CRITICAL STRATEGIC LEADERSHIP ACTIONS IN COMMERCIAL BANKS IN KENYA

BY

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1.0 INTRODUCTION

- SDG targets ambitious to be achieved by 2030, need partnerships
- Significant financial resources needed, thus effective banking sector
- Access to finance essential for inclusive growth
- Performance of banking depends on effective implementation of strategy
- Role of strategic leadership of interest
- Strategic Leadership focused on coping with change by 1) guiding org. to deal with change & 2) providing mgt. skill to cope with constant change (Pearce & Robison, 2011)
1.0 INTRODUCTION (continued)

- Various strategy implementation frameworks most based on concept of fit eg. McKinsey 7-S Framework
- Leadership, a common variable in all the frameworks
- Strategic Leadership a key driver to strategy implementation
- Hitt, Ireland & Hoskisson (2013) identifies 5 critical actions that characterize SL i.e. 1) set strategic direction, 2) effective management of resource portfolio, 3) sustain effective org. culture, 4) emphasize ethical practices, 5) establish balanced organizational goals
- Resource portfolio – core competencies, human resources, social capital
1.0 INTRODUCTION (Continued)

- Period 2000-2015 had banking sector stable and steady growth with no failures.
- Good performance attributable to measures put in place post 1980-1990 failures but also attributable to effective implementation of strategy driven by strategic leadership.
- Of interest to rank the strategic leadership actions in order of importance in strategy implementation and compare and contrast with other results.
2.0 RESEARCH PROBLEM

- High failure rate attributable to strategy implementation failures (Hrebiniak, 2006; Nohria & Beer, 2000; Mankins & Steele's, 2005; Allio, 2005; Candido & Santos, 2015)
- High failure rate pointer to fact that implementation not easy (Lussier & Achua, 2007)
- One key driver to strategy implementation is strategic leadership
- The 7 strategic leadership actions have been ranked in order of importance in the implementation of strategy but not in the banking sector and more so not in Kenya.
- Prior studies (Hagen et al., 1998; Fourie, 2007; Lear, 2012) in US and SA ranked the actions but did not focus on banks and more so in the Kenyan context
- Study to establish the ranking of strategic leadership actions and compare and contrast with studies elsewhere.
- Target population is TMT considered strategic leadership in the banks.
3.0 Research objective

- The objective of this study was to explore the ranking of the critical strategic leadership actions in the implementation of strategy in the commercial banks in Kenya.

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4. LITERATURE REVIEW

Theoretical Framework

- Trait theory – differing traits/characteristics responsible for firm performance (Sanders & Davey, 2011).
- Behavioural theories – focused on what leaders did to achieve results (House & Aditya, 1997)
- Contingency Theories – contingency variables serve as moderators to leaders behavior to increase effectiveness (House & Aditya, 1997)
- Contemporary theories – deal with organizational changes – incorporate change of follower hence change of organization (Sanders & Davey, 2011)
- Upper Echelons Theory – top managers matter to organization performance depending on discretion (Finkelstein & Hambrick, 1990)
- Criticism on UET on use of demographic indicators as proxy for strategic leadership behaviours
- New Leadership Theories (charismatic, transformational and visionary)
- Managerial, visionary and strategic leadership
5. Conceptual Framework

• Dependent Variable – effective implementation of strategy

• Independent Variables
  • Determine strategic direction
  • Manage the resource portfolio
    • Exploiting and maintaining core competencies
    • Developing human capital
    • Developing social capital
  • Sustain effective corporate culture
  • Emphasize ethical practices
  • Establish balance in organization controls
Research Methodology

• Research philosophy – positivism

• Research approach – quantitative
  • Aimed at empirically examining relationship between measurable variables using a validated measurement instrument

• Research design – Causal explanatory
  • Descriptive design as it establishes relationship without depth of causality

• Data collection method- survey approach using a self administered questionnaire

• Target population – Top Management Teams in Commercial Banks in Kenya. Total 436

• Sampling – census because it is feasible and low response rate.
### Findings

**Fig 1: Ranking in importance of strategic leadership actions in implementation of Strategy (using mean score)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Sum</th>
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<tr>
<td>Determining the strategic direction of the bank</td>
<td>170</td>
<td>4.74</td>
<td>5</td>
<td>805</td>
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<tr>
<td>Emphasizing ethical practices</td>
<td>169</td>
<td>4.46</td>
<td>5</td>
<td>753</td>
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<tr>
<td>Developing human capital in the bank</td>
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<td>4.39</td>
<td>5</td>
<td>747</td>
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<td>Sustaining an effective organization culture</td>
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<td>4.38</td>
<td>5</td>
<td>735</td>
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<tr>
<td>Exploiting and maintaining core competencies</td>
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<td>4.23</td>
<td>4</td>
<td>711</td>
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<tr>
<td>Establishing balanced organizational controls (balance between financial</td>
<td>170</td>
<td>4.21</td>
<td>4</td>
<td>715</td>
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<tr>
<td>and strategic controls)</td>
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<tr>
<td>Developing social capital in the bank</td>
<td>170</td>
<td>3.89</td>
<td>4</td>
<td>661</td>
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</table>
## Findings

Ranking in importance of strategic leadership actions in implementation of Strategy (using Grouped mean score)

<table>
<thead>
<tr>
<th>Action</th>
<th>Grouped Mean</th>
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<tr>
<td>Emphasizing ethical practices</td>
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<tr>
<td>Determining the strategic direction of the Bank</td>
<td>3.91</td>
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<tr>
<td>Exploiting and maintaining core competencies</td>
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<tr>
<td>Sustaining an effective organizational culture</td>
<td>3.76</td>
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<tr>
<td>Developing social capital</td>
<td>3.76</td>
</tr>
<tr>
<td>Establishing balance in organizational controls (balance between financial and strategic controls)</td>
<td>3.69</td>
</tr>
<tr>
<td>Developing human capital</td>
<td>3.59</td>
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</tbody>
</table>
## Findings

### Comparison of ranking in importance of strategic leadership actions with different studies

<table>
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</tr>
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<td>Determining the strategic direction</td>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Developing human capital</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
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<td>Exploiting and maintaining core competencies</td>
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<td>3</td>
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<tr>
<td>Sustaining an effective organization culture</td>
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<td>Emphasizing ethical practices</td>
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<tr>
<td>Developing social capital in the bank</td>
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</table>
Findings

• Determining strategic direction ranks highest as in other studies
• Developing social capital and established balanced organisational controls rank least important respectively
• Emphasizing ethical practices rank second, compared to studies elsewhere that rank it 5th.
• Developing human capital ranks 3rd comparable to other studies
Recommendations

• Determining strategic direction for the bank remains most critical strategic leadership action and CEOs should devote energy on this.

• Emphasizing ethical practices is 2\textsuperscript{nd} most important action. Recent crisis originating from shortfalls in corporate governance, makes this action vital. The leadership would need to inculcate a value based culture, establish a formal ethics program and have ethical leadership that sets the ‘tone at the top’.

• Next most important is development of human capital. Through staff development and training programs which help staff build skills to complete tasks associated with the other leadership actions.