic capabilities indicating the importance of envisioning in organization performance in varying entities are few (Ogolla, 2007: Watuka, 2014). Specifically, few studies have been conducted in the area of strategic management capabilities to envision and performance in commercial banks.

Local scholars like Jerop and Juma (2014), have identified the importance of strategies in organizations operations in two distinct environments; internal and external. They add that operations of a bank depend on regulation, competition laws, prevailing political environment, the culture of the people, income per capital and amount of disposable income, and technological advancement. However, they have not specifically underlined the importance of capability to strategize and its overall importance in performance of banks in Kenya.

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2.6 Research Gaps

An organization performance is a complex and uncertainty phenomenon and has led to the emergence of various theories predicting the evolution of organizations. However, no single theory has given a complete picture of the impact and evolution of organizations’ performance phenomenon. In the absence of a complete theory of organization performance dynamics, an empirical approach is recommended to seek the stylized facts (Coad, 2009). Although studies attempt to link determinants from different perspectives or dimensions (Baum, & Wally, 2003), their explanatory power is low due to the relatively small number of variables. It is therefore of special interest to examine the determinants of organization performance in an integrated way, and to identify the most important determinants of organization performance (Davidson et al., 2006).

Molonzi, Namusonge and Mugambi (2017) sought to establish the effect of leadership style on the growth of commercial banks in Mombasa County. The study adopted a cross-sectional survey assuming a concurrent triangulation method. The study population consisted of the 43 commercial banks of which 39 commercial banks were sampled using the Yamen formulae. Systematic sampling was used to sample four banks whose regional managers were used for interviewing. The instruments used for data collection were questionnaires, unstructured interviews and document analysis. The study established that leadership style was a major determinant of growth of commercial banks. Good management skills, staff motivation/satisfaction and customer focus were found to be key in leadership styles portrayed by commercial banks.

Watuka (2014) studied the influence of strategic management practices on the growth of the commercial banks in Kenya. The study applied descriptive and Correlation analysis methods of data analysis. The findings were that commercial banks in Kenya have formulated various business growth strategies. These include differentiation and cost leadership as the main strategy, and others practiced to large extent are market penetration, market development, product development, and diversification strategies.
Onuonga (2014) investigated the effects of internal determinants of profitability on Kenya's top six commercial banks using secondary data over the period 2008 to 2013. The study found that commercial banks need to invest on efficient management in efficient technologies to enhance performance. In addition, commercial banks profitability on average has been erratic. Strategic management capabilities of commercial banks are important if the banks have to survive and grow. Commercial banks also have the role of transmitting monetary policies implemented by the Central Bank. Thus, it is essential to investigate the strategic management capabilities in the performance of commercial banks for growth and stability of the financial sector of the economy.

Kungu et al. (2014) assessment the effectiveness of competitive strategies by commercial banks: A case of Equity Bank. The study found that, for commercial banks to achieve competitive advantage, resource accumulation plays a critical role as a strategic capability. The level of resource accumulation is pegged to competitive managerial processes. Banks have to continuously adapt their operations to the ever changing business environment to improve in performance and succeed in business. They also need to adopt strategies focused on dealing with emerging environmental challenges accordingly. Further, the environment is also influenced by the regulatory authorities such as the Central Bank of Kenya, the Ministry of Finance and the Kenya Bankers Association. Prohibitive policies for entering international markets also add to the emerging environmental challenges. The environmental factors mediate between the strategic management capabilities and performance of commercial banks.

Kamau and Were (2013) analyzed the driving factors behind the impressive banking sector performance in Kenya in the last 13 years – 1997-2011. Both inferential and descriptive statistics were used in data analysis. The results suggested that the source of superior performance in the Kenyan banking sector is structure/collusive power and not efficiency hence supporting SCP hypothesis. Ongore (2013) examined the determinants of financial performance of commercial banks in Kenya.
Profitability was used as a measure for performance. The study tested several variables to determine their influences on profits. It was established that ownership of the banks does not significantly influence profitability, but asset accumulations had positive correlations with profitability. The study concludes that capital adequacy, asset quality, and management efficiency significantly affect the performance of commercial banks in Kenya.

The various scholars argue that bank specific factors (factors under the control of managers) are the most significant determinants of the financial performance of commercial banks in Kenya. Thus, most scholars have not comprehensively analysed strategic management capabilities which constitute non-financial determinants of performance of commercial banks in Kenya. Watuka (2014) conducted a study to determine the strategic management practices adopted in the banking industry in Kenya. The key findings were that commercial banks in Kenya have formulated various business growth strategies like cost leadership and market penetration. The gap in this study was that the use of strategic management capabilities like stakeholder management, competitive management strategies was not studied.

Kungu et al. (2014) examined the effectiveness of competitive strategies of commercial banks in Kenya. The major findings were that commercial banks in Kenya apply different strategies in response to banking services. The study gap was that the use of available resources and stakeholders management as competitive strategies as strategies were not studied. Wanjiru and Njeru (2014) evaluated the impact of strategic response to change on financial performance of commercial banks in Kenya. The major findings were that adoption and use of superior technologies is essential for enhancing performance. The gap in this study is that the effect of strategic management capabilities on non-financial performance of commercial banks in Kenya was overlooked.

Onuonga (2014) investigated the impact of the internal determinants of profitability of Kenya’s top six commercial banks over the period 2008-2013. The major findings were that commercial banks need to invest on efficient management and in technologies. The study gap was that the influence of corporate social
responsibilities, availability of resources and product innovations on performance were studied only overlooking the importance contribution of strategic management capabilities in determining performance. Ongore (2013) attempted to find out the determinants of financial performance of commercial banks in Kenya.

The key finding was that capital adequacy, asset quality and their management significantly affect performance. The study gap was that there was no examination of the influence of strategic management capabilities on performance and this study only focused on human resources provision and influence of banking rules and regulations. Kamau and Were (2013) conducted an analysis of the driving factors behind the impressive banking sector performance in Kenya in the last 13 years (1997-2011). The major findings were that the source of superior performance in the banking sector is as a result of structure/collusive power. The gap in the study was that there was omission of strategic management capabilities as the driving force of performance.

2.7 Summary

Though corporate performance is an essential indicator of prosperity and sustainability, it is just an option. This chapter has identified the dynamic capability theory, resource based theory, competitive advantage theory, as the theoretical framework. Further, four determinants of strategic management capabilities on performance of commercial banks have been reviewed vis: capability to envision; capability to strategize; capability to monitor, and capability to evaluate. Performance of commercial banks is the dependent variable. This chapter goes further and points out on metrics of measuring performance of commercial banks and has provided a critique of the existing literature. More so, this study identifies and explains the gaps inherent in the performance of commercial banks.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research design and methodology that were used in the study. The chapter is organized under the following sections: research design, target population, sample frame, sampling techniques, sample size, data collection instruments and procedures, pilot testing, data analysis and presentation.

3.2 Research Design

According to Mathew and Thompson (2012) research design is a set of decision that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information. Research design is the most important issue after defining the research problem. This is because research design facilitates the smooth conduct of the various stages of research (Kothari, 2004). Cooper and Schindler (2011) define a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. Kothari (2008) has also defined research design as an overall framework or a plan for investigation and logical model of proof that guides the investigator in the various stages of research (Kothari, 2008). This study employed a multi-point descriptive survey involving both cross-sectional. A longitudinal research design is a quasi-experimental research design that involves repeated observations of the same variable over a period of time (Bryman & Bell, 2007). Blumberg (2008) argues that longitudinal analysis has the potential to bring out the contribution of individual item (programme) over the outcome of a given event. Additionally, the approach compares variables in different years and circumstances and provides reasons for occurrence. Therefore, elements of strategic management capabilities, which may trigger a uniform outcome along the different studied periods are captured and explained (Kothari, 2004). It was used in this study since it allowed the researcher to examine different aspects in strategic management capabilities and their influence on performance of the banks over a definite period of time.
On the other hand, Bryan and Bell (2007) state that descriptive cross-sectional design or social survey design, involves data collection on several cases during the same time frame in order to collect qualitative or quantitative data related to two or more variables in order to determine the association between the variables. Cooper and Schindler (2011) further added that descriptive cross-sectional design is usually considered the best method for collecting information in order to test hypotheses which this study was conducting. A descriptive research design is also useful in capturing unbiased representation of perceptions and experiences of respondents (Cooper & Schindler, 2011). In view of the current study, a descriptive cross-sectional design enabled the researcher to fully describe the role of strategic management capabilities in performance of commercial banks in Kenya. This study envisaged a scenario where a group of strategic management initiatives may influence an overall outcome such as the level of profitability of a commercial bank simultaneously.

3.3 Target Population

Target population refers to the total number of subjects of interest to the research (Sekaran & Bougie, 2010). Target population also constitutes the entire set of individuals or items being considered during an inquiry (Kothari, 2004). Cooper and Schindler (2011) add that the target population is the collection of elements about which a researcher wishes to refer. The study investigated 42 banks although at the time of the research there were 44 commercial banks in the country. Two banks were never investigated since they were under statutory receivership.

The respondents were drawn from those working within the middle and senior management positions. This was purposely done to identify respondents who are crucial in the implementation of strategic programmes within the banking industry.

By the end of 31st December 2015, there were 42 commercial banks with a total workforce of 36,212 members of the staff. Of these employees, 15% or 5,432 were deployed as middle and senior level managers (Central Bank of Kenya, 2015). The target population therefore comprised of 42 banks and 5,432 employees. Of the 42 commercial banks, 29 are locally owned while 13 are foreign. Table 3.1 illustrates
the spread of this population among key strategic departments within banking system that the researcher sought to study.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Strategic departments</th>
<th>Locally owned banks</th>
<th>Foreign banks</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69% of total</td>
<td>31% of total</td>
<td></td>
</tr>
<tr>
<td>Human Resource Management</td>
<td>357</td>
<td>161</td>
<td>518</td>
</tr>
<tr>
<td>Operations Management</td>
<td>477</td>
<td>215</td>
<td>692</td>
</tr>
<tr>
<td>Credit Management</td>
<td>570</td>
<td>256</td>
<td>826</td>
</tr>
<tr>
<td>Deposits Operations</td>
<td>389</td>
<td>175</td>
<td>564</td>
</tr>
<tr>
<td>Mortgage Banking</td>
<td>267</td>
<td>120</td>
<td>387</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>321</td>
<td>145</td>
<td>466</td>
</tr>
<tr>
<td>Electronic Banking</td>
<td>259</td>
<td>116</td>
<td>375</td>
</tr>
<tr>
<td>Customer Service</td>
<td>509</td>
<td>229</td>
<td>738</td>
</tr>
<tr>
<td>Information Technology</td>
<td>333</td>
<td>149</td>
<td>482</td>
</tr>
<tr>
<td>Accounts/Finance</td>
<td>265</td>
<td>119</td>
<td>384</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3747</strong></td>
<td><strong>1685</strong></td>
<td><strong>5,432</strong></td>
</tr>
</tbody>
</table>

Source: (CBK, 2015)

3.4 Sampling Frame

A sampling frame as defined by Welman, Kruger and Mitchell, (2008) is a list of the source material or device from which a sample is drawn. It is a list of all those within a population who can be sampled, and may include individuals, households or institutions. A sampling frame may also refer to a list of elements from which the sample is actually drawn and is closely related to the population (Saunders, Lewis & Thornhill, 2009). A sampling frame is further defined as a list of geographical areas, institutions, individuals, or other units added (Churchill & Brown, 2007; Saunders, Lewis and Thornhill, 2007). It is therefore a list of population members which are under inquiry. Since this study is a census, the sampling frame comprised of all the 42 commercial banks which have their headquarters in Nairobi (CBK, 2015).
3.5 Sampling Technique and Sample Size

A sample is a portion of the target population from which data is collected, summarized, analysed and inferences about the target population from which the sample is drawn made (Cooper & Schindler, 2011). Sampling is the process of constructing a sample from a population as the fragment or section of the population that is selected for the research process (Bryman & Bell, 2007).

Multi-stage sampling procedure was used in the selection of representative sample. The first step involved the use of purposive sampling to determine the category of employees and departments which directly implement strategic programmes of the banks. The second step involved stratified random sampling of the commercial banks represented into two categories; foreign owned and locally-owned banks. Stratified random sampling is a probability sampling technique in which the defined target population is divided into groups (Shui et al., 2009). In our case, these groups consist of the bank management staff and the type of bank ownership. Welman and Kruger (2001) explain that this technique eliminates the risk of the sample consisting only of members from one particular group. The third step employed stratified random sampling of the respondents to select various categories of managers across the locally and foreign owned banks. Stratified random sampling was used to select respondents based on their roles in strategic decision making that affect the performance of individual department of the bank.

3.5.1 Sample Size

The sample size of the study was 358 respondents which was about 7% of the universe population. This size conformed to the requirement that a good sample size should be between 5% and 30% of the population (Bradley, 2010). This was necessary so as to illicit representativeness, efficiency, flexibility and accuracy of data. The spread of the sample is indicated in the Table 3.2.
Table 3.2: Sample size distribution table

<table>
<thead>
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<td><strong>1685</strong></td>
</tr>
</tbody>
</table>

3.6 Data Collection Methods and Instruments

Due to the nature of this study, the researcher used primary sources. Primary data was collected from employees likely to have information on the operation of their banks. Structured questionnaire was used to collect information from line managers and key employees within the banks. The tool enabled the researcher to explore the opinion and perception of respondents on the influence of various strategic management capabilities on the performance of their banks.

Questionnaires are important as they allow for coding of responses and verification of the truth of statements made by informant (Kothari, 2004). The questionnaire had six sections (A-F). Sections A captured the personal data of respondents, section B-E dealt with the independent variables (management capability to envision, strategize, monitor, and evaluate) while section F captured data on performance of commercial banks. Both closed and open-ended questions were used.
3.7 Data Collection Procedure

Before collecting data, the researcher sought for an introductory letter from the Jomo Kenyatta University of Agriculture and Technology. After acquiring the letter, the researcher sought a permit from the National Council for Science and Technology to undertake research in Kenya. Then, the researcher visited the selected commercial banks, introduced herself and dropped questionnaires and agreed on the dates for interviews with the management. The researcher fixed appropriate dates for collecting the duly filled questionnaires and conducting the interviews which was successfully executed.

3.8 Pilot Study

A pilot study is carried out for the following reasons: to detect possible flaws in the measurement procedures that may include among others, aspects such as ambiguous instructions or inadequate time limits; to identify unclear or ambiguously formulated items; to notice non-verbal behaviour on the part of respondents (Welman, Kruger & Mitchell, 2008). Similarly, pilot testing was done to assist in determining if there are flaws, limitations, or other weakness within the interview design. This provided the researcher with an opportunity to make changes where necessary. Pilot study was done by use of instruments which were administered to select respondents. The exercise detected a number of flaws in the measurement procedures which were aptly addressed.

During the pilot testing, two branch managers, four operational managers, two human resource managers and two credit managers selected from three commercial banks were interviewed (Krejcie & Morgan). The pilot study administered fourteen test trial questions to each of the selected respondents. This satisfied the provision that the size of the pilot group may range from 10 to 20 subjects depending on the method to be tested but the respondents do not have to be statistically selected (Cooper & Schindler, 2011).
3.8.1 Validity of the Research Instruments

Validity refers to the extent to which the measures used in the questionnaire are truthfully measuring the intended concept and not something else and include internal validity and external validity (Sekaran & Bougie, 2009). Measuring validity deals with the question of whether a measure can actually provide reality of a concept (Bryman & Bell, 2011).

Internal validity refers to the ability of a research instrument to measure what it purported to measure whereas external validity refers to the extent to which results or findings of one study can be transferred to a similar situation. It also determines whether the instrument truly measures what it is intended for and therefore an indication of how truthful the research results will be (Lucey, 2002).

This argument is similar to Yin (2003) who adds that aspect of validity is a recourse that guarantees truthfulness and allows for a pre-test to validate the instruments. The researcher used this approach to modify and pre-test the questionnaire in order capture the relevant data related to the study objectives. Based on the findings of this study, each construct was found to be higher than the correlation among any pair of latent construct. Thus, each construct had a different measure of the main factor of analysis

3.8.2 Reliability of Research Instruments

Reliability of an instrument is a measure of how consistent the results of a test are (Kombo & Tromp, 2006; Sekaran & Bougie, 2008). In our study, the reliability was carried out by pilot test and computing Cronbach’s Alpha. According Sekaran and Bougie (2008) pilot test is necessary for testing the reliability of instruments where the feedback of the pilot study is used to refine the questionnaire to make it reliable during the study.

Cronbach’s alpha was used to test the reliability of the measures of the instruments (Cronbach, 1994). In addition Bryman (2011) suggests that where Cronbach Alpha is used for reliability test, a rule of thumb is also used that states that the Cronbach
values of the items in the study should not be lower than 0.7. To increase the reliability of the questionnaire, this study used Cronbach’s Alpha for separate domains of the questionnaire rather than the entire questionnaire.

The Cronbach values will be computed as follows:

\[ \alpha = \frac{K}{(K-1)} \left[1 - \frac{(\sum \sigma_k^2)}{\sigma_{\text{total}}^2}\right] \]  

……………… Equation (1) (Ritter, 2010)

Where;

- \(K\) is the number of items;
- \(\sum \sigma_k^2\) is the sum of the \(k\) item score variances, and
- \(\Sigma \sigma_{\text{total}}^2\) is the variance of scores on the total measurement (Cronbach, 1994).

3.9 Data Analysis and Presentation

Data analysis usually involves reducing accumulative raw data to manageable size; developing summaries; looking for patterns, and applying statistical techniques (Kerlinger, 1983). This study gathered both descriptive and statistical information, each of which were analysed differently. Descriptive information was analysed using dominant responses technique to determine common reactions and consistencies that cut across majority of the respondents (Yin, 2003). Descriptive measures such as percentages and frequencies were used to draw inferences and make conclusions (Cooper & Schindler, 2011).

Statistical information was analysed through statistical tools such as linear regression model, correlation analysis and ANOVA to give inferences to the data obtained. In addition, multiple regressions were used to determine the relationship between performance and various strategic management capabilities of banks and ANOVA to judge the significance of more than two variables. After the analysis, data was presented using tables, charts and graphs. Blumberg (2008) explains that when information is presented in picturesque format, it is easier to analyse and intemperate. The research used SPSS software for synthesizing, coding, analysing and presenting data.
3.9.1 Statistical Measurement Model

In the multiple regression models, analysis of variance (ANOVA) was used to test the significance of the overall model at 95% level of significance. Coefficient of correlation (R) was used to determine the strength of the relationship between the dependent and independent variables. Coefficient of determination ($R^2$) was also used to show the percentage for which each independent variable and all independent variables combined explained the change in the dependent variable.

