STRATEGIC RESPONSES BY THE KENYAN COMMERCIAL BANKS TO THE EXTERNAL ENVIRONMENTAL TURBULENCE: A CASE OF SIDIAN BANK KENYA LIMITED

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirements for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY– AFRICA

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STUDENT’S DECLARATION

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

Signed: ___________________________ Date: ________________________________

(Student ID: 631612)

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

Signed: ___________________________ Date: ________________________________

Fred Newa

Sign: ______________________________ Date______________________________

Dean, Chandaria School of Business
ABSTRACT

The general objective of this study was to investigate the strategic responses employed by Sidian bank to external environmental turbulence. The study was guided by specific objectives which sought to determine the external environmental turbulence factors that affect Sidian bank. To establish the strategic responses employed by Sidian bank, and to find out if the strategies employed by Sidian bank in coping with external environmental turbulence are successful.

This research adopted a descriptive research design as it sought to describe the relationship between the independent variable-external environmental turbulence and the dependent variables-the external environmental factors, the responses adopted, and the success of the responses. The target population for this research was 400 employees of Sidian Bank Limited. Using purposive stratified sampling technique 10% of the population was considered to represent the total population resulting into 40 respondents. The primary source of data collection method that was used in this study was questionnaires. The research data was analyzed using the Statistical Package for Social Sciences (SPSS) program. Both descriptive statistics (mean, frequency, standard deviation) and inferential statistics (correlation, regression) were used. The results are presented using tables to give a clear picture of the research findings at a glance.

A review of the individual turbulence factors showed that political discontinuity was mainly as a result of government regulation, process control and political stability. An analysis of the factors of economic disruptions was caused to a great extent by disposable income and interest rates. On the other hand, social cultural changes revealed that the changes were to a little extent caused by changes in consumer taste and attitude. A review of technology substitution was to a great extent caused by speed and technology adoption and innovation. While industry environment was to a great extent affected by aggressive competition and rising substitute.

It was also revealed that majority greed that among the most used strategic response was restructuring although it was also revealed that at the bank, there exist defined controls to mitigate risks. Majority also agreed that they have ventured into new market and used focus strategy. It was also revealed that the firm has improved existing products, diversified product offerings as well as identified strategic issues affecting its operations.
The study also revealed that the firm had an understanding of the environmental turbulence level that it operates in and has enabled them tackle environmental uncertainties proactively. It was also established that Sidian bank undertakes a continuous improvement of its processes and system upgrade has enabled it attain operational excellence.

The study concluded that external environmental turbulence factors have a very big impact on the banking sector. Government regulation, process control and political stability are among the political issues affecting the industry. It was also concluded that the banking sector is very volatile hence there is a need to have a strategy for response as such the findings show that at Sidian bank there exist defined controls to mitigate risks. The bank has also adapted to the environment and is continuously improving its processes and system upgrade to attain operational excellence.

The study recommended that there is a need to also adhere to the government regulation, and have in place mitigations to ensure the firm is not caught up in the political issues affecting the industry. It is also recommended that Sidian bank should affect measures to ensure their ability to mitigate risks; in addition, the strategies should be up to date. There is a dire need for the bank to better analyse its management system and thus achieve prompt organizational responsiveness to changes in the environment.

The study was aimed at establishing the challenges facing Sidian Bank in Kenya and the responses they employ to counter the threats. For further research on strategic responses employed by banks, the researcher recommends another study that will include banks and financial institutions to establish their mode of responding to environmental challenges and threats.
ACKNOWLEDGEMENT

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I would also like to recognize my former colleagues at Sidian Bank Kenya who aided and participated in this research project for without their support and assistance, this would have been a daunting task.

May the God bless you abundantly.
DEDICATION

I dedicate this project to my dear parents, sibling and fiancée for their love, encouragement and support while conducting this research project and throughout the MBA course.
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ABBREVIATIONS AND ACRONYMS

CBK - Central Bank Of Kenya
IBM - International Business Machines
KUSCO - Kenya Union Of Savings And Credit Cooperatives Limited
SACCOs - Saving And Credit Cooperatives
SD - Standard Deviation
SPSS - Statistical Package For Social Sciences
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

A common organizational challenge that many of today profit making organizations face is how to remain successful and vital in a competitive arena that is becoming increasingly volatile (Waard, 2010). Francis, (2015) notes that issues related to environmental changes tend to evoke an image of concern for organizations that would wish to be ahead of competition. Over the last two decades’ rapid technological changes, the continuous fragmentation of markets, the convergence of different industries, the shortening of product life-cycles, and the enormous growth in telecommunications and inexpensive computing have made the competitive environment more turbulent than ever before (Lei, Hitt and Goldhar, 1996). Being confronted with environmental turbulence means that organizations have to cope with a business environment that is highly dynamic, complex, and unpredictable at the same time (Waard, 2010).