In this study, the response (criterion) variable (Y) is the performance while the independent (predictor) variables are Strategic management capability to envision, Strategic management capability to strategize, Strategic management capability to monitor, and Strategic management Capability to evaluate. The following model was used.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where:

- $Y$ = Represents performance
- $\beta_0, \ldots, \beta_4$ = Regression coefficients to be estimated
- $X_1$ = Strategic management capability to envision
- $X_2$ = Strategic management capability to strategize
- $X_3$ = Strategic management capability to monitor
- $X_4$ = Strategic management Capability to evaluate
- $\epsilon$ = the error variability (error term). Is assumed to be normally distributed with mean Zero and constant variance

$\beta_1, \beta_2, \beta_3, \text{ and } \beta_4$ are model parameters which describes the direction and strength of relationship between the dependent and the independent variables. $\beta_0$ is a constant (intercept).
3.9.2 Measurement of Variables

Performance which is the dependent variable in this study was tested by use of four variables namely: Strategic management capability to envision, Strategic management capability to strategize, Strategic management capability to monitor and Strategic management capability to evaluate. Performance was measured by increase in profitability and shareholder’s wealth.

Table 3.3: Measurement of variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs</th>
<th>Operational Definition</th>
<th>Measurement Scale</th>
<th>Data Type</th>
</tr>
</thead>
</table>
| Strategic management capability to envision | • No. of benchmarked performance schemes  
• Total investment metrics used  
• Projected Return on Investments (ROIs) | Responses to be provided in Likert Scale of 1-5 to assess the relationship between capability to envision and performance of commercial banks | Ordinal scale (non-dichotomous type) | Quantitative and qualitative |
| Strategic management capability to strategize | • Strategy effectiveness levels  
• No. of reviewed strategies  
• No. of capacity needs analysis strategies  
• SWOT analysis reviews  
• Established strategic control measures | Responses to be provided in Likert Scale of 1-5 to assess the relationship between capability to strategize and performance of commercial banks | Ordinal scale (non-dichotomous type) | Quantitative and qualitative |
| Strategic management capability to monitor | • Volume of assessed strategies  
• Number of corrective actions  
• Number of successful ROI measures  
• SWOT analysis reviews  
• Established strategic control measures | Responses to be provided in Likert Scale of 1-5 to assess the relationship between capability to monitor and performance of commercial banks | Ordinal scale (non-dichotomous type) | Quantitative and qualitative |
| Strategic management capability to evaluate | • Profitability  
• Return on shareholders’ wealth | Responses to be provided in Likert Scale of 1-5 to assess the relationship | Ordinal scale (non-dichotomous type) | Quantitative |
### 3.9.3 Operationalization of Variables

The dependent variable is performance, which was assessed through four independent variables namely: strategic management capability to envision, strategic management capability to strategize, strategic management capability to monitor and strategic management capability to evaluate. The measurement parameters for the study variables were as shown in Table 3.5

**Table 3.4: Operationalization of Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs</th>
<th>Data Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic management capability to envision</td>
<td>• No. of benchmarked performance schemes</td>
<td>Quantitative and qualitative</td>
</tr>
<tr>
<td></td>
<td>• Total investment metrics used</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Projected Return on Investments (ROIs)</td>
<td></td>
</tr>
<tr>
<td>Strategic management capability to strategize</td>
<td>• Strategy effectiveness levels</td>
<td>Quantitative and qualitative</td>
</tr>
<tr>
<td></td>
<td>• No. of reviewed strategies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No. of capacity needs analysis strategies</td>
<td></td>
</tr>
<tr>
<td>Strategic management capability to monitor</td>
<td>• SWOT analysis reviews</td>
<td>Quantitative and qualitative</td>
</tr>
<tr>
<td></td>
<td>• Established strategic control measures</td>
<td></td>
</tr>
<tr>
<td>Strategic management capability to evaluate</td>
<td>• Volume of assessed strategies</td>
<td>Quantitative and qualitative</td>
</tr>
<tr>
<td></td>
<td>• Number of corrective actions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Number of successful ROI measures</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>• Profitability</td>
<td>Quantitative</td>
</tr>
<tr>
<td></td>
<td>• Return on shareholders’ wealth</td>
<td></td>
</tr>
</tbody>
</table>
3.9.4 Diagnostic Tests

Diagnostic tests which include normality test, Multicollinearity, Heteroscedasticity and Autocorrelation

Normality Test

A normal distribution is not skewed and is defined to have a coefficient of kurtosis of three (Brooks, 2014). This study used one-Sample Kolmogorov-Smirnov Test (KS) to test the normality of the dependent variable. It is a test based on residuals of the least squares regression model.

Multicollinearity

Multicollinearity was tested in the study using correlation matrix whereby the cut-off point for severe multicollinearity is 0.8 (Gujarati, 2006; Cooper & Schindler, 2008). Failure to account for perfect multicollinearity results into indeterminate regression coefficients and infinite standard errors while existence of imperfect multicollinearity results into large standard errors. Large standard errors affect the precision and accuracy of rejection or failure to reject the null hypothesis. During estimation, the problem is not the presence of multicollinearity but rather its severity. A correlation coefficient greater than 0.8, thus, indicates the presence of multicollinearity.

Heteroscedasticity

Since the data for this research is a cross-section of banking organizations, this raises concerns about the existence of heteroscedasticity. The CLRM assumes that the error term is homoscedastic, that is, it has constant variance. If the error variance is not constant, then there is heteroscedasticity in the data. Running a regression model without accounting for heteroscedasticity would lead to unbiased parameter estimates. To test for heteroscedasticity, the Breusch-Pagan/Godfrey test was used.
Auto Correlation Test

Since the data involves both cross section and time-series, it raises the suspicion of the existence of serial correlation. The presence of serial correlation indicates that the variables in the model violate the assumptions of the regression (Anderson et al., 2007). To cater for serial correlation, the Woodridge test for autocorrelation was employed.

3.9.5 Hypotheses Testing

For empirical conclusions to be arrived at, tests of various hypotheses were conducted. Table 3.4 indicates the summary of the research hypotheses, type of analysis, decision rule, and the interpretation of the results.
Table 3.5: Statistical Tests of Hypothesis

<table>
<thead>
<tr>
<th>Hypothesis statement</th>
<th>Type of Analysis</th>
<th>Decision rule and interpretation</th>
</tr>
</thead>
</table>
| \( H_{01} \): Strategic management capability to envision has no significant influence on performance of commercial banks in Kenya. | Pearson’s Correlation | • Reject \( H_{01} \) if P-value is < 0.05  
• Fail to reject \( H_{01} \) if P-value is > 0.05  
\[ Y = \beta_0 + \beta_1 X_1 + \epsilon \] |
| \( H_{02} \): Strategic management capability to strategize has no significant influence on performance of commercial banks in Kenya. | Pearson’s Correlation | • Reject \( H_{02} \) if P-value is < 0.05  
• Fail to reject \( H_{02} \) if P-value is > 0.05  
\[ Y = \beta_0 + \beta_2 X_2 + \epsilon \] |
| \( H_{03} \): Strategic management capability to monitor has no significant influence on performance of commercial banks in Kenya. | Pearson’s Correlation | • Reject \( H_{03} \) if P-value is < 0.05  
• Fail to reject \( H_{03} \) if P-value is > 0.05  
\[ Y = \beta_0 + \beta_3 X_3 + \epsilon \] |
| \( H_{04} \): Strategic management capability to evaluate has no significant influence on performance of commercial banks in Kenya. | Pearson’s Correlation | • Reject \( H_{04} \) if P-value is < 0.05  
• Fail to reject \( H_{04} \) if P-value is > 0.05  
\[ Y = \beta_0 + \beta_4 X_4 + \epsilon \] |
CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussions of the study. The findings relate to the research questions and objectives that informed the study. Data analysis was conducted for each of the specific objective to explore the role of strategic management capabilities on the performance of commercial banks in Kenya. The study was guided by the independent variables; capabilities to envision, strategize, monitor and evaluate. The dependent variable was the performance of commercial banks in Kenya. The findings and discussions on response rate, validity and reliability tests, demographic characteristics of respondents, descriptive and qualitative analysis, regression analysis and inferential statistics were presented.

4.2 Response Rate

The response rate of the respondents is expressed and as indicated, the number was sufficient enough to support requisite analysis of data and could be relied upon to make accurate findings and conclusions. As shown in Table 4.1, out of the 358 questionnaires administered, only 260 were completed and returned and therefore used in the analysis representing 73% response rate. According to Mugenda (2003), a response rate of above 70% is acceptable in research. Babbie (2004) asserted that return rates of 50% are acceptable to analyze and publish, 60% is good while Fowler (2013) stated that 70% is very good. The high response could be attributed to self-administration of the instruments.
Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Department</th>
<th>Target sample</th>
<th>Actual response</th>
<th>% response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Management</td>
<td>38</td>
<td>30</td>
<td>79</td>
</tr>
<tr>
<td>Operations Management</td>
<td>40</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>Credit Management</td>
<td>48</td>
<td>33</td>
<td>69</td>
</tr>
<tr>
<td>Deposits Operations</td>
<td>39</td>
<td>25</td>
<td>64</td>
</tr>
<tr>
<td>Mortgage Banking</td>
<td>27</td>
<td>20</td>
<td>74</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>33</td>
<td>20</td>
<td>61</td>
</tr>
<tr>
<td>Electronic Banking</td>
<td>26</td>
<td>22</td>
<td>85</td>
</tr>
<tr>
<td>Customer Service</td>
<td>47</td>
<td>40</td>
<td>85</td>
</tr>
<tr>
<td>Information Technology</td>
<td>33</td>
<td>20</td>
<td>61</td>
</tr>
<tr>
<td>Accounts/ Finance</td>
<td>27</td>
<td>18</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>358</strong></td>
<td><strong>260</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

4.3 Validity and Reliability Test Results

To test for the reliability of the data collection instrument, both reliability and validity tests were performed.

4.3.1 Reliability Test

Cronbach’s coefficient alpha which is one of the most common methods in gauging reliability (Bryman, 2011) for each variable was done. The test found out that overall Cronbach’s alpha for capability to envision was (0.773), capability to strategize (0.793), capability to monitor (0.712) and capability to evaluate was 0.754 as indicated in table 4.2 indicating an acceptable reliability coefficient. According to Saunders, Lewis and Thornhill (2009) and Bryman (2011) a reliability coefficient of 0.7 is acceptable indicating acceptable internal consistence of the constructs.
4.3.2 Validity Test

Validity test was computed by the use of discriminant validity. Average Variance Extracted (AVE) is commonly used to assess discriminant validity. The AVE was found to be more than 0.7, implying that there was high validity. The diagonal elements are the square root of AVE for the constructs. Discriminant validity requires an appropriate Average Variance Extracted (AVE) analysis. It was tested to see if the square root of every AVE is much larger than any correlation among any pair of latent construct. Based on the findings square root of AVE of each construct was found to be higher than the correlation among any pair of latent construct. Thus, each construct had a different measure of the main factor of analysis as indicated in Table 4.3.

### Table 4.3: Discriminant Validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Capability to Envision</th>
<th>Capability to Strategize</th>
<th>Capability to Monitor</th>
<th>Capability to Evaluate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capability to envision</td>
<td>0.733</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capability to strategize</td>
<td>-0.295</td>
<td>0.656</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capability to monitor</td>
<td>-0.451</td>
<td>0.433</td>
<td>0.778</td>
<td></td>
</tr>
<tr>
<td>Capability to evaluate</td>
<td>-0.065</td>
<td>0.175</td>
<td>0.288</td>
<td>0.722</td>
</tr>
<tr>
<td>Performance</td>
<td>0.054</td>
<td>0.114</td>
<td>0.233</td>
<td>0.713</td>
</tr>
</tbody>
</table>
4.4 Demographic Characteristics of Respondents

Demographic characteristic of the respondents such as gender; levels of education; work experience, and designation were captured. This information for this study was collected from participants within the administration and management departments of all the 42 commercial banks targeted.

4.4.1 Gender of Respondents

Information on the gender composition of the respondents was sought. The results are shown in Table 4.4 below:

Table 4.4: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>% Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>140</td>
<td>54</td>
</tr>
<tr>
<td>Female</td>
<td>120</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>100</td>
</tr>
</tbody>
</table>

Majority of the respondents who represented 54% of the sample were male while 46% were female. This implies that management level positions in the banking industry in Kenya is male dominated. This supports the findings of Mathenge (2013) who stated that female middle level managers in Kenyan organizations face a glass ceiling and other professional impediments in their working environment which inhibit their promotion.

4.4.2 Level of Education

Information on the respondent’s level of education was sought. The results are indicated in Table 4.5.
Majority of the respondents who were 52% had a bachelor degree qualification, 28% had a Master’s degree while 17% had a diploma qualification. This implies that the employees working in the banking sector are educated and are thus skilled for the job. The results support Konya (2013) who found that formal education and professional qualifications significantly affect organizational performance.

4.4.3 Designation of Respondents

Information on designation of respondents was sought. The results are indicated in Table 4.6.

Table 4.6: Designation of Respondents

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>% response</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Assistant General Manager</td>
<td>57</td>
<td>22</td>
</tr>
<tr>
<td>Manager</td>
<td>163</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>100</td>
</tr>
</tbody>
</table>
The majority of the respondents who represented 63% of the sample were managers, 22% were assistant general managers while 15% were general managers of the banks sampled for the study. This implies that the respondents had good knowledge of the organizational strategic management capabilities as indicated by their senior positions. Konya (2016) had also established that job type and hierarchical position have a significant influence on organizational performance.

4.4.4 Work Experience of Respondents

The respondents were asked to provide information on the work experience in the banking industry as shown in Table 4.7.

Table 4.7: Work Experience

<table>
<thead>
<tr>
<th>Work experience</th>
<th>Frequency</th>
<th>% response</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>86</td>
<td>33</td>
</tr>
<tr>
<td>5-10 years</td>
<td>127</td>
<td>49</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>47</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>260</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Majority of the respondents who were 49% had worked in the banking sector for 5-10 years, 33% had worked for 0-5 years while 18% had worked for over 10 years. This is an indication that most of the employees in the banking sector had worked long enough to gain experience in their job. The findings support Konya (2016) statement that total years of service is the only characteristic that totally influences organizational performance.
4.5 Tests for Assumptions of the Variables

Before regression analysis was done, the assumptions of multivariate analysis were tested to ensure that there was no violation of multivariate analysis assumptions. The data was checked for normality, Multicollinearity and Heteroscedasticity.

4.5.1 Normality test

Histogram analysis was used to assess the actual degree of departure from normality and the results were presented in Table 4.8.

Table 4.8: Normality Test

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic Df Sig.</td>
<td>Statistic Df Sig.</td>
</tr>
<tr>
<td>Unstandardized</td>
<td>.102 46 .200</td>
<td>.973 46 .362</td>
</tr>
<tr>
<td>Residual</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* This is a lower bound of the true significance.

<sup>a</sup> Lilliefors Significance Correction

* Source: Author, 2017

Based on the findings, the statistic of Shapiro-Wilk is 0.973 with a significance of 0.362 indicating a normal distribution since Shapiro-Wilk Test is greater than 0.05.

4.5.2 Multicollinearity Test

The study computed tolerance to test if there was Multicollinearity as indicated in Table 4.9.
Table 4.9: Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>.317</td>
</tr>
<tr>
<td>CS</td>
<td>.516</td>
</tr>
<tr>
<td>CM</td>
<td>.290</td>
</tr>
<tr>
<td>CEV</td>
<td>.573</td>
</tr>
</tbody>
</table>

Source: Author, 2017

According to results the tolerance value and VIF (variance inflated factor) among all independent variables are more than 0.10 and 10. The cut-off value is a tolerance value of 0.10, which corresponds to a VIF of 10 (Sekaran & Bougie, 2010). This shows that there is no Multicollinearity among all independent variables.

4.5.3 Heteroscedasticity Test for Performance of Commercial Banks

Hosomscedasticity suggests that the dependent variable has an equal level of variability for each of the values of the independent variables (Garson, 2012). A test for Homoscedasticity is made to test for variance in residuals in the regression model used. If there exist equal variance of the error term then we have a normal distribution. Lack of an equal level of variability for each value of the independent variables is known as heteroscedasticity, The Breusch-Pagan test developed by Breusch and Pagan (1979) was used to test for homogeneity in a linear regression model. The null and alternative hypotheses are stated below.

\[ H_0: \text{The data is not heterogeneous in variance} \]

\[ H_1: \text{The data is heterogeneous in variance} \]

The rule is that if the p-value is greater than 0.05, \( H_0 \) is accepted and \( H_1 \) is rejected, if the p-value is less than 0.05, \( H_0 \) is rejected and \( H_1 \) is accepted. The result of the test indicated that the test statistic was 6.2421 (p-value = 0.5422) with the degree of
freedom (table 4.10). Since the test-Statistic is small with the p-value greater than 0.05, the null hypothesis was accepted and concluded that there was Homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of regression hence the data was perfect for conducting inferential statistics.

**Table 4.10: Heteroscedasticity Test**

<table>
<thead>
<tr>
<th>Test – Statistic</th>
<th>Degree of Freedom</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2421</td>
<td>4</td>
<td>0.5422</td>
</tr>
</tbody>
</table>

**4.5.4 Auto Correlation Test**

Because serial correlation in models biases the standard errors and causes the results to be less efficient, the study adopted the Breusch-Godfrey test for autocorrelation which identifies serial correlation in the idiosyncratic error term in a model. From the Table 4.11 the null hypothesis of no serial correlation is not rejected given that the p-value is significant (p-value = 0.823).

**Table 4.11: Autocorrelation test**

<table>
<thead>
<tr>
<th>Breusch-Godfrey</th>
<th>Test for Autocorrelation</th>
</tr>
</thead>
<tbody>
<tr>
<td>LM</td>
<td></td>
</tr>
<tr>
<td>lags(p)</td>
<td>Chi (_2)</td>
</tr>
<tr>
<td>1</td>
<td>17.433</td>
</tr>
</tbody>
</table>

\(H_0: \) no serial correlation
4.6 Descriptive Analysis of Study Variables

The descriptive analysis was anchored under four independent variables (IV), namely strategic management capabilities to envision, strategize, monitor and evaluate against the dependent variable (DV) which was performance of commercial banks.

4.7 Analysis of Performance of Commercial Banks

This section present results of the relationship between implementation of strategic management capabilities and performance of commercial banks.

4.7.1 Implementation of Performance Indicators and Bank Performance

The respondents were asked to state if the implementation of the performance indicators led to increase or decrease in the performance levels of banks. The results indicate that to a large extent, implementation of the growth strategies led to increase in the performance levels of banks. It led to increase in profitability as shown by 65% of respondents; increase in return on shareholders’ wealth by 64%, market share by 56% and expansion and growth by 54%. The results are presented in Table 4.12.

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Market share</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>Return on shareholders’ wealth</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Expansion and growth</td>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

The findings agreed with Carletti (2010) who posited that a bank with progressive ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to be appealing to many customers, thus resulting into higher sales and subsequently better performance. Jones (2010) also agree with the findings by arguing that financial performance depends on the level and sustainability of
profits that the bank is able to make as a firm. A firm’s profitability is usually a function of the size of the market the company controls, the efficiency and effectiveness of cost reduction strategies being employed, and price of the products offered. Similarly, World Bank (2013) agrees with the findings by arguing that the success of commercial banks is a measure of the level of profits that they earn and how sustainable that profit is. Other than profits, performance of commercial banks is also a measure of the cash available to meet operational costs, product quality and diversification, level of market share, corporate identity, growth, and the amount of capital base. This implies that effectiveness in implementation of strategic management capabilities will translate to positive performance of commercial banks.