A recent survey conducted by IBM found out that top level management acknowledge that the business environment is continuously changing (Kuznetsova and Markova, 2017). Environmental turbulence determines the performance of business organizations (Pratono and Mahamood, 2014). The findings from the research conducted by Boyne and Meir (2009) showed that environmental turbulence has a negative effect on public service performance and that it causes internal change within the organization.

According to Karake (1997), managers encounter environmental complexity and changes due to emerging new technologies, rapid changing political and economic trends, and change in societal values. Rigby (2001) notes that when the conditions in the environment that businesses operate in suddenly change, senior executives need to shed the one – size fits all strategies that have been popular in less turbulent times and incorporate situational strategic response. Karake (1997) adds that management has a task to continuously monitor environmental conditions and to develop and implement effective strategies for dealing with those conditions. Rigby (2001) argues that to succeed in turbulent times; top managers must continuously review three dimensions of their business content as follows;
their industry source and level of turbulence, their own strategic position within their sector and their financial strength.

According to Bower and Christensen (1995), turbulence makes it difficult to predict competitive strategies with reasonable certainty. Francis (2015) further notes that if ignored, the changes in the environment can ultimately compromise a financial institution’s profitability, and long-term viability. An organization has to develop competitive strategy to out compete the competitors. Strategy links organizations to the environment (Mintzberg, Ahlstrand and Lampel, 2009). To achieve its objective, the organization chooses strategies that align them properly with environment (Ansoff and McDonnell, 1990). This is aimed at avoiding any mismatch between the organization and the environment. This in turn leads to effect on the performance of the organization. The choice of strategies to employ at a given time is informed by different factors within and without the organization (Ireland, et al, 2013). Different firm’s strategies differ from organization to another which is influenced by the external and internal factors.

Conner (2003) explains environmental turbulence as dynamism in the environment which involves rapid and unexpected change in the environmental. A stable environment changes less often, but when it does, the change is predictable. On the other hand, in turbulent environments there are many unexpected changes. Turbulence is caused by changes in and interaction between environmental factors. The increase in environmental turbulence thus results in reduction of orderly competition, the increasing need for information and innovation, quicker cycles of development and difficulty in understanding customer product and service requirements (Mason, 2007).

According to Pearce and Robinson (2011), strategic responses are a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm’s objectives. Strategic responses are part of competitive strategies that organizations develop in defining their goals and policies. They are reactions to what is happening on the environment of the organization (Francis, 2015). Francis goes on to explain that strategic responses are concerned with the long-term strategy of an organization involving high investments and embracing the organization as a whole. Strategic responses are usually on a long-term basis. Their implementation takes over one year and the responsibility lies in corporate and business level management. They are companywide and huge amounts of resources are required to enforce them.
The banking industry in Kenya is governed by several Acts which include: 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). Ndungu, Machuki, and Murerwa, (2014) note that the banking sector was liberalized in 1995 and exchange controls lifted then.

The banking Survey Kenya (2008) revealed that the banking industry in Kenya has changed rapidly over a span of a few years hence tight competition is experienced in the industry. Banks no longer compete without well calculated strategies as profitable growth, customer centricity and efficiency has taken precedence as their key performance measures (Howcroft and Hamilton, 2005). They further explain that banks have taken to product diversification so as to remain relevant with them encompassing products such as insurance covers and investment in addition to their core financial products. Thus, Kenya’s banking industry continues to be more unpredictable in future.

The banking industry in Kenya has in the recent past been faced by several changing economic conditions; interest rates fluctuate, consumer tastes and preferences are changing, new government regulations and changing technologies notwithstanding. All these changes create turbulence (Perrot, 2011). Organizations therefore have a mandate to gather information about their environments in order to address issues of uncertainty and dynamism. As the turbulence level increases more information is required to successfully manoeuvre. How the management prefers to handle the changing conditions in the environment affects decisions about resources, competences and organizational structures that will pave way for the firm’s competitiveness (Ireland et al, 2013).