4.7.2 Implementation of Growth Strategies

The respondents were requested to indicate how far the banks had implemented a number of growth strategies as indicate in Table 4.13. The results from the respondents point to the fact that there is successful implementation of growth strategies by commercial banks in Kenya. The indication is that leadership styles of managers has been enhanced by 71%, investment in technology by 67%, partnership with other banks by 65%, collusions with other banks by 60% and creation of unique bank operating environment by 58%.

Table 4.13: Implementation of Growth Strategies

<table>
<thead>
<tr>
<th>Growth strategies</th>
<th>Successful</th>
<th>Inadequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Technology</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>Unique Bank Operating Environment</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td>Partnerships</td>
<td>65</td>
<td>35</td>
</tr>
<tr>
<td>Collusions</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Leadership Style</td>
<td>71</td>
<td>29</td>
</tr>
</tbody>
</table>
The findings support Richard (2009) assertion that performance depicts those operational activities like proactive leadership, partnership and investment in technology which are put in place to attain goals, monitor the progress towards these goals and make adjustment to achieve the objectives more effectively. Allen and Carletti (2010) support the findings through the statement that a bank with progressive ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to be appealing to many customers, thus resulting into higher sales and subsequently better performance. World Bank (2013a) add to the support by intimating that as for the commercial banks, management is expected to come up with strategies to increase output/results and inputs/behaviour of the organization and ensue that they have clear competitive advantage over their rivals. This implies that successful implementation of growth strategies by commercial banks will in return lead to enhancement in performance levels.

4.7.3 Growth in Performance

Respondents were asked to express the extent to which strategic management capabilities implementation had contributed to growth in the bank performance. The results indicate that majority of the respondents, 66%, felt that implementation of strategic management capabilities has contributed to a great extent on the performance of commercial banks while 14% stated it had contributed to very great extent on the performance (Table 4.14).

Table 4.14: Growth Performance

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To very great extent</td>
<td>14</td>
</tr>
<tr>
<td>To great extent</td>
<td>66</td>
</tr>
<tr>
<td>To moderate extent</td>
<td>20</td>
</tr>
</tbody>
</table>
The findings are in line with the statement by World Bank (2013a) that for commercial banks to enhance performance, management is expected to come up with strategies to increase output/results and inputs/behaviour of the organization and ensure that they have clear competitive advantage over their rivals. Additionally, Richard (2009) support the findings by stating that enhanced performance through strategic management capabilities is depicted by those operational activities which are put in place to attain goals, monitor the progress towards these goals and make adjustment to achieve the objectives more effectively. Lodato (2014) also add that enhance organizational performance is exercised and attained from excellent leadership by the executive officers. The implication is that the performance of commercial banks hinges on the prudent implementation of strategic management capabilities.

4.7.4 Rating Performance of Banks

The respondents were asked to rate the bank performance after implementation of strategic management capabilities based on a given list of parameters using the scale of: 1-Greatly increased; 2-slightly Increased; 3-Increased; 4-Decreased; - 5- Greatly decreased. The results indicate that the bank performance after implementation of strategic management capabilities was as follows; profitability (55%), market share (62%) and reputation (60%) greatly increase. At the same time, expansion and growth (50%) and return on shareholders’ wealth (47%) slightly increased. The results are indicated in Table 4.15.
Table 4.15: Rating Performance

<table>
<thead>
<tr>
<th>Performance levels</th>
<th>1 %</th>
<th>2 %</th>
<th>3 %</th>
<th>4 %</th>
<th>5 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>55</td>
<td>43</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Market Share</td>
<td>62</td>
<td>35</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Investment</td>
<td>42</td>
<td>34</td>
<td>24</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Share Capital</td>
<td>33</td>
<td>45</td>
<td>15</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Return on Shareholders’ Wealth</td>
<td>31</td>
<td>47</td>
<td>22</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Expansion and Growth</td>
<td>27</td>
<td>50</td>
<td>23</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reputation (Corporate Identity)</td>
<td>60</td>
<td>33</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The findings support Lipsey (2010) who argued that a bank that has a high return on its equity is likely to generate more cash internally. Mondy, et al (2009) support the findings by pointing that organizational performance comprises the ability of an organization to fulfil its mission through persistent formulation of new strategies to achieve results. Additionally, Richard (2009) support the finding by arguing that performance depicts those operational activities which are put in place to attain goals, monitor the progress towards these goals and make adjustment to achieve the objectives more effectively. This implies that if well implemented, strategic management capabilities will enhance performance of commercial banks.

4.8 Strategic Management Capability to Envision

The study sought to investigate the presence and influence of envisioning on the performance of commercial banks in Kenya. The respondents were asked about their knowledge of the bank’s vision statement and what strategies they are using to attain the goals envisioned in those statements. The results indicate that all banks which were examined had vision statements which are known by all top managers. In addition, 69.4% of the respondents said that they clearly understood the content of their banks’ vision statements. This leaves out about 30.6% with difficulties to comprehend the statements. On the aspect of the ease of the implementation of the
vision statement, 60% of the respondents indicated that it was easily implementable. Out of those respondents who were interviewed, 40% stated that they had difficulties actualizing the content of their vision statements. The results of the finding are represented in Table 4.16.

Table 4.16: Strategic Visions

<table>
<thead>
<tr>
<th>Vision statement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of vision statements and strategies to attain goals</td>
<td>260</td>
<td>100</td>
</tr>
<tr>
<td>Are vision statements known by top managers</td>
<td>260</td>
<td>100</td>
</tr>
<tr>
<td>I clearly understand the content of vision statement</td>
<td>182</td>
<td>69.4</td>
</tr>
<tr>
<td>Vision statement is easily implementable</td>
<td>157</td>
<td>60</td>
</tr>
<tr>
<td>I have difficulties in actualizing the content of vision statement</td>
<td>105</td>
<td>40</td>
</tr>
</tbody>
</table>

The findings are in line with Kortler (2013) who argues that employees would perform well when their work environment is collectively focused towards a common goal. In addition, the rapidly changing environment and pressure for greater employee accountability on performance must always be driven by managers through clear vision implementation. In such circumstances, it is incumbent on every bank's management to allocate adequate resources for actualization of their vision statements. The findings also complements Porter (2008) who views that vision can be considered sources of energy for achievement of formulated objectives. These findings indicate that successful banks had clear vision statements which integrate values and goals that are easily measured and attained. The results imply that all banks implemented various strategic programmes using different approaches. The basis is to gain competitive advantage over their rivals in a bid to enhance their profitability (Onuonga, 2014).
4.8.1 Performance Goals Envisaged by Vision Statement

The knowledge of the respondents on the performance goals envisaged by the vision statement was sought. The results show that the performance goals envisaged by vision statement of the organization included, cost leadership (60%); market capture (77%); customer satisfaction (81%); maximizing shareholder’s wealth (72%); branch expansion and growth (64%) and product quality and diversity (61%). Therefore, the study determined that most firms practising strategic capability to envision had clear objectives, elaborate vision and mission statements to guide the operation of their organization. The results are presented in Table 4.17.

<table>
<thead>
<tr>
<th>Performance goals</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Quality and Diversity</td>
<td>158</td>
<td>61</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>157</td>
<td>60</td>
</tr>
<tr>
<td>Branch Expansion and Growth</td>
<td>167</td>
<td>64</td>
</tr>
<tr>
<td>Market Capture</td>
<td>200</td>
<td>77</td>
</tr>
<tr>
<td>Maximizing Shareholders Wealth</td>
<td>188</td>
<td>72</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>211</td>
<td>81</td>
</tr>
</tbody>
</table>

This finding is similar to Kungu et al., (2014) who noted that organization with comprehensible vision and mission statement were likely to perform better. However the attainment of envisioned success is normally dependent on the allocation of adequate resource by the management (Chege, 2013; Mutua et al., 2013). Asewe (2010) had also found that in order for an organization to enhance performance, the utilization of capability to envision will ensure management’s formulation of clear mission and vision.
4.8.2 Possible Measures to Achieve the Objects of Vision Statement

The respondents were requested to suggest possible measures to achieve the vision statement. Significant number of participants, indicated that these difficulties could be mitigated through measures such as: increased investment and training of employees in new technology (22%); enhanced product diversification (20%); aggressive market penetration strategies (16%); greater managerial and scale efficiency (22%) and innovative financial products (20%).

Table 4.18: Measurement of Vision Statement

<table>
<thead>
<tr>
<th>Possible Measures</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative financial products</td>
<td>52</td>
<td>20</td>
</tr>
<tr>
<td>Increased investment and training of employees</td>
<td>58</td>
<td>22</td>
</tr>
<tr>
<td>Enhanced product diversification</td>
<td>52</td>
<td>20</td>
</tr>
<tr>
<td>Aggressive market penetration strategies</td>
<td>42</td>
<td>16</td>
</tr>
<tr>
<td>Greater managerial and scale efficiency</td>
<td>58</td>
<td>22</td>
</tr>
</tbody>
</table>

The findings support David (2001) argument that capability to envision involves strategy formulation which is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors.

The study found out that management capabilities to envision as a strategy allow for critical assessment of strategic planning and has positive impact on the performance of commercial banks in the country. What is needed is to regularly modify the vision or mission of the firm to adapt it to the changing market and industry environment. As argued by Kihara (2013), innovative organizations not only change their strategic priorities, but also implement new technologies and management practices. This is also supported by Armstrong (2010) who suggests that organizations whatever they
are, whatever they do, should perform a strategic management practices to insure that they fit within their environment.

4.8.3 Benchmark Schemes Relevant to Bank Performance

Respondents were asked whether their respective banks had benchmarks upon which they would anticipate their performance. Benchmarks are part of best practises and evidence base tools used by most banks to enhance their performance. Banks will always set clear expectation, adopting transparent and continuous performance monitoring strategies to attain their performance objectives. It is evident that nearly all commercial banks in Kenya (98%) have benchmarks. However, it is 81% of these benchmarks that are considered efficient by respondents in driving performance goals of respective banks (Table 4.19). The study also established that there are quite a number of benchmarks and the choice of any single type depends on the decision of the top managers.

**Table 4.19: Relevant benchmark schemes**

<table>
<thead>
<tr>
<th>Description of benchmarks</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available</td>
<td>255</td>
<td>98</td>
</tr>
<tr>
<td>Not available</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Efficient tool</td>
<td>211</td>
<td>81</td>
</tr>
<tr>
<td>Not efficient tool</td>
<td>49</td>
<td>19</td>
</tr>
</tbody>
</table>

The findings are in agreement with Ogollah (2007) study findings which showed that; most firms had a vision, a mission statement and set objectives which were either written or implied and these governed the day to day business operations of these firms. Asewe (2010) had also found that all commercial banks have well construed performance goals which were contained within the vision and mission statements of respective organizations. The goals most common to banks were cost leadership, market capture, customer satisfaction, maximising shareholders wealth, branch expansion, product quality and diversity. Kavale (2014) had also stated that capability to envision serves as the framework for a roadmap and guides every aspect
of an organization by describing what needs to be accomplished by the vision and mission in order to continue achieving sustainable, quality growth.

4.8.4 Common Benchmarks Used By Commercial Banks in Kenya

The study sought to establish which benchmark schemes are commonly used by commercial banks in Kenya. This was meant to gauge the application of best practices by local banks to enhance their performance. The respondents indicated that there are 13 benchmarks commonly used by commercial banks in Kenya. It can be deduced that performance management schemes is the most commonly used benchmarks. This was identified by 95% of all the 260 interviewee. The least of the 13 identified benchmarks is aggressive digitization at 31%. This could explain poor risk management of digital frauds and other challenges which are fast becoming common in the industry.

The findings add weight to Nabela (2014) statement that just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth by projecting achievable benchmarks aimed at enhancement of performance. The study by Kavale (2014) had noted that banks have benchmarks to assist in setting up clear expectation, adopting transparent and continuous performance monitoring strategies to attain their performance objectives. Consequently most banks were able to better performance by using benchmarks which have been tested elsewhere. This is consistent with Kungu et al. (2014) assertion that those firms which adapt evidenced based benchmarks often register successful outputs. The perceptions of the respondents are captured in the Table 4.20.
Table 4.20: Common Benchmarks

<table>
<thead>
<tr>
<th>Benchmark scheme</th>
<th>Number of respondent</th>
<th>Frequency of response</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aggressive digitization</td>
<td>260</td>
<td>80</td>
<td>31%</td>
</tr>
<tr>
<td>2. Credit fulfilment</td>
<td>260</td>
<td>185</td>
<td>71%</td>
</tr>
<tr>
<td>3. Customer back process transformation</td>
<td>260</td>
<td>119</td>
<td>45%</td>
</tr>
<tr>
<td>4. Delivery model optimization</td>
<td>260</td>
<td>216</td>
<td>83%</td>
</tr>
<tr>
<td>5. Governance and management transparency</td>
<td>260</td>
<td>94</td>
<td>36%</td>
</tr>
<tr>
<td>6. Loan service indicator</td>
<td>260</td>
<td>200</td>
<td>77%</td>
</tr>
<tr>
<td>7. Performance cost per loan</td>
<td>260</td>
<td>198</td>
<td>76%</td>
</tr>
<tr>
<td>8. Performance management scheme</td>
<td>260</td>
<td>248</td>
<td>95%</td>
</tr>
<tr>
<td>9. Product and service simplification</td>
<td>260</td>
<td>214</td>
<td>82%</td>
</tr>
<tr>
<td>10. Reduced business complexities</td>
<td>260</td>
<td>236</td>
<td>91%</td>
</tr>
<tr>
<td>11. Robust of employees</td>
<td>260</td>
<td>240</td>
<td>92%</td>
</tr>
<tr>
<td>12. Sales effectiveness</td>
<td>260</td>
<td>180</td>
<td>69%</td>
</tr>
<tr>
<td>13. Segmentation of staff into common task</td>
<td>260</td>
<td>242</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td><strong>260</strong></td>
<td><strong>189</strong></td>
<td><strong>73%</strong></td>
</tr>
</tbody>
</table>

4.8.5 Instruments used for Decision Making

Management of business organizations require strategic decisions which are informed and quite accurate. Wrong decisions may affect the overall output of such firms. The banking sector is widely affected by the timing and nature of decisions made by the administration. Additionally, such decisions are subject to the prevailing market dynamisms, regulatory controls by the Central Bank, influence the Banking
Association; cut throat competition from rivals financial outfits, and the impact of external financial crisis. Respondents were asked to identify which decision making instrument is commonly used by their banks.

Majority of respondents (88%) indicated that performance reports is the decision making instrument commonly used by commercial banks in Kenya. All commercial banks in Kenya use investment metrics (85%), performance reports (88%) and market trend indicators (78%) in making managerial decisions. When the three tools were analysed together on a 100% scale, it was revealed that performance reports was the most preferred decision making tool at 35% followed by investment metrics at 34% and market trend indicator at 31%. One of the key results of this study was that all banks have decision making instruments. Their responses are reflected in Table 4.21.

Table 4.21: Instruments for Decision Making

<table>
<thead>
<tr>
<th>Decision making instruments</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance reports</td>
<td>228</td>
<td>88</td>
</tr>
<tr>
<td>Investment metrics</td>
<td>220</td>
<td>85</td>
</tr>
<tr>
<td>Market trend indicators</td>
<td>204</td>
<td>78</td>
</tr>
</tbody>
</table>

**Most preferred decision making tool in a scale of 100%**

<table>
<thead>
<tr>
<th>Decision making instruments</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance reports</td>
<td>90</td>
<td>35</td>
</tr>
<tr>
<td>Investment metrics</td>
<td>87</td>
<td>34</td>
</tr>
<tr>
<td>Market trend indicators</td>
<td>80</td>
<td>31</td>
</tr>
</tbody>
</table>

The findings supported Thompson and Strickland (2004) statement that whereas the choice of these instruments may vary from banks to banks, the most common one are: performance reports; investment metrics, and market trend indicators. Decision making instruments are essential in ensuring that the business entity attains competitive advantage over its rival as a basis of improving future performance. Thomas, Jethro and Strickland (2006) support the findings of this study by intimating that decision making instruments are essential in ensuring that the business entity
attains competitive advantage over its rival as a basis of improving future performance. However, Johnson, Scholes and Whittington (2008) had a contrary view as they asserted that decision making choice of these instruments is the preserve of the management.

4.8.6 Current Departmental Targets

The strategic management capabilities to envision performance is cascaded down at the departmental level by nearly all the commercial bank in Kenya. The study revealed that core departments are the prime movers of performance. The main target of the operations management was, continuous and aggressive training of employees (97%), diversified financial products (96%), and enhanced customer’s deposits (95%) among many others. Continuous and aggressive training of employees (97%) and acquisition and retention of strategic staff (94%) are some others. Table 4.22 represents the targets identified by the respondents as constituting the main building blocks for good performance by commercial banks.

Table 4.22: Departmental Targets

<table>
<thead>
<tr>
<th>Department</th>
<th>Main Targets</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Management</td>
<td>Diversified financial products</td>
<td>250</td>
<td>96%</td>
</tr>
<tr>
<td></td>
<td>Increase the value of products</td>
<td>210</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td>Improve asset quality</td>
<td>198</td>
<td>76%</td>
</tr>
<tr>
<td></td>
<td>Enhance customers deposits</td>
<td>246</td>
<td>95%</td>
</tr>
<tr>
<td></td>
<td>Increased liquidity ratio</td>
<td>180</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>Capital adequacy</td>
<td>197</td>
<td>76%</td>
</tr>
<tr>
<td>Human Resource</td>
<td>Continuous and aggressive training of</td>
<td>252</td>
<td>97%</td>
</tr>
<tr>
<td>Management</td>
<td>employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acquisition and retention of strategic</td>
<td>244</td>
<td>94%</td>
</tr>
<tr>
<td></td>
<td>staff</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The information above specifies that commercial banks performance goals are actualised at the departmental level. Ogollah (2007) support these sentiments by indicating that banks lay more emphasis on human resource training as the main driving force for attaining higher performance. Thomas, Jethro and Strickland (2006) agree with the findings by stating that capability to envision involves cascading the information to the departments through strategy formulation which is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT). Watuka (2014) add on the same by indicating that at the departmental level there is continuous and aggressive training of employees and acquisition and retention of strategic staff through best setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors.

4.8.7 Involvement of Stakeholders in Developing Mission Statements

Respondents were asked to rate the involvement of select key stakeholders in the development of their bank’s mission statements. Eighty six (86%) of participants perceived the managers being very much involved in the development of commercial banks' mission statement while 60% felt that the employees as rarely involved. About 73% observed that customers are not involved at all in developing mission statement even though they are the main focus of any performance aspiration of the banks. About 54% said that the board of directors are involved alluding to the fact that in some occasion it is the managers who come up with policies and sell them to the board. The results are as shown in Table 4.23.
Table 4.23: Stakeholders Involvement

<table>
<thead>
<tr>
<th>Description of Stakeholder</th>
<th>VI</th>
<th>MI</th>
<th>I</th>
<th>RI</th>
<th>NI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>4%</td>
<td>21%</td>
<td>54%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Managers</td>
<td>86%</td>
<td>8%</td>
<td>6%</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employees</td>
<td>2</td>
<td>12</td>
<td>24%</td>
<td>60%</td>
<td>2%</td>
</tr>
<tr>
<td>Customers</td>
<td>0%</td>
<td>0%</td>
<td>10</td>
<td>12%</td>
<td>73%</td>
</tr>
</tbody>
</table>

**Key:** Very Involved (VI), Moderately Involved (MI), Involved (I), Rarely Involved (RI), Not Involved (NI).

The findings show that although business organizations’ main goal is to satisfy customers’ needs as a basis towards better performance, commercial banks do not fully involve their customers in decision making process. The findings agree with Richard (2009) statement that customers are the most critical stakeholder group who should play a prominent role in a mission statement's focus. Ogollah (2007) support the findings by his argument that commercial banks may fail to develop mission statements or improve the old one because of the diverse opinion and interest of organization stakeholders. In some cases organizations have tended to be complacent with the status quo or are discouraged by the tedious formalities that are required in developing mission statements. Similar sentiments are given by Johnson, Scholes and Whittington (2008) that growing organizations require stakeholders support and vision, strategy and values that are both inspiring and concrete enough to guide corporate action.