This study will focus on Sidian Bank Limited. According to Kinyoe (2016) the bank started in 1984 as a project that supported the development of small and micro enterprises through nongovernmental managed programs. In 1987, the program was incorporated as a local nongovernmental organization. In 1999, K-Rep Bank was licensed as a fully-fledged commercial bank, regulated by the Central Bank of Kenya. In 2015, K-Rep insurance agency was established which is a fully owned subsidiary of K-Rep bank. In April 2016, Centum Group acquired majority shareholding of the bank, hence the bank rebranded from K-Rep to Sidian Bank. Sidian Bank shifted its main focus from being a micro bank to being a corporate, consumer and a small and medium enterprise bank (Kinyoe, 2016).
The bank has a total of forty branches spread across the different counties. It currently is a tire three bank with a balance sheet of 27B as at December, 2016.

1.2 Statement of the Problem

Perrot (2011) argues that increasing turbulent environment causes an increase in an organization’s strategic issues hence the need for an organization to be creative in its strategy formulation and implementation. Cadogan et al. (2002) acknowledges that the external environment is the major contributor to this turbulence.

Oman (2004) identifies a shortage in the researched carried out relating to banking sector in the developing countries. He points out that most of such research has however been done in the developed world countries. A study by Moussetis, Rahma and Nakos (2005) concentrated on one aspect of the environmental factors; that is culture, and its effect in the banking industry in Jordan.

In Kenya, past studies have been undertaken focusing on the responses of financial institutions to the changing business environment. Warucu (2001) undertook a study aimed at identifying the competitive strategies employed by commercial banks in Kenya in order to gain competitive advantage; Goro (2003) sought to determine the strategic responses employed by commercial banks in Kenya when faced with the threat of substitute products; Musa (2004) sought to establish the responses employed by National bank of Kenya Ltd when faced by changes in the environment; Omondi (2004) sought to establish the on responses of Savings and Loans (K) Ltd to threats of new entrants; Adoyo (2005) sought to determine the responses to changes in the external environment by Postbank; Muse (2006) undertook a study aimed at determining responses to environmental challenges by Agricultural Finance Corporation; and Ndubi (2006) sought to establish strategic responses by Nairobi Province KUSCO affiliated SACCOs to changing operating environment.

Several studies have been done by different scholars in relation to Sidian Bank. Nyamongo (2014) sought to find out the competitive strategies adopted by the then K-Rep bank. Njeru (2012) in her study sought to find out the role of K-Rep group based loan on small micro enterprises in Nyeri County. Kinyoe (2016) in her study sought to find out the challenges of strategy implementation at Sidian bank.
In view of the foregoing study’s carried out in relation to the banking industry and Sidian Bank in specific, this study sought to address the knowledge gap on the strategic response to external environment turbulence by Sidian Bank Ltd.

1.3 General Objective
The general objective of this study was to investigate the strategic responses employed by Sidian bank to external environmental turbulence.

1.4 Specific Objectives
1.4.1 To determine the external environmental turbulence factors that affect Sidian bank.
1.4.2 To establish the strategic responses employed by Sidian bank to cope with external environmental turbulence.
1.4.3 To find out if the strategies employed by Sidian bank in coping with external environmental turbulence are successful.

1.5 Significance of the Study
The study is of importance to several stakeholders as listed below;

1.5.1 Sidian Bank’s Management
This study will be of importance to the leadership and management team of Sidian Bank as it will enable them understand the effect of external environment turbulence on the organization’s performance. This will help them formulate strategies that will enable them tap into the positives of these effects as well as deal with the negative effects appropriately.

1.5.2 The Central Bank of Kenya
This is the main body that regulates the commercial banks in Kenya. The study will be important to them as it will enable them understand how external environment turbulence affects banks. They will be therefore guided as they make policies that govern the banks’ operations.

1.5.3 Other Financial Institutions
This study will be of importance to the other commercial banks in Kenya as it will help them understand the external environment that they operate in. They will be able to
understand the turbulent issues that may be as a result of changes within their external environment hence be able to cope with it effectively.

1.5.4 The Government

Commercial banks are one of the high revenue earners for the government of Kenya. This study will enable the government and other banks’ policy makers to understand the factors that may affect the performance of the banks hence work towards providing an environment that encourages the positive growth of banks.

1.5.5 Academicians

This study will be of importance to other academicians. The content of this research can be used as a foundation or a point of critique for future researchers researching on a similar topic in different areas.

1.6 Scope of the Study

The research was delimited to investigate the strategic responses employed by Sidian bank to external environmental turbulence. The respondents were drawn from the staff of the bank. Data collection was collected in November, 2017.

Delimitations of this study included quality of the response, willingness of the respondents to respond as well as low response rate. The quality of response was due to the highly competitive nature of the banking industry. This was mitigated through assurance to the management that the information given would be treated as private and confidential and was meant for the study alone. Due to the busy nature of bank employees, some of them were unwilling to respond hence a low response rate. This was mitigated through issuance of incentives to the participants.