### 4.9 Strategic Management Capabilities to Strategize

The ability to strategize and pursue growth policies normally enable commercial banks and organizations in general to perform better relative to their competitors. This is because the strategies that organizations adapt are as a result of plan to address various challenges. The results indicate that there are up to ten (10) strategies commonly used by commercial banks in Kenya to attain their performance goals. The main areas of strategic action include: measures to mitigate performance...
challenges (80%); means to address operational issues (49%) and resource allocation to implement strategic programmes (91%).

According to the above finding, 93% of participants view sustained training of employees as very important in delivering performance goals. Additionally, 92% of the respondents maintain that departmental activities should be well articulated in policy manuals for high output. In the opinion of 25% of those interviewed, the commitment of the board may not be very important in goal attainment provided that the adequate resources are allocated for programmes implementation. The results indicate that the respondents felt that the key aspects of bank’s capability to strategize include, commitment of the board to support implementation as important at 80%; generation of strategies to deal with performance challenges as quite important at 80%; rationalization 73%; select strategies to address bank operational issues as important at 68%; product restructuring as important at 64% and market penetration as important at 63%. Commercial banks capability to strategize was analysed and the perception of employees recorded together with whether the bank (s) had strategies at all (Table 4.24).
### Table 4.24: Strategic Management Capabilities to Strategize

<table>
<thead>
<tr>
<th>Strategic aspects</th>
<th>VI</th>
<th>QI</th>
<th>I</th>
<th>NI</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Generate strategies to deal with performance challenges</td>
<td>80%</td>
<td>17%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2. Select strategies to address bank operational issues</td>
<td>49%</td>
<td>37%</td>
<td>14%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>3. Maintenance of Policy manuals for individual departments</td>
<td>92%</td>
<td>6%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>4. Regular update of bank policies</td>
<td>83%</td>
<td>11%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>5. Allocation of adequate funding to specific bank programmes</td>
<td>91%</td>
<td>3%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>6. The commitment of the board to support implementation of strategic initiatives</td>
<td>25%</td>
<td>34%</td>
<td>41%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>7. Rationalization</td>
<td>81%</td>
<td>11%</td>
<td>6%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>8. Retraining – skills development</td>
<td>93</td>
<td>5%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>9. Product restructuring</td>
<td>74%</td>
<td>22%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>10. Market penetration</td>
<td>69%</td>
<td>31%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Key: Very Important (VI), Quite Important (QI), Important (I), Not Important (NI) and Not existing (NE),

The results are in contrast with Hill and Jones (2009) argument that the most vital capability to strategize is about the choice of the tactics and techniques for the firm as a whole, managing various product lines and business units for maximum value regular update of bank policies and market penetration capability which helps to
exercise the choice of direction that an organization adopts as a whole. The results also contrasted Porter (2008) findings that capability to strategize includes decisions regarding the flow of firm resources to and from a company’s product lines and business units. Through a series of coordinating activities, a company transfers skills and capabilities developed in a one unit to other units that may need such resources. However, the results agree with Kutlovci, Shala and Troni (2012) that capability to strategize involves selection and maintenance of bank operation issues and manuals for operational purposes.

4.9.1 Effectiveness of the Current Strategies

The respondents rated the effectiveness of the current strategies of the bank in guaranteeing attainment of the future performance using the key: 5= very effective, 4= quite effective, 3= effective, 2= rarely effective, 1= not effective. Results on the effectiveness of the current strategies of the bank in guaranteeing attainment of the future performance indicate that the following strategies are currently effective. The findings were that customer’s analysis strategies as quite effective at 84%; products analysis strategies as quite effective at 77% and internal analysis strategies as quite effective at 66%. The results are presented in Table 4.25.

Table 4.25: Effectiveness of Strategies

<table>
<thead>
<tr>
<th>Strategies</th>
<th>VE</th>
<th>QE</th>
<th>E</th>
<th>RE</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products analysis strategies</td>
<td>5</td>
<td>77</td>
<td>15</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Customers analysis strategies</td>
<td>4</td>
<td>84</td>
<td>8</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Competitors analysis strategies</td>
<td>10</td>
<td>30</td>
<td>55</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Internal analysis strategies</td>
<td>6</td>
<td>66</td>
<td>20</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Industry analysis strategies</td>
<td>5</td>
<td>37</td>
<td>58</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The findings support Pearce and Robinson (2009) argument that successful firms adapt to economic environmental conditions geared to customer’s analysis, products analysis and internal analysis strategies by implementing business strategies cantered
on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance. The findings support Porter (2008) argument that effective strategies include; market development strategy, expansion or growth strategy, product development strategy, innovation strategy, integration strategy, divestiture, liquidation strategy, stability strategy and retrenchment or divestment strategy whichever is overarching. Similarly, Kutlovci, Shala and Troni (2012) agree with the findings by stating that capability to strategize includes decisions regarding the flow of firm resources to and from a company’s product lines and business units. Through a series of coordinating activities, a company transfers skills and capabilities developed in a one unit to other units that may need such resources. The results are an indicator that commercial banks in Kenya have proactive strategies that are effectively encouraging and contributing to the performance of these organizations.

4.9.2 Strategic Network

Business organizations normally maintain strategic partnerships with a group of stakeholders. This study explored whether commercial banks had any form of partnerships with other organizations. A large number of banks surveyed (89%) maintained strategic partnerships with a number of stakeholders. Only 11% of interviewee indicated that their banks do not maintain partnerships with strategic organization. The main partners of most commercial banks in Kenya were: mobile phone providers, micro financial organizations and other commercial banks. The findings are as shown in Table 4.26.

<table>
<thead>
<tr>
<th>Partners</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of partners</td>
<td>232</td>
<td>89</td>
</tr>
<tr>
<td>Absence of partners</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>260</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
The findings support Jerop and Juma (2014) assertion that organizations operate in two distinct environments; internal and external. An organization should not only strive to maintain internal strategic partners but also with the external ones that exist and influence the operation of a firm. Hill and Jones (2007) agree with the findings by stating that just as every product or business unit must follow a business strategy to improve its competitive position, every organization must decide its orientation towards growth by assessing the future of its strategic alliances. Firms choose expansion strategy when their perceptions of resource availability and past financial performance are both high. Ansoff and McDonald (2003) support the findings by stating that some of the major economic reasons for choosing a particular strategic network are: exploiting operational economies and financial economies of scope, uncertainty avoidance and efficiency, possession of management skills that help create corporate advantage, overcoming the inefficiency in factor markets and long term profit potential of a business. The implication is that banks should acquire strategic partnership with stakeholders like mobile phone providers, micro financial organizations and other commercial banks to gain and maintain competitive advantage of their competitors

### 4.9.3 Value of Strategic Networks to the Performance of the Organization

The respondent were asked to indicate how valuable is the strategic networks to the performance of the organization. The results show that the respondents felt that strategic networks are important to the performance of the organization. It is important attract new customers to the organization (76%); assist in acquisition of new markets (64%); distribution of products (63%); helps in tackling competitors (60%) and assist in sharing risks (55%). The results are presented in Table 4.27.
Table 4.27: Value of strategic networks

<table>
<thead>
<tr>
<th>Value of Strategic Networks</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assist in acquisition of new markets</td>
<td>166</td>
<td>64</td>
</tr>
<tr>
<td>Attract new customers to organization</td>
<td>197</td>
<td>76</td>
</tr>
<tr>
<td>Help in tackling competitors</td>
<td>155</td>
<td>60</td>
</tr>
<tr>
<td>Assist in product distribution</td>
<td>164</td>
<td>63</td>
</tr>
<tr>
<td>Assist in sharing risks</td>
<td>143</td>
<td>55</td>
</tr>
</tbody>
</table>

The findings support Ansoff and McDonald, (2003) who opined that some of the major economic reasons for choosing a particular type of strategic networks are: exploiting operational economies and financial economies of scope, uncertainty avoidance and efficiency, possession of management skills that help create corporate advantage, overcoming the inefficiency in factor markets and long term profit potential of a business. Hill and Jones (2007) strategic networks enable organizations to improve its competitive position. Similarly, Jerop and Juma (2014) support the findings by stating that strategic networks are valuable since they influence an organization's strategic development by creating awareness on both opportunities and threats. Therefore commercial banks should proactively continue to scan the business horizon to acquire more strategic partners to drive further their performance levels.

4.9.4 Rating the Value of Capability to Strategize

The results of the respondents rating of the value of capability to strategize on the performance of the organization using the scale of (5 -very important, 4 –quite important, 3- important, 2 –not important and 1–not important at all) are shown in table 4.28. The results of rating of the value of capability to strategize on the performance of the organization indicate that it improves corporate image (69%); lead to quality management performance (68%); improves operational management (59%) and enhances organizational excellence (50%).
Table 4.28: Value of strategies

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>VI</th>
<th>QI</th>
<th>I</th>
<th>NI</th>
<th>NIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhances organizational excellence</td>
<td>10%</td>
<td>32%</td>
<td>50%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Lead to quality management performance</td>
<td>8%</td>
<td>68%</td>
<td>24%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Improves corporate image</td>
<td>12%</td>
<td>18%</td>
<td>69%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Improves operational management</td>
<td>59%</td>
<td>21%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The findings negate the argument of Kutllovci et al. (2012) that capability to strategize improves decisions regarding the flow of firm resources to and from a company’s product lines and business units. It also enhances a firm’s transfers of skills and capabilities developed in a one unit to other units that may need such resources. Jerop and Juma (2014) argument also support the findings by showing that capability to strategize enable organizations operate in both internal and external environment that influence the operation of a firm by creating awareness of both opportunities and threats. Watuka (2014) support the findings by arguing that capability to strategize ensures an organization fit into the changing business environment. This imply that strategizing among commercial banks is quite valuable in that, it is an attempt to obtain synergies among numerous product lines and business units so that the corporate whole is greater than the sum of its individual business unit parts.

4.9.5 Frequency of Reviewing Implemented Strategies

The respondent’s views were sought on how often the bank reviews the implemented strategies. On the frequency of the bank review of the implemented strategies, 68% of the respondents stated that it is done annually with 30% indicating that it is performed on monthly basis. The results are presented in Table 4.29.
Table 4.29: Frequency of Reviews

<table>
<thead>
<tr>
<th>Frequency of Reviews</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Weekly</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Fortnightly</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Monthly</td>
<td>78</td>
<td>30</td>
</tr>
<tr>
<td>Annually</td>
<td>176</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>260</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

However, the findings agreed with Vision (2030) statement as shown by Jerop and Juma (2014) which points that developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development strategies embedded in the economic development blueprint. The findings are in line with Watuka (2014) argument that implemented strategies should continually be reviewed to keep up in touch of the realities of a competitive business environment through increased investment and training of employees in new technology; enhanced product diversification; aggressive market penetration strategies; greater managerial and scale efficiency, and innovative financial products. Similarly, (CBK, 2013) had similar sentiments that operations of a bank depend on regular review of regulation and competition laws through guidance from prevailing political environment, the culture of the people, income per capital and amount of disposable income, and technological advancement.

4.9.6 Need assessment to Establish Performance Level

The respondents were requested to rate the importance of the needs assessment process for the effective operation of banks. All banks, 100% have adapted the use need assessment to evaluate their bank’s performance in their core function areas. They are used to establish customers’ aspirations at 77.3%, challenges and expected risks which could affect the bank operations (73.5%); 85.4% of respondents perceive the use of need assessment as very important for the successful operation of their
banks. Most banks (72%) conduct need assessment annually. The results are presented in Table 4.30.

Table 4.30: Importance of Needs Assessment

<table>
<thead>
<tr>
<th>Importance of Needs Assessment</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All banks have adapted the use need assessment to evaluate performance in their core function areas</td>
<td>260</td>
<td>100</td>
</tr>
<tr>
<td>Needs assessment establish customers’ aspirations</td>
<td>201</td>
<td>77.3</td>
</tr>
<tr>
<td>They are used to mitigate on challenges and expected risks which could affect the bank operations.</td>
<td>191</td>
<td>73.5</td>
</tr>
<tr>
<td>Need assessment are very important for the successful operation of the banks.</td>
<td>222</td>
<td>85.4</td>
</tr>
<tr>
<td>Most banks perform need assessment annually</td>
<td>188</td>
<td>72</td>
</tr>
</tbody>
</table>

The findings support Porter (2008) argument that the role of needs analysis is to coordinate and directs all the resources of a firm towards the attainment of its goals and objectives and vision. This imply that needs assessment is further important in achieving short term, mid-term and long-term objectives. Similarly, Pearce and Robinson (2009) support the findings that firms adapt to economic environmental conditions by conducting needs analysis before implementing business strategies centred on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance. Nabela (2014) support the findings by pointing that needs analysis in an organization is paramount since changing business environments alter the way organizations fundamentally conduct business.

4.10 Strategic Management Capabilities to Monitor

The respondents were asked to state whether the organizations conducts SWOT analysis and also the frequency of the analysis. The results indicate that there is usually SWOT analysis in most banks at 68%. In addition, majority of the
respondents 72% stated that there is an annual rate of conducting SWOT analysis in the banks. Table 4.31 shows the response on SWOT analysis.

Table 4.31: Presence of SWOT analysis

<table>
<thead>
<tr>
<th>SWOT Analysis</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of SWOT analysis</td>
<td>176</td>
<td>68</td>
</tr>
<tr>
<td>Frequency of SWOT analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td>98</td>
<td>38</td>
</tr>
<tr>
<td>Annually</td>
<td>188</td>
<td>72</td>
</tr>
</tbody>
</table>

The findings are congruent with Thagana (2013) who argued that organizations like banks that have strong and effective cultures and reward systems have regular monitoring and typically require fewer rules and regulations because employees tend to understand and internalize the boundaries of acceptable behaviour. In addition, Johnson et al. (2008) support the results by stating that the importance of the assessment of the effectiveness of implemented strategies cannot be ignored as they equip organizations with distinctive competencies to survive the competitive business environment. Flamini (2009) also argued that proactive financial institutions need to continuously conduct the SWOT analysis to keep with the realities of the competitive business world. This will assist in establishment of the effective strategies and review of those that need corrective measures.

4.10.1 Importance of SWOT Analysis for Effective Bank Operation

The views of the respondents on the importance of SWOT analysis were analysed. It was revealed that all banks conducted SWOT analysis. Majority of respondents 79% felt that SWOT analysis is very important for effective operations of their banks. Only 6% perceived SWOT analysis as being not important in their banks' operations. The results are presented in Table 4.32.
Table 4.32: Importance of SWOT Analysis

<table>
<thead>
<tr>
<th>Importance of SWOT analysis</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>206</td>
<td>79</td>
</tr>
<tr>
<td>Less important</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Not important</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>260</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The findings agree with the sentiments of Johnson *et al.* (2008) that operational and financial controls are part and parcel of effective operation of the banks. Financial and operational controls are clear and unambiguous, which introduces a high degree of discipline into the control process. Flamini (2009) support the findings by adding that SWOT analysis is one of the strategies that strategic management will continually implement to forestall any eventuality of underperformance in the organization. Finally Porter (2008) support the findings by intimating that SWOT analysis assist in identification of strategic strengths and weak points which assist in keeping the organizational performance well in line to achieve the projected goals.

4.10.2 Strategies used to monitor and control future performance

The views of the respondents were sought on the strategies used by their organization to monitor and control future performance as shown in Table 4.33. According to the results given, the strategies used by the organization to monitor and control future performance are, level of attainment of short and long-time goals of the organization (77%); past performance of the organization (69%) and key benchmarks at (68%).
Table 4.33: Strategies for Future Performance

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key benchmarks</td>
<td>176</td>
<td>68</td>
</tr>
<tr>
<td>Level of attainment of short and long-time goals of the organization</td>
<td>199</td>
<td>77</td>
</tr>
<tr>
<td>Past performance of the organization</td>
<td>180</td>
<td>69</td>
</tr>
<tr>
<td>Projected performance of competitors</td>
<td>98</td>
<td>38</td>
</tr>
</tbody>
</table>

These findings support the argument by Kanter (2009) that strategic controls to monitor performance are important to sustain the innovation process because long time-lags frequently intervene between innovative initiatives and their eventual pay-off. The findings contrast Flamini (2009) who stated that the strategies used to control performance involves the application of proper balance of rewards and incentives, culture, and boundaries. The findings also disagree with Kay (2007) argument that net income, return on equity, and return on sales are strategic controls measures of performance.

4.10.3 Use of Investment Performance Reviews

The respondents were asked to state whether their organizations conduct investment performance reviews to establish the achievement levels of objectives and the frequency of the reviews. Apparently, the results shows that majority of the respondents at 83% indicated that their banks conducted investment performance reviews. This was done annually as shown by 51% of the respondents. The results are presented in Table 4.34.
### Table 4.34: Use of Investment Performance Reviews

<table>
<thead>
<tr>
<th>Investment performance</th>
<th>Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducting investment performance reviews</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>215</td>
</tr>
<tr>
<td></td>
<td>83%</td>
</tr>
<tr>
<td><strong>Frequency of performance reviews</strong></td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Annually</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>51%</td>
</tr>
</tbody>
</table>

The findings are in agreement with Allen and Carletti (2010) who stated that a bank with progressive performance reviews ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to be appealing to many customers, thus resulting into higher sales and subsequently better performance. Johnson et al (2008) agree with the findings by arguing that continuous financial reviews also provide an opportunity for the parties involved to agree on objective performance standards well in advance of any performance evaluation.

Kanter (2009) support the findings by stating that a well-designed strategic performance review system is capable of rewarding firm employees for incremental but substantive progress on product or process innovations that take a long time to reach market. This is an indicator that for a commercial bank in Kenya to attract and retain its customer base strategic reviews of its investment performance is continuously vital. It will also ensure that the bank give value to its customers and shareholders.

### 4.11 Strategic Management Capabilities to Evaluate

The process of evaluation is quite important analysing the position of any project being implemented. It also gauges the specific contribution of various activities towards a common focus.
4.11.1 Importance of Evaluation Processes

Respondents were asked whether they consider their banks’ evaluation processes to be important factor in performance. Significant majority of respondents perceived a number of evaluation processes to be very important in their bank performances. The results indicate that 90% of the respondents stated that development of key performance indicators is very important in achieving growth and development of the banks. Likewise, 87% perceived communicating result to stakeholders as being very important. Their responses are contained in Table 4.35.