1.7 Definition of Terms

1.7.1 External Environment

Daft, (2016) defines external environment as all elements that exist outside the boundary of the organization and have the potential to affect all or part of the organization.

1.7.2 Environmental Turbulence
Kipley, Lewis and Jewe (2012) defined environmental turbulence as the amount of change and complexity in the environment of an industry.

1.7.3 Strategic Response

Pearce and Robinson (2011) defined strategic response as the set of decisions and actions that results in the formalization and implementation of plans designed to achieve a firm’s objectives.

1.8 Chapter Summary

The chapter began by giving a background of the external environment that firms operate in, the turbulent issues that firms face emanating from this external environment as well as an overview of the banking industry in Kenya. It then followed to state the problem that makes this research necessary emanating from knowledge gaps in the same similar previous researches. The chapter further went ahead to state the general objective of the study as being to investigate the strategic response employed by commercial banks in Kenya to external environment turbulence.

Significance of the study was explained and key stakeholders singled out namely Sidian Bank, the Central Bank of Kenya, other financial institutions, the government and other academicians. The chapter later went on to describe the scope of the study and explained the delimitations, limitations as well as mitigation strategies as well as a list containing definition of common terms within the study.

Chapter two is literature review guided by the three specific objectives. Chapter three describes the methodology that was used to conduct the research. Chapter four discussed the findings of the study. Lastly, Chapter five gave recommendations and concludes on the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature guided by the general and specific objectives of the research discussed in the previous chapter. The three specific objectives will be examined in detail in a literature review on previous works by past researchers on the related subject matter.

2.2 External Environment Turbulence Factors and Commercial Banks

The research scope of the impact of external environment factors on enterprise growth is gradually expanding (Lin, Hu, and Jiang, 2017). Savino et al., (2015) stated that technological innovation, changing laws and regulations, social pressures amongst others will bring new opportunities. Kuznetsova and Markova (2017) seemed to be in congruent with this thought as he attributed organizational changes to the emergence of innovative technologies, political, social and economic changes that determine the context for business activity.

2.2.1 Political Discontinuity

Political factors may influence the level of competition within an industry and the firm’s strategic decisions, through government’s interventions in the economy (Gandelini, 2012). In addition to this, Jeffrey and Caron (2015), observe that governments outlines and enforce rules by which organizations operate. In agreement to this, Gandellini (2012) give examples of antitrust rules, labour laws, tariffs, trade restrictions, special incentives for specific industries and tax policies as factors that have a significant impact on strategy formulation. In emphasis, Jeffrey and Caron (2015), state that even the in United States which is considered as a “free” market economy, no firm is privileged to have total autonomy from government regulations.

Ireland et al., (2013) argues that actions of a firm are influenced by regulations formed in response to new laws. In a globalized world, firms consider government bureaucracy, regulations and other political or legal factors essential variables for assessing strategic alternatives such as: business location, entry modes in a new market, outsourcing choices, marketing actions (Gandelini, 2012).
Jeffrey and Caron (2015) note that banking industry in Portugal which was purely government owned has moved towards privatization. This however does not exempt them from the rules and regulations set by the government that affect their operation. A research by Naceur and Kandil (2009), found out that excessive regulations by the government on the banking sector may lead to increased cost of intermediation and reduced earnings and profitability in the industry. This might explain the banking industry in Kenya’s current situation. Sidian Bank has recorded losses in the subsequent quotas since the passing of the interest rate capping law by the government. Past researches done in the US by Haubrich and Wachtel (1993) and Furlong (1992) found out that capital regulations contributed to a decrease in lending that fuelled a post-capital requirement credit crunch. The same is being experienced in Kenya at the moment as recent reports shows that the lending process by banks is not being executed the way it used to before the law was passed. Sidian Bank is not an exception to this as it is practising slow lending.

2.2.2 Economic Disruptions

Jeffrey and Caron (2015), state that economic forces to a large extent influence organizational behaviour. Gandelini (2012), in addition to this notes that factors such as high interest rates, instability of host countries’ currencies, government intervention in the free market, and high inflation rates, may deter investments in a country instead of another. He further goes on to observe that over the last few years, the recent global crisis and the rapid economic development of emerging countries have changed the world economic trends. China, India and Brazil have become the primary location for outsourcing services and delocalizing productive activities, essentially to obtain more favourable costs (Gandelini, 2012).