Table 4.35: Importance of Evaluation Process

<table>
<thead>
<tr>
<th>Evaluation aspects</th>
<th>VI</th>
<th>QI</th>
<th>I</th>
<th>LI</th>
<th>NI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of Strategic Initiatives.</td>
<td>0%</td>
<td>68%</td>
<td>26%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Communicating assessment results to stakeholders</td>
<td>87%</td>
<td>11%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Development of key performance indicators</td>
<td>90%</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Availability of corrective measures to address failures</td>
<td>10%</td>
<td>75%</td>
<td>13%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Response time</td>
<td>59%</td>
<td>31%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Response to market changes and dynamics</td>
<td>85%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Key: Very Important (VI), Quite Important (QI), Important (I), Least Important (LI), Not Important (NI).

The findings support Porter (2008) who stated that whether performed by an individual or as part of an organizational review procedure, strategy evaluation process forms an essential step in the process of guiding an organization. Similarly, Flamini (2009) agree by indicating that, for many executives, strategy evaluation is simply an appraisal of how well a business performs. Has it grown? Is the profit rate normal? If the answers to these questions are affirmative, it is argued that the firm’s strategy must be sound. It is apparent that, through evaluation, organizations are able to explore the occurrence of unintended results and offer recommendations on mitigation options. Nabela (2014) finally support the findings by arguing that
commercial banks desire to gain competitive advantage over their rivals should use evaluation techniques to fast track the attainment of their performance objectives.

4.11.2 Strategies of Evaluating of Achievement of the Set Objectives

The respondent’s views on the strategies the banks apply in evaluation of achievement of the set objectives are explained. The results imply that the various banks use different strategies in the evaluation of the level of achievement of the set targets. Majority, 86% used comparative analysis of attainment of goals with expected achievements; 77% used an analysis of competitive advantages and disadvantages, the competition level; 69% used extent of customer satisfaction with the products while 65% used an analysis of the competitive level. The findings are presented in Table 4.36.

**Table 4.36: Evaluating Achievement**

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attainment of goals is compared with expected achievement</td>
<td>224</td>
<td>86</td>
</tr>
<tr>
<td>Competition level is analysed to understand competitive advantages</td>
<td>200</td>
<td>77</td>
</tr>
<tr>
<td>Competitive level of the product is analysed</td>
<td>169</td>
<td>65</td>
</tr>
<tr>
<td>Strategic value of networks and partners is regularly assessed</td>
<td>155</td>
<td>60</td>
</tr>
<tr>
<td>Extent of customer satisfaction with products is assessed</td>
<td>169</td>
<td>65</td>
</tr>
</tbody>
</table>

The findings are in agreement with the views by King (2002) that banks can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the qualitative factors are subjective evaluation of factors such as skills and competencies, risk taking potential and flexibility. Rugman and Verbeke (2008) support the findings by stating that
strategic evaluation enables commercial banks to measure one of the key considerations of profit maximization. Profit consideration is ultimately the main goal of any commercial banks. However, commercial banks may have other goals such as good reputation, branch expansion and sound corporate social responsibility.

Similarly, Grant (2005) support the findings when he states that the process of strategy evaluation consists of following steps: Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as; what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task.

4.11.3 Evaluation of Performance and Evaluation Surveys

The views of the respondents on the importance of evaluation of performance in assisting the organization to attain its set goals and the conduction of evaluation surveys to gauge the success of the assessed strategies were sought. Majority of the respondents, 83% felt that evaluation of performance assisted in attainment of set goals with 88.5% indicating that their bank usually conducted evaluation surveys to ascertain achievement of set goals. The results are presented in Table 4.37.

Table 4.37: Evaluation of Performance

<table>
<thead>
<tr>
<th>Assistance of evaluation in attaining goals</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance of evaluation in attaining set goals</td>
<td>245</td>
<td>83%</td>
</tr>
<tr>
<td>Conducting of evaluation surveys</td>
<td>230</td>
<td>88.5%</td>
</tr>
</tbody>
</table>

The results support Johnson and Scholes (2008) suggestion that the importance of evaluation is to attest the appropriateness of objectives of the business, appropriateness of major policies and plans and to check whether the results obtained
to date confirm or refute critical assumptions on which the strategy rests. Kavale (2014) agree with the results by stating that the implication of evaluation of performance is that strategy evaluation in commercial banks is an attempt to look beyond the obvious facts regarding the short-term health of a business and appraise instead those more fundamental factors and trends that govern success in the chosen field of endeavour. Nabela (2014) also support the findings by adding that evaluation of performance enable commercial banks to gain competitive advantage over their rivals with use of evaluation techniques to fast tract the attainment of their performance objectives.

4.11.4 Bank’s Capability to Evaluate

The results of the respondents’ rating of the aspects of bank’s capability to evaluate (using a five point scale of 5-very important, 4-quite important, 3-important, 2-not important and 1-not important at all) are presented in Table 4.38. From the results, development of key performance indicators (66%); response to market changes and dynamics (64%); availability of corrective measures to address failures (62%) and communicating assessment results to stakeholders (50%) are some of the key aspects associated with bank’s capability to evaluate.

Table 4.38: Capability to evaluate

<table>
<thead>
<tr>
<th>Evaluation aspects</th>
<th>VI</th>
<th>QI</th>
<th>I</th>
<th>NI</th>
<th>NIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of strategic initiatives.</td>
<td>6</td>
<td>36</td>
<td>53</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Communicating assessment results to stakeholders</td>
<td>50</td>
<td>43</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Development of key performance indicators</td>
<td>44</td>
<td>66</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Availability of corrective measures to address failures</td>
<td>62</td>
<td>33</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Response time</td>
<td>34</td>
<td>23</td>
<td>41</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Response to market changes and dynamics</td>
<td>64</td>
<td>32</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>
The findings complements the sentiments by Suvita and Hui (2012) that evaluation capability of an organization is determined by the performance indicators that best identify and express the special requirements that might then be determined to be used for evaluation. Nabela (2014) agree with the results by stating that, the key parameter of strategic evaluation in a commercial bank is to attest the general health and achievement of the set strategies. It aims at an overall valuation of the worthiness of the implemented strategies in achieving the performance goals set by the management. Ozturk and Coskun (2014) add to the support by stating that while measurement of performance one has to put in mind that the standard performance is a bench mark with which the actual performance is to be compared.

4.11.5 Participation in Strategy Evaluation of the Stakeholders

The views of the respondents in rating the level of participation in strategy evaluation of stakeholders were sought using a scale of 5-very involved, 4-quite involved, 3-involved, 2-not involved and 1-not involved at all. From the results, it is evident that strategy evaluation of stakeholders was rated highly as quite important among the managers at 70%, followed by employees at 62% and among the board of directors at 54%. Important to note is that 77% of the respondents indicated that strategy evaluation of stakeholders among the employees is not important. The results are presented in Table 4.39.

Table 4.39: Participation in Strategy Evaluation

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>VI</th>
<th>QI</th>
<th>I</th>
<th>NI</th>
<th>NIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td>34</td>
<td>54</td>
<td>10</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Managers</td>
<td>14</td>
<td>70</td>
<td>14</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employees</td>
<td>34</td>
<td>62</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Customers</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>77</td>
<td>22</td>
</tr>
</tbody>
</table>
The findings agree with Potter (2008) argument that while fixing the strategy evaluation benchmarks, the views of the key stakeholders should be considered well before evaluating the actual performance. Commercial banks should have the patience of getting the feelings of the stakeholders as a strategy of measuring achievement of the performance goals.

These findings are in line with Grant (2005) statement that the process of strategy evaluation must consist of the stakeholder’s views while fixing benchmark of performance: Lodato (2014) also add that in order to determine the benchmark performance to be set, it is essential to discover the special requirements from all the stakeholders for the sake of effective performance of the main tasks to be implemented.

4.11.6 Evaluation of the Success of Return on Investment

The views of the respondents on evaluation and frequency of the success of Return on Investment and corrected actions to establish the achievement levels of objectives were sought as shown in Table 4.40. The results indicated that majority of the respondents at 86% felt that evaluation and frequency of the success of Return on Investment is conducted with 64% pointing that it is mostly annually done.

<table>
<thead>
<tr>
<th>Evaluation of Return on Investment</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluating the success of Return on Investment</td>
<td>223</td>
<td>86%</td>
<td>16</td>
<td>6.2%</td>
</tr>
<tr>
<td>Frequency of evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td>34</td>
<td>13%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Annually</td>
<td>167</td>
<td>64%</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>
The findings add weight to those of Potter (2008) that in evaluating the performance of an organization, financial statements like balance sheet, and profit and loss account among others must be prepared on an annual basis. Lodato (2014) support by arguing that evaluation of Return on Investment in commercial banks can only add value to shareholders, stakeholders and other investors if only there is an increase and sustainability of higher performance. Vijay (2009) add the support by stating that evaluation of Return on Investment is achievable through implementation of effective and superior capability strategies to enhance better return on investment. Functionally this will imply that banks have to strategically invest in resources and management that guarantee accurate strategic choice in investment to add value to the return on investment.

4.11.7 Attainment of Future Performance Goals

The effectiveness of the current strategies of individual bank in guaranteeing attainment of the future performance goals was tested by seeking the opinion of employees. Key: Very Effective (VE), Quite Effective (QE), Effective (E), Rarely Effective (RE), Not Effective (NE). The findings are indicated in Table 4.41. Majority of the respondent (71%) belief that competition analysis strategies and product management strategies (68%) are very effective in guaranteeing higher performance of commercial banks. On the other hand 76% of the interviewees felt that customer analysis strategies are not effective in guaranteeing future performance of banks. Perhaps this is explained by the rapidly changing customers’ tastes and characteristics together with the reality that no individual customer is uniquely associated with any bank.

Table 4.41: Strategies for Future Performance

<table>
<thead>
<tr>
<th>Strategies</th>
<th>VE</th>
<th>OE</th>
<th>E</th>
<th>RE</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products analysis strategies</td>
<td>68%</td>
<td>26%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Customers analysis strategies</td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
<td>15%</td>
<td>76%</td>
</tr>
<tr>
<td>Competitors analysis strategies</td>
<td>71%</td>
<td>24%</td>
<td>5%</td>
<td>0%</td>
<td>%</td>
</tr>
<tr>
<td>Internal analysis strategies</td>
<td>0%</td>
<td>53%</td>
<td>29%</td>
<td>18%</td>
<td>0%</td>
</tr>
<tr>
<td>Industry analysis strategies</td>
<td>0%</td>
<td>67%</td>
<td>20%</td>
<td>13%</td>
<td>0%</td>
</tr>
</tbody>
</table>
These findings support the line of argument of Lodato (2014) that the process of evaluation involves two levels, tactical and strategic evaluation. Tactical evaluation compares performance against the plans and detects changes that should be made to the implementation or the strategy. Vijay (2009) agree with the findings by indicating that the objective for evaluation of future performance strategies is to expose strategic assumptions that are clear and accurate in the near future. Strategy evaluation consists of following steps: Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as; what benchmarks to set, how to set them and how to express them. Porter (2008) also support the findings by pointing that in order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. Management of commercial banks should thus ensure that both tactical and strategy evaluation levels are implemented effectively to enhance performance.

4.12 Factor Extraction

To reduce the number of factors, factor extraction using Principle Component Analysis (PCA) was conducted

4.12.1 Factor extraction for management capability to envision

Factor extraction for management capability to envision was conducted using Principle Component Analysis (PCA) and the factors used had higher loadings between 0.659 and 0.951 with acceptable Cronbach’s alpha values giving an indication that the variables used for the performance and management capability to envision also represent a complete structure measuring these constructs.

Table 4.42: Factor Extraction of Capability to Envision

<table>
<thead>
<tr>
<th>Management Capability to Envision</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td>0.659</td>
</tr>
<tr>
<td>Managers</td>
<td>0.947</td>
</tr>
<tr>
<td>Employees</td>
<td>0.885</td>
</tr>
<tr>
<td>Customers</td>
<td>0.874</td>
</tr>
</tbody>
</table>
4.12.2 Factor Extraction for Strategic Management Capability to Strategize

Factor extraction for management capability to strategize was conducted using Principle Component Analysis (PCA) and the factors used had higher loadings between 0.947 and 0.832 with acceptable Cronbach’s alpha values giving an indication that the variables used for the performance and capability management to strategize also represent a complete structure measuring these constructs.

Table 4.43: Factor Extraction for Strategic Management Capability to Strategize

<table>
<thead>
<tr>
<th>Management capability to strategize</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products Analysis Strategies</td>
<td>0.947</td>
</tr>
<tr>
<td>Customers Analysis Strategies</td>
<td>0.915</td>
</tr>
<tr>
<td>Competitors Analysis Strategies (in Second Component)</td>
<td>0.915</td>
</tr>
<tr>
<td>Internal Analysis Strategies</td>
<td>0.832</td>
</tr>
<tr>
<td>Industries Analysis Strategies (in Second Component)</td>
<td>0.951</td>
</tr>
</tbody>
</table>

4.12.3 Factor Extraction for Strategic Management Capability to Monitor

Factor extraction for management capability to monitor was conducted using Principle Component Analysis (PCA) and the factors used had higher loadings between 0.981 and 0.780 with acceptable Cronbach’s alpha values giving an indication that the variables used for the performance and management capability to monitor also represent a complete structure measuring these constructs.
Table 4.44: Factor Extraction for Strategic management Capability to Monitor

<table>
<thead>
<tr>
<th>Management Capability To Monitor</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation the chosen strategies due to effective capability to monitor performance strategies. (in second component)</td>
<td>0.884</td>
</tr>
<tr>
<td>Continually monitors and scans the environment and responds effectively to threats and opportunities</td>
<td>0.918</td>
</tr>
<tr>
<td>Bank monitoring system is easily understood by the employees.</td>
<td>0.780</td>
</tr>
<tr>
<td>Bank monitor system enables predetermined goals and objectives to be achieved. (in second component)</td>
<td>0.915</td>
</tr>
<tr>
<td>My bank monitoring practices stimulate innovation, pro-activeness, and risk-taking</td>
<td>0.853</td>
</tr>
</tbody>
</table>

4.12.4 Factor Extraction for Strategic Management Capability to Evaluate

Factor extraction for management capability to evaluate was conducted using Principle Component Analysis (PCA) and the factors used had higher loadings between 0.935 and 0.819 with acceptable Cronbach’s alpha values giving an indication that the variables used for the performance and management capability to evaluate also represent a complete structure measuring these constructs.
Table 4.45: Factor Extraction Strategic Management Capability to Evaluate

<table>
<thead>
<tr>
<th>Management capability to Evaluate</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank’s performance in communicating assessment results to: membership, Board of Directors, Auditors/Public/Others</td>
<td>0.819</td>
</tr>
<tr>
<td>Bank’s on-going evaluation practices as it relates to strategic initiatives.</td>
<td>0.935</td>
</tr>
<tr>
<td>Bank’s response time, after they acknowledge that a strategic initiative is failing</td>
<td>0.896</td>
</tr>
<tr>
<td>Attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies.</td>
<td>0.872</td>
</tr>
</tbody>
</table>

4.12.5 Factor Extraction for Performance

Factor extraction for performance was conducted using Principle Component Analysis (PCA) and the factors used had higher loadings between 0.940 and 0.806 with acceptable Cronbach’s alpha values giving an indication that the variables used for performance and the independent variables also represent a complete structure measuring these constructs.

Table 4.46: Factor Extraction for Performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>0.806</td>
</tr>
<tr>
<td>Net Investment</td>
<td>0.940</td>
</tr>
<tr>
<td>Return on Shareholders’ Wealth</td>
<td>0.937</td>
</tr>
<tr>
<td>Expansion and Growth</td>
<td>0.917</td>
</tr>
<tr>
<td>Reputation (Corporate Identity in Second Component)</td>
<td>0.869</td>
</tr>
</tbody>
</table>
4.13 Total Variance Explained For the Independent and Dependent Variables

Table 4.43 shows the total variance explained for both independent and dependent variables. Based on these results, two factors were extracted accounting for 89.39\% of the variance in the performance of commercial banks. This was therefore used in the subsequent analysis to represent performance.

4.13.1 Total Variance Explained for Strategic Management Capability to Envision

Management capability to envision was explained by four factors but of the four only one was extracted and it explains for 66.475\% of the variations in envisioning of commercial banks and therefore used as the main factor representing envisioning.

Table 4.47: Total Variance Explained for Strategic Management Capability to Envision

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen Values</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Variance</td>
<td>Cumulative</td>
</tr>
<tr>
<td>1</td>
<td>2.659</td>
<td>66.475</td>
</tr>
<tr>
<td>2</td>
<td>.904</td>
<td>22.604</td>
</tr>
<tr>
<td>3</td>
<td>.331</td>
<td>8.275</td>
</tr>
<tr>
<td>4</td>
<td>.106</td>
<td>2.645</td>
</tr>
</tbody>
</table>
4.13.2 Total variance explained for Strategic management capability to strategize

Management capability to strategize was explained by four factors but of the four only two were extracted and explained for 85.798% of the variations in strategizing of commercial banks and therefore used as the main factor representing envisioning.

Table 4.48: Total variance explained for Strategic management capability to strategize

<table>
<thead>
<tr>
<th>Management capability to strategize</th>
<th>Initial Eigen values</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Variance</td>
<td>% of Variance</td>
</tr>
<tr>
<td>Component</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2.545</td>
<td>50.906</td>
</tr>
<tr>
<td>2</td>
<td>1.745</td>
<td>34.893</td>
</tr>
<tr>
<td>3</td>
<td>.33</td>
<td>6.601</td>
</tr>
<tr>
<td>4</td>
<td>.219</td>
<td>4.386</td>
</tr>
<tr>
<td>5</td>
<td>0.161</td>
<td>3.215</td>
</tr>
</tbody>
</table>

4.13.3 Total variance explained for Strategic Management Capability to Monitor

On management capability to monitor, two factors were extracted and they explained for about 87.18% of the variations in monitoring on commercial banks and therefore used as the main factor representing monitoring.
Table 4.49: Total Variance explained for Strategic Management Capability to Monitor

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen values</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>2.639</td>
<td>52.782</td>
</tr>
<tr>
<td>2</td>
<td>1.720</td>
<td>34.397</td>
</tr>
<tr>
<td>3</td>
<td>.349</td>
<td>6.989</td>
</tr>
<tr>
<td>4</td>
<td>.222</td>
<td>4.443</td>
</tr>
<tr>
<td>5</td>
<td>.069</td>
<td>1.389</td>
</tr>
</tbody>
</table>

4.13.4 Total Variance explained for Strategic Management Capability to Evaluate

Finally management capability to evaluate was explained by four factors but only one was extracted representing 77.7% variation in evaluation.

Table 4.50: Total Variance explained for Management to Evaluate

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen values</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>3.108</td>
<td>77.702</td>
</tr>
<tr>
<td>2</td>
<td>.509</td>
<td>12.716</td>
</tr>
<tr>
<td>3</td>
<td>.273</td>
<td>6.826</td>
</tr>
<tr>
<td>4</td>
<td>.110</td>
<td>2.756</td>
</tr>
</tbody>
</table>
4.13.5 Total Variance explained for Performance

Performance was explained by three factors and they explained for 89.394% of the variations in commercial banks and therefore used as the main factor representing performance.

Table 4.51: Total Variance explained for Performance

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigen values</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1</td>
<td>3.449</td>
<td>68.980</td>
</tr>
<tr>
<td>2</td>
<td>1.021</td>
<td>20.415</td>
</tr>
<tr>
<td>3</td>
<td>.308</td>
<td>6.150</td>
</tr>
</tbody>
</table>

4.14 Inferential Analysis and Hypotheses testing

This section shows inferential statistics used to show the relationship that exists between the dependent and the independent variables.

4.14.1 Pearson Correlation Results

According to Kothari (2014), the correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. A linearity test was conducted as evidenced by the Pearson correlation coefficient. Kothari (2014) further stated that the importance of correlation is to determine the extent to which changes in the value of an attribute is associated with changes in another attribute. To ascertain the association between capability to envision, capability to strategize, capability to
monitor and capability to evaluate and performance of commercial banks in Kenya, the study carried out a Pearson’s correlation test.

4.14.2 Overall Correlation Results

The result of overall correlation further indicated that there was no problem of Multicollinearity among the study variables hence all the variables were admissible to be used in the regression model. Further the result showed that capability to envision, capability to strategize, capability to monitor and capability to evaluate had a positive and significant association with performance of commercial banks in Kenya.

Table 4.52: Correlation Matrix of Variables

<table>
<thead>
<tr>
<th></th>
<th>PERF</th>
<th>CE</th>
<th>CS</th>
<th>CM</th>
<th>CEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERF</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>.216**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS</td>
<td>.455</td>
<td>.581**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CM</td>
<td>.559**</td>
<td>.690**</td>
<td>.386**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CEV</td>
<td>.676</td>
<td>.412**</td>
<td>.561**</td>
<td>.498**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.05 level (2-tailed)

Key: CE-capability to envision, CS-capability to strategize, CM-capability to monitor and CEV- capability to evaluate.

Based on the results, it is found that capability to envision, capability to strategize, capability to monitor and capability to evaluate are positively and significantly correlated to the performance of commercial banks. Capability to evaluate (CEV) had the best correlation of with performance (r=0.676). This implies that the presence of evaluation in the operations of commercial banks business is a vital variable in the successful performance. Capability to monitor (CM) is the second best and with a moderate positive correlation (r= 0.559) to performance of commercial banks in Kenya. This implies that the ability to conduct monitoring is vital equipping commercial banks with updated information on performance.
Capability to strategize is the third best construct with a moderate positive correlation of \( r = 0.455 \). The findings implies that capability to strategize will enable commercial banks to possess the mindset that has ability and wisdom to make a selection of what they perceive as the most appropriate response to enable future growth and enhanced performance. Capability to envision (CE) is the fourth best construct with a weak positive correlation of \( r = 0.216 \). The indication is that envisioning on the future is equally important in the performance of commercial banks though combination of envisioning and other capabilities is still necessary. The four performance constructs (envision, strategize, monitor and evaluate) are also said to be positively and significantly auto-correlated.

### 4.14.3 Regression Results

This study was based on the principle that strategic management capabilities influence the performance of commercial banks in Kenya and four hypotheses were postulated to guide the study. To test the hypotheses, simple and multiple linear regression analysis were conducted at 95% confidence level (\( \alpha = 0.05 \)). The study also required regression analysis so as to establish the relationship between capability to envision, capability to strategize, capability to monitor and capability to evaluate and whether they are significant in influencing the performance of commercial banks in Kenya. The results of linear regression shows that \( R = 0.777 \) and \( R^2 = 0.603 \) which indicates there is a strong relationship between capability to envision, capability to strategize, capability to monitor and capability to evaluate and are significant in performance of commercial banks in Kenya and accounts for 60.3% variance in performance.

### Table 4.53: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted Square</th>
<th>R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.777</td>
<td>0.603</td>
<td>0.597</td>
<td>0.151</td>
<td></td>
</tr>
</tbody>
</table>
The findings indicate the correlation between capability to envision, capability to strategize, capability to monitor and capability to evaluate are significant in performance of commercial banks in Kenya and the model is highly significant. The value of R square is 0.777, the value of adjusted R square is 0.603 and the value of standard error of the estimate is 0.151. The positivity and significance of all values shows that the model summary is also significant and therefore gives a logical support to the study model.

**Table 4.54: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>25.828</td>
<td>4</td>
<td>6.45</td>
<td>4.16</td>
<td>.014b</td>
</tr>
<tr>
<td>Residual</td>
<td>91.813</td>
<td>59</td>
<td>1.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>117.641</strong></td>
<td><strong>63</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the results, since F calculated is greater than F critical at 5% level of significance, the four independent variables, capability to envision, capability to strategize, capability to monitor and capability to evaluate are significant in performance of commercial banks in Kenya (table 4.46).

**4.14.4 Regression Analysis of the Relationship between Strategic Management Capability to Envision and Performance of Commercial Banks**

Regression analysis of management capability to envision was conducted and the results are shown in Table 4.55.

**Table 4.55: Regression analysis for capability to envision**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standardized Coefficients B</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Constant</td>
<td>0.103</td>
<td>-0.152</td>
<td>1.636</td>
<td>0.103</td>
</tr>
<tr>
<td>Management capability to envision</td>
<td>0.097</td>
<td>-0.152</td>
<td>3.123</td>
<td>0.002</td>
</tr>
</tbody>
</table>

Source: Author, 2017
The results of the regression analysis therefore conclude that strategic management capability to envision positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.097$, $p < 0.05$).

4.14.5 Regression analysis of the relationship between strategic management capability to strategize and performance of commercial banks

Regression analysis of management capability to strategize was conducted and the results are shown in Table 4.56.

**Table 4.56: Regression Analysis for Capability to Strategize**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.103</td>
<td>1.636</td>
<td>0.103</td>
<td></td>
</tr>
<tr>
<td>Management capability to strategize</td>
<td>0.186</td>
<td>0.188</td>
<td>3.788</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results revealed that strategic management capability to strategize positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.186$, $p < 0.05$).

4.14.6 Regression Analysis of the Relationship between Strategic Management Capability to Monitor and Performance of Commercial Banks

Regression analysis of management capability to monitor was conducted and the results are shown in Table 4.57.
Table 4.57: Regression Analysis for Capability to Monitor

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>0.103</td>
<td>1.636</td>
<td>0.103</td>
</tr>
<tr>
<td></td>
<td>Management capability to monitor</td>
<td>0.157</td>
<td>1.196</td>
<td>3.476</td>
</tr>
</tbody>
</table>

The study revealed that strategic management capability to monitor positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.157$, $p< 0.05$).

4.14.7 Regression Analysis of the Relationship between Strategic Management Capability to Evaluate and Performance of Commercial Banks

Regression analysis of management capability to evaluate was conducted and the results are shown in Table 4.58.

Table 4.58: Regression Analysis for Capability to Evaluate

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>0.103</td>
<td>1.636</td>
<td>0.103</td>
</tr>
<tr>
<td></td>
<td>Management capability to evaluate</td>
<td>0.783</td>
<td>0.467</td>
<td>1.226</td>
</tr>
</tbody>
</table>

The study revealed that strategic management capability to evaluate positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.783$, $p< 0.05$).
4.15 Hypotheses Testing

This section contains testing of the research hypothesis based on the finding presented in this chapter. The study contained four research hypotheses that were to be tested. The study used inferential results in testing the research hypothesis.

**Hypothesis H01**: stated that strategic management capability to envision has no significant influence on performance of commercial banks in Kenya. Based on the findings, a unit increase of management capability to envision results to 0.097 increases in performance of commercial banks in Kenya. This therefore implies that management capability to envision has a positive influence of the performance of commercial banks in Kenya. The hypothesis Ho1 that strategic management capability to envision has no significant influence on performance of commercial banks in Kenya is therefore rejected and instead conclude that strategic management capability to envision positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.097$, $p< 0.05$). These results are in line with Kungu et al. (2014) who noted that organization with comprehensible vision and mission statement was likely to perform better. However the attainment of envisioned success is normally dependent on the allocation of adequate resource by the management (Chege, 2013; Mutua et al., 2013).

**Hypothesis H02**: stated that strategic management capability to strategize has no significant influence on performance of commercial banks in Kenya. Focusing on the findings on capability to strategize, a unit increase of management capability to strategize results to 0.186 increases in performance of commercial banks in Kenya. The null hypothesis that strategic management capability to strategize has no significant influence on performance of commercial banks in Kenya is therefore rejected. The findings support Pearce and Robinson (2009) argument that successful firms adapt to economic environmental conditions geared to customer’s analysis, products analysis and internal analysis strategies by implementing business strategies cantered on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance. In a similar study, Ongore (2013) stated that commercial banks which make strategic decisions based on what their rivals are
doing and how to confront market factors that faces them are more likely to register better performance.

**Hypothesis H0₃** stated strategic management capability to monitor has no significant influence on performance of commercial banks in Kenya. The study revealed that strategic management capability to monitor positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.157, p<0.05$). A unit increase of management capability to monitor results to 0.157 increases in performance of commercial banks in Kenya. This therefore led to the rejection of the hypothesis H0₃ which stated strategic management capability to monitor has no significant influence on performance of commercial banks in Kenya. This support Thagana (2013) who argued that organizations like banks that have strong and effective cultures and reward systems have regular monitoring and typically require fewer rules and regulations because employees tend to understand and internalize the boundaries of acceptable behaviour. The findings further agreed with the sentiments of Johnson *et al.*, (2008) that operational and financial controls are part and parcel of effective operation of the banks.

**Hypothesis H0₄** stated that strategic management capability to evaluate has no significant influence on performance of commercial banks in Kenya. Results indicates that a unit increase in strategic management capability to evaluate results to 0.783 increase in the performance of commercial banks in Kenya ($\beta = 0.783, p<0.05$). This is attributed to the fact that the importance of evaluation is to attest the appropriateness of objectives of the business, appropriateness of major policies and plans and to check whether the results obtained to date confirm or refute critical assumptions on which the strategy rests as stated by Johnson and Scholes (2008). The null hypothesis H0₄ which stated that strategic management capability to evaluate has no significant influence on performance of commercial banks in Kenya is therefore rejected and instead state that strategic management capability to evaluate positively and significantly influence the performance of commercial banks in Kenya. The findings supported Porter (2008) who stated that whether performed by an individual or as part of an organizational review procedure, strategy evaluation process forms an essential step in the process of guiding an organization. Ozturk, and
Coskun, (2014) stated that banks can use both quantitative and qualitative criteria for comprehensive assessment of performance. Again, strategic evaluation enables commercial banks to measure one of the key considerations of profit maximization.

4.16 Optimal Model Summary

Based on the findings, the dependent variable (Performance of commercial banks) and the independent variables (envision, strategize, monitor and evaluate) is therefore connected by the equation:

\[ Y = 0.103 + 0.097X_1 + 0.186X_2 + 0.157X_3 + 0.783X_4 \]

Where

- **Y** = Represents performance
- **β₀** = Constant
- **β₁............β₄** = Represents the regression coefficients
- **X₁** = Strategic management capability to envision
- **X₂** = Strategic management capability to strategize
- **X₃** = Strategic management capability to monitor
- **X₄** = Strategic management capability to evaluate
- **ε** = Represents the error term which is here assumed to have a mean of zero
From the regression equation above, when management capability to envision is zero, management capability to strategize is zero, management capability to monitor is zero and management capability to evaluate is zero, performance of commercial banks in Kenya would be 0.103. A unit increase of management capability to envision will result to 0.097 increase in performance of commercial banks in Kenya, a unit increase in management capability to strategize will result to 0.186 increase in performance of commercial banks in Kenya, a unit increase in management capability to monitor will result to a 0.157 increase in performance of commercial banks in Kenya and a unit increase in management capability to evaluate will result to 0.783 increase in performance of commercial banks in Kenya.

Based on the results in model summary, a model optimization was conducted. The aim of model optimization was to guide in derivation of the final model (revised conceptual framework) where only the significant variables are included for objectivity. All the variables were significant and therefore none was dropped.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusion reached and recommendations for policy directions for banking practitioners and other stakeholders in the industry.

5.2 Summary of the Study

This study assessed the influence of strategic management capabilities on the performance of commercial banks in Kenya. The specific objectives of the study were to establish the influence of strategic management capabilities to envision, strategize, monitor and evaluate on the performance of commercial banks in Kenya. The study adopted a descriptive cross-sectional design where both quantitative and qualitative data were collected. The target population was 42 banks and 5,432 employees out of which 358 respondents were selected for interviews. Sampling involved use of stratified random sampling and random purpose sampling.

5.2.1 Strategic Management Capability to Envision

The study found out that management capabilities to envision as a strategy allow for critical assessment of strategic planning and has positive impact on the performance of commercial banks in the country and that most commercial banks have monitoring strategies to enable them seize the strategic initiatives and maintain a competitive edge in the market. It concluded that that effective strategic management capabilities have direct influence on the performance of commercial banks in Kenya which is reflected in capital adequacy, asset quality and customer satisfaction.

For banks to attain their desired performance goals, it is imperative that they formulate clear objectives which should form part of their vision and mission statement. It was established that ownership identity of banks didn’t appear to be viewed by bank employees as contributing to superior performance. Most employees felt that performance is hinged on how banks managers manage competition. The
findings were that all banks implemented various strategic programmes using different approaches.

The study determined that most firms practising strategic management had clear objectives, elaborate vision and mission statements to guide the operation of their organization. The study found that management capabilities to envision as a strategy allow for critical assessment of strategic planning and has positive impact on the performance of commercial banks in the country. It was established that all commercial banks has well construed performance goals which were contained within the vision and mission statements of respective organizations. The goals most common to banks were cost leadership, market capture, customer satisfaction, maximising shareholders wealth, branch expansion, product quality and diversity.

5.2.2 Strategic Management Capability to Strategize

The findings indicated that the respondents felt that the key aspects of bank’s capability to strategize include commitment of the board to support implementation as important, generation of strategies to deal with performance challenges as quite important, rationalization and selection of strategies to address bank operational issues. It was found that commercial banks have existing strategic networks to enhance performance. It was also felt that the key aspects of bank’s capability to strategize include commitment of the board to support implementation, generation of strategies to deal with performance challenges, selection of strategies to address bank operational issues and market penetration.

The results also indicate that the respondents felt that the key aspects of bank’s capability to strategize include, commitment of the board to support implementation as important at 80%; generation of strategies to deal with performance challenges as quite important at 80%; rationalization 73%; select strategies to address bank operational issues as important at 68%; product restructuring as important at 64% and market penetration as important at 63%. The results are in contrast with Hill and Jones (2009) argument that the most vital capability to strategize is about the choice of the tactics and techniques for the firm as a whole, managing various product lines and business units for maximum value regular update of bank policies and market
penetration capability which helps to exercise the choice of direction that an organization adopts as a whole.

5.2.3 Strategic Management Capability to Monitor

The findings agreed that financial and operational controls are clear and unambiguous, which introduces a high degree of discipline into the control process. SWOT analysis is one of the strategies that strategic management will continually implement to forestall any eventuality of underperformance in the organization. The study determined that most commercial banks have monitoring strategies to enable them seize the strategic initiatives and maintain a competitive edge in the market. The findings further agreed with the sentiments of Johnson et al. (2008) that operational and financial controls are part and parcel of effective operation of the banks.

Financial and operational controls are clear and unambiguous, which introduces a high degree of discipline into the control process. SWOT analysis is one of the strategies that strategic management will continually implement to forestall any eventuality of underperformance in the organization. It will assist in keeping the organizational performance well in line to achieve the projected goals.

The findings showed that a bank with progressive performance reviews ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to be appealing to many customers, thus resulting into higher sales and subsequently better performance. In addition, a well-designed strategic performance review system is capable of rewarding firm employees for incremental but substantive progress on product or process innovations that take a long time to reach market. This is an indicator that for a commercial bank in Kenya to attract and retain its customer base strategic reviews of its investment performance is continuously vital. It will also ensure that the bank give value to its customers and shareholders.
5.2.4 Strategic Management Capability to Evaluate

The findings indicated that the evaluation processes is very important in the bank performances. It was also apparent that the various banks use different strategies in the evaluation of the level of achievement of the set targets. In addition, it was clear that, evaluation of performance assisted in attainment of set goals with indicating that their bank usually conducted evaluation surveys to ascertain achievement of set goals. The key aspects of bank’s capability to evaluate were response to market changes and dynamics, availability of corrective measures to address failures and communicating assessment results to stakeholders.

The findings on the importance of evaluation processes indicated that the evaluation processes to be very important in their bank performances. The findings supported Porter (2008) who stated that whether performed by an individual or as part of an organizational review procedure, strategy evaluation process forms an essential step in the process of guiding an organization. It was apparent that, through evaluation, organizations are able to explore the occurrence of unintended results and offer recommendations on mitigation options. Commercial banks desire to gain competitive advantage over their rivals should use evaluation techniques to fast tract the attainment of their performance objectives.

5.3 Conclusions

This study was exploratory and investigated the influence of strategic management capabilities on organizational performance. The focus was on elements of strategic management capabilities which include: envisioning, strategising, monitoring and evaluation and how they influence the performance of commercial banks in Kenya. Each strategic management capability was isolated and weighed against known bank performance indicators such as profitability, market share and growth.

The study revealed positive correlations between strategising and performance of commercial banks. It was determined that a unit increase in management capability to strategize resulted into an increase in performance level. Subsequently, we
conclude that with appropriate and accurate strategies commercial banks in Kenya are likely to register better performances.

In addition to the foregoing, the study established that commercial banks performances in Kenya were greatly enhanced where respective banks’ management had provided necessary resources for monitoring programmes implementation. Therefore, the study concludes that appropriate application of strategic management capabilities and accurate response to market dynamics enhances the performance of commercial banks in Kenya.

The study also concluded that where banks employ better evaluation of programmes, the performance increases significantly. The element of evaluation had the greatest influence on the performance of commercial banks compared to other variables.

Finally, to attain their desired performance goals, they must formulate clear objectives which should form part of their vision and mission statements and should deploy adequate funding, appropriate human capital, sound technology and better evaluation and monitoring of programmes implementation.

5.4 Recommendations

The study has made the following recommendations:

5.4.1 Managerial Policy

At the policy front, the study recommends the realignment of commercial banks’ vision and mission statements with the performances goals and makes them adaptable to changing market dynamics. Therefore, it is equally suggested that commercial banks should continuously engage in creating vision and mission statements that spell out their strategic focus in the future and deploy sufficient systems and resources in terms of funding, skilled personnel and appropriate technology that foster their attainment.
The envisioning of strategies should always be inclusive and guided by the views of all the stakeholders. In addition, the management of commercial banks should adapt differentiation strategy whilst focusing directly on their products and occasionally reviews their market segmentation strategies to enhance their performance.

5.4.2 Market Adaptation

Due to changing market structures and fast evolving technologies, the study recommends that commercial banks should adapt and regularly review their strategic management capabilities and implement monitoring and evaluation options to ensure programmes are successfully implemented or adjusted as the prevailing situation demands. It was determined that certain banks tended to be conservative in their operational approaches and failed to change with the changing industry environment thereby registering poor performance. In this regard, the study recommends a market policy framework which sensitive to the action of rival banks and activities in the financial market.

5.5 Areas for Further Research

From the study findings, it was determined that commercial banks with superior management capabilities to envision, strategize, monitor and evaluate their policies in the face of changing market regime are likely to register better performance compares to those with unclear objectives and ambiguous strategies. However, it was not possible within the scope of this study to establish which aspects and type of ambiguities existed among commercial banks in Kenya. Subsequently, the study recommends that further research be done on the relationship between elements of strategic management capabilities (envisioning, strategizing, monitoring and evaluation) and individual performance indicators.

Additionally, the study recommends that a study be conducted to establish the relationship between quality of human resource and performance within the commercial banking sub-sector in Kenya. Such a study will help in determining whether it is the form or managerial strategies that are more important in the performance of commercial banks or the prevailing external environment.
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http://doi.org/10.5897/AJBM10.976


APPENDICES

Appendix 1: Introductory Letter

Dear respondent,

I am the undersigned, currently undertaking a PhD in Business Administration at Jomo Kenyatta University of Agriculture and Technology (JKUAT). I am conducting a study involving collecting data for writing and compiling the final research thesis as a partial requirement for the award of the degree. The research entails investigating the influence of strategic management capabilities on the performance of commercial banks in Kenya. The information collected will be used solely for academic purposes and will be handled with utmost confidentiality.

Kindly fill in all the items on the questionnaire.

Please direct any enquiries to: Christine Akoth Oswago

E-mail: christine.oswago@gmail.com, Cell phone: +254 714 288 651
Appendix 2: Questionnaire

This questionnaire aims at collecting information on the influence of strategic management capabilities on the performance of commercial banks in Kenya. Your firm has been selected to form part of this study. Please answer the following questions. Information collected will be treated with due confidentiality and will be used for academic purposes only.

SECTION A: PERSONAL INFORMATION OF RESPONDENTS

1. Name of respondent (optional)
   ……………………………………………………………………………………..

2. Which Department/section are you working?
   ……………………………………………………………………………………………
   ………

3. What is your highest level of education?
   a) Certificate/Diploma ( )
   b) 1st Degree ( )
   c) Masters ( )
   d) PhD ( )

4. For how long have you worked in your current position?
   a. 0-5 years ( )
   b. 5-10 years ( )
   c. Over 10 years ( )

5. For how long have you worked in this organization?
   a. 0-5 years ( )
   b. 5-10 years ( )
   c. Over 10 years ( )
SECTION B: STRATEGIC MANAGEMENT CAPABILITIES TO ENVISION ON PERFORMANCE OF COMMERCIAL BANKS

6. Has your bank articulated a vision for projecting its performance?
   a) Yes ( )
   b) No ( )

If yes above, what is the vision of your bank?

..............................................................................................
....................................................................................
..................................................................................

If No, why are you not aware of the vision?
..............................................................................................
....................................................................................
....................................................................................

7. How clear is the vision of your bank in projecting future performance?
   a) Very clear ( )
   b) Quite clear ( )
   c) Clear ( )
   d) Not clear ( )

8. Why do you feel the vision of your bank is clear?Tick appropriately.

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articulates the belief of the organization future performance.</td>
<td></td>
</tr>
<tr>
<td>Spells the future of the organization in term of performance.</td>
<td></td>
</tr>
<tr>
<td>Points clearly at the organizational objectives</td>
<td></td>
</tr>
<tr>
<td>Highlights the customers’ expectations.</td>
<td></td>
</tr>
<tr>
<td>Impacts on the short &amp; long term organizational goals</td>
<td></td>
</tr>
</tbody>
</table>
9. Do you benchmark on quality schemes relevant to the current bank’s performance activities and mandate?

   a) Yes ( )
   b) No ( )

If yes, do the benchmarked schemes add value to your performance?
.............................................................................................................................................
.............................................................................................................................................
.........................

If No, recommend corrective measures for the benchmarked schemes
.............................................................................................................................................
.............................................................................................................................................
.........................

10. Has your bank developed a mission statement?

   a. Yes ( )
   b. No ( )

If Yes, why do you believe it is relevant?
.............................................................................................................................................
.............................................................................................................................................
.........................

If No, recommend corrective measures for the mission statement
.............................................................................................................................................
.............................................................................................................................................
.........................

11. Do you feel that your current mission statement is compatible with the performance level of the bank?

   a) Yes ( )
   b) No ( )
12. Does the bank make use of investment metrics in decision making?

   a) Yes ( )
   b) No ( )

   If Yes, do you belief the investment metrics are relevant to the performance of the bank?
   …………………………………………………………………………………………………
   …………………………………………………………………………………………………
   …………………………………………………………………………………………………
   ……………

   If No, recommend corrective measures
   …………………………………………………………………………………………………
   ………

   State the commonly used performance investment metrics in your bank
   …………………………………………………………………………………………………
   ………

13. How would you rate participation in developing the mission statement by the following: use the scale of 5 -very involved, 4 -moderately involved, 3 – involved, 2 –rarely involved and 1 -not involved at all.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. Do you consider the vision and mission statements capable of assisting the future performance of the bank and the attainment of its corporate goals?

   a) Yes ( )
   b) No ( )
15. Does your bank perform Returns on Investments (ROIs) projections for the benchmarked schemes?

a) Yes ( )
b) No ( )

If yes, comment on their effectiveness
........................................................................................................................................
........................................................................................................................................

If No, recommend corrective measures
........................................................................................................................................
........................................................................................................................................

..............................
SECTION C: STRATEGIC MANAGEMENT CAPABILITIES TO STRATEGIZE ON PERFORMANCE OF COMMERCIAL BANKS

16. Rate the effectiveness of the current strategies of your bank in guaranteeing attainment of the future performance? Use the key: 5= very effective, 4= quite effective, 3= effective, 2= rarely effective, 1= not effective

<table>
<thead>
<tr>
<th>Strategies</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products analysis strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers analysis strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitors analysis strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal analysis strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry analysis strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17. Does your organization have strategic networks of partners to enhance its competitiveness?

a) Yes ( )
b) No ( )

If yes, cite the key partners

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

If No, give reasons

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

………………
18. How valuable is the strategic networks to the performance of the organization? Tick appropriately.

<table>
<thead>
<tr>
<th>Usefulness of strategies</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assist in acquisition of new markets.</td>
<td></td>
</tr>
<tr>
<td>Attract new customers to the organization.</td>
<td></td>
</tr>
<tr>
<td>Helps in tackling competitors.</td>
<td></td>
</tr>
<tr>
<td>Assist in distribution of products</td>
<td></td>
</tr>
<tr>
<td>Assist in sharing risks</td>
<td></td>
</tr>
</tbody>
</table>

19. Rate the following aspects of your bank’s capability to strategize using a five point scale of 5 -very important, 4 –quite important, 3 –important, 2 –not important and 1 –not important at all.

<table>
<thead>
<tr>
<th>Strategizing aspects</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>How important is it to generate strategies to deal with issues for your bank?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does your bank select strategies to address issues that confront the bank?</td>
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<tr>
<td>What is the importance of selecting strategic solutions to address issues that confront your bank?</td>
<td></td>
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</tr>
<tr>
<td>How important is it for your bank to maintain a policy manual?</td>
<td></td>
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</tr>
<tr>
<td>Are bank policies updated on a regular basis?</td>
<td></td>
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</tr>
<tr>
<td>What is the importance of your bank’s policies to current bank activities?</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
What is the importance of your bank’s commitment to providing financial resources to support the implementation of strategic initiatives?

What is the importance of your board’s commitment and support to the implementation of strategic initiatives?

How is it important for the current structure of your bank to support the implementation of strategic initiatives?

20. Rate the value of capability to strategize on the performance of your organization: use the scale of 5 - very important, 4 – quite important, 3 – important, 2 – not important and 1 – not important at all.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhances organizational excellence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead to quality management performance</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Improves corporate image</td>
<td></td>
<td></td>
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<tr>
<td>Improves operational management</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

21. How often does your bank review the implemented strategies?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td></td>
</tr>
<tr>
<td>Weekly</td>
<td></td>
</tr>
<tr>
<td>Fortnightly</td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>
22. Does your organization conduct needs assessment to establish the achievement levels of objectives?

a) Yes ( )
b) No ( )

If Yes, state the frequency of conducting the needs assessment (monthly, annually)
........................................................................................................................................
........................................................................................................................................

If No, give reasons
........................................................................................................................................
........................................................................................................................................

23. How would you rate the importance of the needs assessment process to the effective operation of your bank?

a) Very important ( )
b) Not important ( )

Give reasons for the above sentiments;
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
SECTION D: STRATEGIC MANAGEMENT CAPABILITIES TO CONTROL ON PERFORMANCE OF COMMERCIAL BANKS

24. Does your organization conduct SWOT analysis to establish the achievement levels of objectives?

   a) Yes ( )
   b) No ( )

   If Yes, state the frequency of SWOT analysis (monthly, annually)

   ..............................................................
   ..............................................................
   ..............................................................
   ..............

   If No, give reasons

   ..............................................................
   ..............................................................
   ..............................................................
   ..............

25. How would you rate the importance of the SWOT analysis process to the effective operation of your bank?

   a) Very important ( )
   b) Not important ( )

   Give reasons for the above sentiments;

   ..............................................................
   ..............................................................
   ..............................................................
   ..............

26. Rate the following aspects of your bank’s capability to control using a five point scale of 5 -very successful, 4 –quite successful, 3 –successful, 2 –not successful and 1 –not successful at all.
My bank successfully implements the chosen strategies due to effective capability to monitor performance strategies.

My bank continually monitors and scans the environment and responds effectively to threats and opportunities.

My bank has a strong and effective cultures and reward systems.

My bank monitoring system is easily understood by the employees.

My bank monitor system enables predetermined goals and objectives to be achieved.

My bank monitoring practices stimulate innovation, pro-activeness, and risk-taking.

My bank strategic control measures lead to customer satisfaction criteria, new patent registrations and success in meeting target dates for new products.

My bank strategic control system is capable of rewarding employees work.

<table>
<thead>
<tr>
<th>Monitoring strategies</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>My bank successfully implements the chosen strategies due to effective capability to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monitor performance strategies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank continually monitors and scans the environment and responds effectively to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>threats and opportunities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank has a strong and effective cultures and reward systems.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank monitoring system is easily understood by the employees.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank monitor system enables predetermined goals and objectives to be achieved.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank monitoring practices stimulate innovation, pro-activeness, and risk-taking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank strategic control measures lead to customer satisfaction criteria, new patent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>registrations and success in meeting target dates for new products.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My bank strategic control system is capable of rewarding employees work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

27. Which strategies does your organization use to monitor and control future performance? (Tick appropriately)

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key benchmarks</td>
<td></td>
</tr>
<tr>
<td>Level of attainment of short and long-time goals of the organization</td>
<td></td>
</tr>
<tr>
<td>Past performance of the organization</td>
<td></td>
</tr>
<tr>
<td>Projected performance of competitors</td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
</tr>
</tbody>
</table>
28. Does your organization conduct investment performance reviews to establish the achievement levels of objectives?

a) Yes ( )

b) No ( )

If Yes, state the frequency of the reviews (monthly, annually)
______________________________________________________________
______________________________________________________________

If No, give reasons
_____________________________________________________________
_____________________________________________________________

SECTION E: STRATEGIC MANAGEMENT CAPABILITIES TO EVALUATE ON PERFORMANCE OF COMMERCIAL BANKS

29. Which strategies does your bank apply in evaluation of achievement of the set objectives? Tick appropriately.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attainment of goals is usually compared with the expected achievement</td>
<td></td>
</tr>
<tr>
<td>To understand competitive advantages and disadvantages, the competition level is analyzed.</td>
<td></td>
</tr>
<tr>
<td>The competitive level of the products is usually analyzed.</td>
<td></td>
</tr>
<tr>
<td>The strategic value of networks and partners is regularly assessed.</td>
<td></td>
</tr>
<tr>
<td>The extent of customer satisfaction with the products is assessed.</td>
<td></td>
</tr>
</tbody>
</table>
30. Does evaluation of performance assist the organization to attain its set goals?

   a) Yes  (  )
   b) No  (  )

   If yes, explain

   ..........................................................................................................................  
   ..........................................................................................................................  
   ......................................................  
   .............................................

   If No, give reasons

   ..........................................................................................................................  
   ..........................................................................................................................  
   ......................................................  
   .............................................

31. Does your bank conduct evaluation surveys to gauge the success of the assessed strategies?

   a) Yes  (  )
   b) No  (  )

   If yes, explain

   ..........................................................................................................................  
   ..........................................................................................................................  
   ......................................................  
   .............................................

   If No, give reasons

   ..........................................................................................................................  
   ..........................................................................................................................  
   ......................................................  
   .............................................
32. Rate the following aspects of your bank’s capability to evaluate using a five point scale of 5 - very important, 4 – quite important, 3 – important, 2 – not important and 1 – not important at all.

<table>
<thead>
<tr>
<th>Evaluation aspects</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate your bank’s current practices as they relate to the ongoing assessment of strategic initiatives.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rate your bank’s performance in communicating assessment results to the: Membership, Board of Directors, Auditors/Public/Others</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Has your bank developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives?</td>
<td></td>
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</tr>
<tr>
<td>Rate your bank’s on-going evaluation practices as it relates to strategic initiatives.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rate your bank’s success at identifying corrective action when strategic initiatives are failing or could be improved.</td>
<td></td>
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</tr>
<tr>
<td>Rate your bank’s response time, after they acknowledge that a strategic initiative is failing</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rate your bank’s effectiveness at evaluating the impact of changes subsequent to initial strategy formulation</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the:</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
33. Rate the level of participation in strategy evaluation of the following stakeholders using a scale of 5 -very involved, 4 -quite involved, 3 -involved, 2 -not involved and 1 -not involved at all.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td></td>
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<tr>
<td>Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
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</tr>
</tbody>
</table>

34. Does your organization evaluate the success of ROIs and corrected actions to establish the achievement levels of objectives?

   a) Yes ( )
   b) No ( )

If Yes, state the frequency of evaluation (monthly, annually)

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

If No, give reasons

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

35. How would you rate the importance of evaluating the corrected actions and success of ROIs measures?

   a) Very important ( )
   b) Not important ( )
Give reasons for the above sentiments;

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………

SECTION F: PERFORMANCE OF COMMERCIAL BANKS

36. In your opinion, to what extent do you think strategic management capabilities implementation has contributed to growth in your organization?

   a) To very great extent (  )
   b) To great extent (  )
   c) To moderate extent (  )
   d) To little extent (  )
   e) To no extent (  )

37. Kindly rate the following in regard to your bank performance. Use the following scale. 1-Strongly agree; 2-Agree; 3-Not sure; 4-Disagree; 5-Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>2</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on shareholders’ wealth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion and growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation (corporate identity)</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
38. Please indicate your response regarding factor informing performance of commercial banks. Please tick appropriately using the following scale.

1-Strongly agree; 2-Agree; 3-Not sure; 4-Disagree; 5-Strongly disagree

<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance depends on the level and sustainability of profits</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>A bank’s profitability is usually a function of the size of the market and the efficiency and effectiveness of cost reduction strategies.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>The non-financial performance goals include delivering sound environmental management programmes, having good corporate reputation and maintaining a loyal and highly skilled workforce.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The success of commercial banks is a measure of the level of profits that they earn and how sustainable that profit is.</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Performance of commercial banks is also a measure of the cash available to meet operational costs.</td>
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</tr>
<tr>
<td>Performance of banks is enhanced with better management of all stakeholders of the bank</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
39 Please indicate your response regarding the influence of the following strategic management capabilities on the performance of commercial banks. Please tick appropriately using the following scale.

1-Strongly agree; 2-Agree; 3-Not sure; 4-Disagree; 5-Strongly disagree

<table>
<thead>
<tr>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The strategic positioning of our bank branches directly impacts our profits</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Central Bank of Kenya regulations negatively impacts our profits</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>The relative time period the bank has been in operation affects the profit levels</td>
<td></td>
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</tr>
<tr>
<td>Turnover of key staff in the bank affects the performance</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Bank ownership, whether local or foreign has a role to play on performance</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Offering of a wide range of products contributes to more profits</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Hiring of top talents in our bank has led to better performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous training improves performance</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>There is a positive relationship between management efficiency and bank performance</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>There is a positive relationship between Capital Ratio and bank performance</td>
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</tr>
<tr>
<td>There is a strong relationship between Asset Quality and bank performance</td>
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</tr>
</tbody>
</table>

THANK YOU
Appendix 3: List of Commercial Banks in Kenya

Licensed Commercial Banks

1. **African Banking Corporation Limited**
   Postal Address: P.O Box 38610-00800, Nairobi
   Telephone: +254-20- 4263000, 4447352, 4442382, 4443482, 44447358, 22251540/1, 0722207386, 0735611223, 0719015000, 22251540/1
   Fax: +254-20-4447354
   E-mail: headoffice@abcethebank.com
   Website: www.abcethebank.com
   Date Licenced: 8th December, 1994
   Peer Group: Small
   Branches: 11

2. **Bank of Africa Kenya Limited**
   Postal Address: P. O. Box 69562-00400 Nairobi
   Telephone: +254-20- 3275000, 3275200, 0703058000
   Fax: +254-20-2211477
   E-mail: headoffice@boakenya.com
   Website: www.boakenya.com
   Physical Address: Re-Insurance Plaza, Ground Floor – Taifa Road, Nairobi
   Date Licenced: 30th April 2004
   Peer Group: Medium

3. **Bank of Baroda (K) Limited**
   Postal Address: P. O Box 30033 – 00100 Nairobi
   Telephone: +254-20-2248402/12, 2226416, 2220575, 2227869, 2248402/12, 2226416, 310439
   Fax: +254-3310439
   E-mail: ho.kenya@bankofbaroda.com
   Website: www.bankofbarodaKenya.com
   Physical Address: Baroda House, Koinange Street, Nairobi.
Date Licensed: 1st July, 1953
Peer Group: Medium
Branches: 13

5. Bank of India
Postal Address: P. O. Box 30246 – 00100 Nairobi
Telephone: +254-20-2221414 /5 /6 /7, 0720606707, 0734636737
Fax: +254-20-2221417
E-mail: cekenya@boikenya.com
Website: www.bankofindia.com
Physical Address: Bank of India Building, Kenyatta Avenue, Nairobi.
Date Licensed: 5th June, 1953
Peer Group: Medium
Branches: 7

Postal Address: P. O. Box 30120 – 00100, Nairobi
Telephone: +254-20-4254000, 4254601
Fax: +254-20-2213915
E-mail: barclays.kenya@barclays.com
Website: www.barclayskenya.co.ke
Date Licensed: 1916
Peer Group: Large
Branches: 108, Sales Centre: 1

7. CFC Stanbic Bank Limited
Postal Address: P. O. Box 72833 – 00200 Nairobi
Telephone: +254-20-3638000 /11 /17 /18 /20 /21, 3268000, 3269000, 0711-0688000
Fax: +254-20-3752901/7
E-mail: cfcstanbic@stanbic.com
Website: www.cfcstanbicbank.co.ke
Physical Address: CFC Stanbic Centre, Chiromo Road, Westlands
Date Licensed: 1st June 2008
8. Charterhouse Bank Limited

UNDER – STATUTORY MANAGEMENT
Postal Address: P. O. Box 43252 -00100 Nairobi
Telephone: +254-20-2242246/47/48/49
Fax: +254-20-2219058, 2223060, 2242248
E-mail: info@charterhouse-bank.com
Website: N/A

Physical Address: Longonot Place, 6th Floor, Kijabe Street, Nairobi
Date Licenced: 1st August 1998
Peer Group: Small
Branches: 10

9. Chase Bank (K) Limited

IN RECEIVERSHIP
Postal Address: P. O. Box 66015-00800 Nairobi
Telephone: +254-20- 2774000, 0732174100, 0703074000, 0736-432025, 0703074101.
Fax: +254-20-4454816/4454800-10
E-mail: info@chasebank.co.ke
Website: http://www.chasebankkenya.co.ke
Physical Address: Riverside Mews, Riverside Drive, Nairobi.
Date Licenced: 1st April, 1996
Peer Group: Medium
Branches: 44; Mini-branches: 14

10. Citibank N.A Kenya

Postal Address: P. O. Box 30711 – 00100 Nairobi
Telephone: +254-20- 2754000/ 2711221
Fax: +254-20-2714810/1
E-mail: Kenya.citiservice@citi.com
Website: http://www.citibank.co.ke
Physical Address: Citibank House, Upper Hill Road, Upper Hill, Nairobi.
Date Licensed: 1st July, 1974  
Peer Group: Medium  
Branches: 3; Agencies: 1

11. **Commercial Bank of Africa Limited**  
Postal Address: P. O. Box 30437-00100 Nairobi  
Telephone: +254-20-2884000, 2884444, 0711056000, 0732156000, 0734600234, 0732156444  
Fax: +254-20-2734599  
E-mail: iqueries@cbagroup.com  
Website: www.cbagroup.com  
Physical Address: CBA Building, Mara / Ragati Road, Upper Hill  
Date Licensed: 1st January, 1967  
Peer Group: Large  
Branches: 36; Agencies: 5

12. **Consolidated Bank of Kenya Limited**  
Postal Address: P. O. Box 51133 – 00200, Nairobi  
Telephone: +254-20-340208/340836, 340551, 340298, 340747, 340298, 211950, 0703016000  
Fax: +254-20-340836  
E-mail: headoffice@consolidated-bank.com  
Website: www.consolidated-bank.com  
Physical Address: Consolidated Bank House, 6th Floor, Koinange Street, Nairobi.  
Date Licensed: 18th December, 1989  
Peer Group: Small  
Branches: 17, Agencies: 1

13. **Co-operative Bank of Kenya Limited**  
Postal Address: P. O. Box 48231 – 00100 Nairobi  
Telephone: +254-20-3276000, 2776000, 0711049000, 0732106000  
Fax: +254-20-2245506  
E-mail: customerservice@co-opbank.co.ke  
Website: www.co-opbank.co.ke
Physical Address: Co-operative House, 4th Floor Annex, Haile Selassie Avenue, Nairobi
Date Licence: 1st July, 1968
Peer Group: Large
Branches: 142

15. **Credit Bank Limited**
   Postal Address: P. O. Box 61064-00200 Nairobi
   Telephone: +254-20-2222300/2220789/2222317, 2283000, 0728607701, 0738222300
   Fax: +254-20-2216700
   E-mail: info@creditbankltd.co.ke
   Website: www.creditbank.co.ke
   Physical Address: Mercantile House, Ground Floor, Koinange Street, Nairobi.
   Date Licensed: 30th November, 1994
   Peer Group: Small
   Branches: 15

16. **Development Bank of Kenya Limited**
   Postal Address: P. O. Box 30483 – 00100, Nairobi
   Telephone: +254-20-3340401 /2 /3, 3340416, 2251082, 3340198, 3340478, 3317449, 3344184, 2250143, 3317449, 3340416 0724253980/1, 0735046336
   Fax: +254-20-2250399
   E-mail: dbk@devbank.com
   Website: www.devbank.com
   Physical Address: Finance House, 16th Floor, Loita Street, Nairobi.
   Date Licenced: 20th September, 1996
   Peer Group: Small
   Branches: 3

17. **Diamond Trust Bank Kenya Limited**
   Postal Address: P. O. Box 61711 – 00200, Nairobi
   Telephone: +254-20-2849000, 0732121000, 0719031000, 0732121000, 0719031000
Fax: +254-20-2245495
E-mail: info@dtbafrica.com
Website: http://www.dtbafrica.com
Physical Address: DTB Centre, Mombasa Road, Nairobi.
Date Licenced: 15th November, 1994
Peer Group: Medium
Branches: 59

18. **Ecobank Kenya Limited**
Postal Address: P. O Box 49584- 00100 Nairobi
Telephone: +254-20-2883000, 4968000, 0719098000
Fax: +254-20-2883304, 2883815
E-mail: info@ecobank.com
Website: www.ecobank.com
Physical Address: Ecobank Towers, Muindi Mbingu Street, Nairobi.
Date Licenced: 16th June, 2008
Peer Group: Medium
Branches: 31

19. **Spire Bank Ltd**
Postal Address: P. O. Box 52467-00200, Nairobi
Telephone: +254-20- 4981000, 4981202, 4981301, 4981405, 0713600724, 0733333780
E-mail: letstalk@spirebank.co.ke
Website: www.spirebank.co.ke
Physical Address: Equatorial Fidelity Centre, Waiyaki Way, Westlands, Nairobi.
Date Licenced: 23rd June, 1995
Peer Group: Small
Branches: 13

20. **Equity Bank Kenya Limited**
Postal Address: P. O. Box 75104-00200, Nairobi
Telephone: +254 20 2262000/2262956 /2262828, 0763026000, 07633026956, 0763026828
Fax: +254-020-2737276  
E-mail: info@equitybank.co.ke  
Website: www.equitybankgroup.com  
Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi.  
Date Licenced: 28th December 2004  
Peer Group: Large  
Branches: 167  Sub-branches: 12  

21. **Family Bank Limited**  
Postal Address: P. O. Box 74145-00200 Nairobi  
Telephone: +254-020- 3252000, 3318940/2/7, 2244166, 2240601, 0733332300, 0728120444/555  
Fax: +254-020- 318174  
E-mail: info@familybank.co.ke  
Website: www.familybank.co.ke  
Physical Address: Family Bank Towers, 6th Floor, Muindi Mbingu Street, Nairobi.  
Date Licenced: 1st May 2007  
Peer Group: Medium  
Branches: 88  

22. **Fidelity Commercial Bank Limited**  
Postal Address: P. O. Box 34886-00100 Nairobi  
Telephone: +254-20-2242348, 2244187, 2245369, 2220845, 2243461, 2248842, 3315917, 2240766, 0722372531, 0733911835  
Fax: +254-20-2243389/2245370  
E-mail: customerservice@fidelitybank.co.ke  
Website: www.fidelitybank.co.ke  
Physical Address: I.P.S Building. 7th Floor, Kimathi Street, Nairobi.  
Date Licenced: 1st April, 1996  
Peer Group: Small  
Branches: 15
23. **First Community Bank Limited**
   - Postal Address: P. O. Box 26219-00100, Nairobi
   - Telephone: +254-20-2843000-3, 07202843000, 0738-407521,
   - Fax: +254-20-344101
   - E-mail: info@fcb.co.ke
   - Website: www.firstcommunitybank.co.ke
   - Physical Address: Prudential Assurance Building, 1st Floor, Wabera Street, Nairobi.
   - Date Licenced: 29th April, 2008
   - Peer Group: Small
   - Branches: 18

24. **Guaranty Trust Bank (K) Ltd**
   - Postal Address: P. O. Box 20613 – 00200, Nairobi
   - Telephone: +254-20-3284000, 073084000
   - Fax: +254-20-342024
   - E-mail: banking@gtbank.com
   - Website: www.gtbank.com
   - Physical Address: Sky Park Plaza, Woodvale Close, Westlands, Nairobi.
   - Date Licenced: 13th January, 1995
   - Peer Group: Medium
   - Branches: 16

25. **Giro Commercial Bank Limited**
   - Postal Address: P. O. Box 13400-00800, Nairobi
   - Telephone: +254-20-4229000, 0722823684, 0722823684, 0788999044
   - Fax: +254-20-229300
   - E-mail: girobank@girobankltd.com
   - Website: www.girobankltd.com
   - Physical Address: Eldama Park, Eldama Ravine Road, Off Peponi Road, Westlands, Nairobi.
   - Date Licenced: 17th December, 1992
   - Peer Group: Small
   - Branches: 8
26. **Guardian Bank Limited**

   Postal Address:  P. O. Box 67681 – 00200, Nairobi
   Telephone: +254-020-2226771, 2226774, 2226341, 2226483, 0722-282213, 0733-888060
   Fax: +254-020-2216633
   E-mail: headoffice@guardian-bank.com
   Website: www.guardian-bank.com
   Physical Address: Guardian Centre, Biashara Street, Nairobi.
   Date Licenced:  20th December, 1995
   Peer Group: Small
   Branches: 10

27. **Gulf African Bank Limited**

   Postal Address:  P. O. Box 43683 – 00100, Nairobi
   Telephone: +254-20-2740000, 2718608/9, 2740111, 0711075000
   Fax: +254-20-2715655
   E-mail: info@gulfafricanbank.com
   Website:  www.gulfafricanbank.com
   Physical Address: Geminia Insurance Plaza, Kilimanjaro Avenue, Upper Hill, Nairobi.
   Date Licenced:  1st November 2007
   Peer Group: Small
   Branches: 17

28. **Habib Bank A.G Zurich**

   Postal Address:  P. O. Box 30584 – 00100, Nairobi
   Telephone: +254-20-3341172/76/77, 3340835, 3310694, 0720208259
   Fax: +254-20-2217004 /2218699
   E-mail: habibbank@wananchi.com
   Website:  www.habibbank.com
   Physical Address: Habib House, Koinange Street, Nairobi.
   Date Licenced:  1st July, 1978
   Peer Group: Small
   Branches: 6
29. **Habib Bank Limited**
   Postal Address: P. O. Box 43157 – 00100, Nairobi
   Telephone: +254-20-2226433, 2222786, 2226401/7
   Fax: +254-20-2224636, 2214636
   E-mail: hblro@hblafrica.com
   Website: www.hbl.com
   Physical Address: Exchange Building, No.17, Koinange Street, Nairobi.
   Date Licenced: 2\textsuperscript{nd} March, 1956
   Peer Group: Small
   Branches: 6

30. **Imperial Bank Limited**
   \textbf{IN RECEIVERSHIP}
   Postal Address: P. O. Box 44905 – 00100, Nairobi
   Telephone: +254-20-2874000, 3343416, 0711-019000, 0732-119000
   Fax: +254-20-2719705/2719652, 3342374, 2719498
   E-mail: info@imperialbank.co.ke
   Website: www.imperialbank.co.ke
   Physical Address: Imperial Court, Westlands Road, Westlands, Nairobi.
   Date Licenced: 8\textsuperscript{th} January, 1996
   Peer Group: Medium
   Branches: 26

31. **I & M Bank Limited**
   Postal Address: P.O. Box 30238 – 00100, Nairobi
   Telephone: +254-20-3221000, 3271375/27, 0719088000, 0753221000
   Fax: +254-20-2711994
   E-mail: invest@imbank.co.ke
   Website: www.imbank.com
   Physical Address: I & M Bank House, 2\textsuperscript{nd} Ngong Avenue, Off Ngong Road, Nairobi.
   Date Licenced: 27\textsuperscript{th} March, 1996
   Peer Group: Medium
   Branches: 34
32. **Jamii Bora Bank Limited**
   - Postal Address: P. O. Box 22741 – 00400, Nairobi
   - Telephone: +254-20- 2224238/9, 2214976, 2219626, 2210338/9, 0722-201112, 0734600682
   - Fax: +254-20-341825
   - E-mail: info@jamiborabank.co.ke
   - Website: www.jamiiborabank.co.ke
   - Physical Address: Jamii Bora House, Koinange Street, Nairobi.
   - Date Licensed: 2nd March, 2010
   - Peer Group: Small
   - Branches: 27

33. **KCB Bank Kenya Limited**
   - Postal Address: P. O. Box 48400 – 00100, Nairobi
   - Telephone: +254-20-3270000, 2851000, 2852000, 0711012000, 0734108200
   - Fax: +254-20-2242408, 2216405
   - E-mail: kcbhq@kcb.co.ke
   - Website: www.kcbbankgroup.com
   - Physical Address: Kencom House, 8th Floor, Moi Avenue, Nairobi.
   - Date Licensed: 1st January 1896
   - Peer Group: Large
   - Branches: 199

34. **Middle East Bank (K) Limited**
   - Postal Address: P. O. Box 47387 – 0100 Nairobi
   - Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903, 0733-333441, 0731001310, 0717531448
   - Fax: +254-20-343776 / 2256901
   - E-mail: ho@mebkenya.com
   - Website: www.mebkenya.com
   - Physical Address: Mebank Tower, Milimani Road, Milimani, Nairobi.
   - Date Licensed: 28th November, 1980
   - Peer Group: Small
   - Branches: 5
35. **National Bank of Kenya Limited**
   Postal Address: P. O. Box 72866 – 00200 Nairobi
   Telephone: +254-20-2828000, 0711-038000,
   Fax: +254-20-311444/2223044
   E-mail: info@nationalbank.co.ke
   Website: www.nationalbank.co.ke
   Physical Address: National Bank Building, 2nd Floor, Harambee Avenue, Nairobi.
   Date Licenced: 1st January, 1968
   Peer Group: Medium
   Branches: 81

36. **NIC Bank Limited**
   Postal Address: P. O. Box 44599 – 00100 Nairobi
   Telephone: +254-20-2888000, 4849000, 0711041000, 0732141000
   Fax: +254-20-2888505/13
   E-mail: info@nic-bank.com
   Website: www.nic-bank.com
   Physical Address: N.I.C House, Masaba Road, Upper Hill, Nairobi.
   Date Licenced: 28th September, 1995
   Peer Group: Medium
   Branches: 31

37. **M-Oriental Bank Limited**
   Postal Address: P.O BOX 44080-00100, Nairobi
   Telephone: +254-20-2228461/2, 0734333291, 0722209585
   Fax: +254 20 2219469
   E-mail: headoffice@moriental.co.ke
   Website: www.moriental.co.ke
   Physical Address: Finance House, 7 Koinange Street, Nairobi
   Date Licenced: 8th February, 1991
   Peer Group: Small
   Branches: 9
38. **Paramount Bank Limited**

Postal Address: P. O. Box 14001 -00800 Nairobi
Telephone: +254-20-4449266/7/8, 446106/7, 4441528, 4441527,
0723564254, 0734258020, 0728-606652, 0735445506
Fax: +254-20-449265
E-mail: info@paramountbank.co.ke
Website: www.paramountbank.co.ke
Physical Address: Sound Plaza Building, 4th Floor, Woodvale Grove,
Nairobi
Date licenced: 5th July, 1995
Peer Group: Small
Branches: 7

39. **Prime Bank Limited**

Postal Address: P. O. Box 43825 – 00100, Nairobi
Telephone: +254-20-4203000 /116 /148, 4450810, 0722205491
Fax: +254-20-4451247
E-mail: headoffice@primebank.co.ke
Website: www.primebank.co.ke
Physical Address: Prime Bank Building, Chiromo Lane/Riverside Drive.-
Junction, Westlands, Nairobi.
Date Licenced: 3rd September, 1992
Peer Group: Medium
Branches: 20

40. **Sidian Bank Limited**

Postal Address: P. O. Box 25363 – 00603, Nairobi
Telephone: +254-20- 3906000-7, 0711-058000-7, 0732-158000
Fax: +254-20-3568995
E-mail: enquiries@sidianbank.co.ke
Website: www.sidianbank.co.ke
Physical Address: 7th Floor K-Rep Centre, Wood Avenue, Kilimani, Nairobi.
Date Licenced: 23rd March, 1999
Peer Group: Small
Branches: 37

41. **Standard Chartered Bank Kenya Limited**
Postal Address: P. O. Box 30003 – 00100, Nairobi
Telephone: +254-20-3293000, 3293900, 3291000, 3294000, 0719081000, 0732104000, 0703093000
Fax: +254-20-3747880
E-mail: Talk-Us@sc.com
Website: www.standardchartered.com
Physical Address: Standard Chartered Building-Westlands Road- Chiromo Lane, Westlands, Nairobi.
Date Licenced: 1910
Peer Group: Large
Branches: 38; Agencies: 3; Sales Centres: 1

42. **Trans-National Bank Limited**
Postal Address: P. O. Box 34353 – 00100 Nairobi
Telephone: +254-20-2252216/19, 2224235/6, 2252188/90/91, 0720-081772, 0733-505656
Fax: +254-20-2252225
E-mail: info@tnbl.co.ke
Website: www.tnbl.co.ke
Physical Address: Transnational Plaza, City Hall Way, Nairobi.
Date Licenced: 8th January, 1985
Peer Group: Small
Branches: 21

43. **UBA Kenya Bank Limited**
Postal Address: P. O. Box 34154 – 00100 Nairobi
Telephone: +254-020-3612000/1/2,
Fax: +: +254-020-3612049, 0726-926367, 0735-500196/180/175
E-mail: ubakenya@ubagroup.com
Website: www.ubagroup.com
Physical Address: Apollo Centre, 1st Floor, Ring Road / Vale Close,
Westlands, Nairobi.

Date Licenced: 25th September, 2009
Peer Group: Small
Branches: 4

44. **Victoria Commercial Bank Limited**
Postal Address: P. O. Box 41114 – 00100 Nairobi
Telephone: +254-20-2719499, 2719815, 2710271, 2716108, 2719814, 2713208, 2716196, 0721328183
Fax: +254-20-2713778/2715857
E-mail: victoria@vicbank.com
Website: www.victoriabank.co.ke
Physical Address: Victoria Towers, Mezzanine Floor, Kilimanjaro Avenue, Upper Hill, Nairobi.

Date Licenced: 11th January, 1996
Peer Group: Small
Branches: 4
Appendix 4: NACOSTI Permit

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref No. NACOSTI/P/18/26421/21421

Date: 27th February, 2018

Christine Akoth Oswo-go
Jomo Kenyatta University
of Agriculture & Technology
P.O. Box 62000-00200
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Influence of strategic management capabilities on performance of commercial banks in Kenya” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 26th February, 2019.

You are advised to report to the County Commissioner and the County Director of Education, Nairobi County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALEWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is (ISO9001: 2008 Certified)
THIS IS TO CERTIFY THAT:
MS. CHRISTINE AKOTH OSWAGO
of JOMO KENYATTA UNIVERSITY OF
AGRICULTURE AND TECHNOLOGY,
62000-200 NAIROBI, has been permitted
to conduct research in Nairobi County
on the topic: INFLUENCE OF STRATEGIC
MANAGEMENT CAPABILITIES ON PER
PERFORMANCE OF COMMERCIAL BANKS
IN KENYA
for the period ending:
26th February, 2019

Applicant's
Signature

Permit No: NACOST(P)18/26421/21421
Date Of Issue: 27th February, 2018
Fee Recieved: KSh 2000

Dr. Njoroge
Director General
National Commission for Science,
Technology & Innovation
CONSIDERATIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

REPULIC OF KENYA

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A 17669

CONDITIONS: see back page