Jaffrey and Caron (2015) advise organizations to consider forecast of economic growth in determining when to make critical decisions such as plant expansion. They further go on to explain that interest rates payable by organizations are influenced by inflation and availability of credit. High cost of credit can constrain strategic flexibility of firms making new ventures and capacity expansion prohibitively expensive.

Pearce and Robinson (2011), suggest that consumption patterns of consumers are affected by the available disposable income which is able to dictate the purchasing power of consumers. Consequently, in developing world countries like Kenya where consumers
have low disposable incomes, it might be difficult for them to consume the banking products.

2.2.3 Socio-Cultural Changes

According to Jeffrey and Caron (2015), it is important for organizations to study socio-cultural changes in the environment that they operate in as they can create opportunities for and threats to the revenue growth and profit prospects of an organization. In agreement to this, Gandelini (2012), gives an example of the European and US populations where the tourism and healthcare industries take advantage of their ageing population to drive their revenue due to their large disposable income. Ireland et al., (2013) gives examples of the socio-cultural factors to be beliefs, attitudes, opinions, lifestyle, taste and preference and lifestyles of consumers.

Pearce and Robinson (2011) state that forecasting the effects of socio-cultural factors on business can be a demanding task but they go a long way in helping an organization to set viable strategies. In congruence to this thought, Gandelini (2012), states that both multinational and local firms have to anticipate the emerging trends to gain or maintain a competitive advantage.

A study carried out by Business Development Bank of Canada (2013) on five game changing consumer trends is in support of the foregoing found out that consumers are increasingly looking for customized products that match their personality. A banking organization has to prioritize the provision of high quality service to their clients as this will help to gain positive attitude from customers (Sarker, Bose and Khan, 2012). Service delivery is the main key differentiator in the service industry in which banks fall under. Banks therefore need to re-evaluate their customers, and be flexible in embracing change by giving their customers greater control of choice and flexibility (Ernst and Young, 2012).

2.2.4 Technological Substitution

Technological change is critical as it creates new products, services, and, in some cases, entire new industries (Jeffrey and Caron, 2015). They further go on to acknowledge that technological trends can change the societal behaviour and expectations. Gandelini, (2012) acknowledges that technological factors may have a rapid impact on a firm’s performance and can influence the reorientation of the firm’s strategic thinking. Euchner,
advices firms that they must be aware of technological changes that might affect the industry they operate in for them to avoid obsolescence and promote innovation. In support of this, Jeffrey and Caron, (2015) explain that industry monitoring of new technological trends is important at opposed to self internal analysis as it helps the firm avoid being blindsided by a new technology.

Ireland et al. (2013) adds that awareness efforts are important in that early adopters of technology often enjoy high returns in the short run before the rest adapt to the technology. Goyal, (2012) notes that technology has played a major role in the development of banking industry in emerging economies. The banking industry has over the years to a large extent used technology to achieve competitive edge.

However, of important to note is that technological adoption by banks has is negative side. Koskosas, (2011) argues that internet banking has led to an increased number of identity thefts. Mishra and Sahoo (2013) add that effective communication might not be possible using technological platforms as opposed to the brick and mortar face to face.

2.2.5 Industry Environment

Pearce and Robinson (2011) define industry environment as; the general conditions for competition that influence all businesses that provide similar products and services. In comparison to the remote environment, the industry environment has a direct impact on the firm’s strategic competiveness an ability to earn above-average returns (Tarzijan and Ramirez, 2011). Ireland et al (2013) observes that an industry’s profit potential is determined by the five forces of competition: the threat of new entrants, product substitutes, the bargaining power of suppliers and consumers, product and the industry rivalry. In congruence to this, Porter (1979) states that the collective strength of these forces determines the ultimate profit potential in a given industry.

New market entrants pose a threat because they bring in new production capacity and techniques, they also desire to gain market share and fight for the limited resources in existence (Pearce and Robinson, 2011; Ireland et al, 2013). Porter (2008) in his writings notes that the threat of new entrants caps the profit potential of an industry. He continues to explain that when the threat is high, the existing companies are forced hold down their prices or boost investment as a strategy to deter new competitors. According to Karake (1997) an industry with above average rate of threat of new entrant in the market is likely
to be associated with higher environmental turbulence. Karake (1997) defines supplier power as the ability of suppliers to bargain on prices of their products. Karake further goes on to illustrate that this can be achieved through increase in prices, therefore, leading to increase in environmental turbulence. Other scholars emphasize that suppliers can exert bargaining power on consumers by increasing prices or reducing quality of goods and services (Porter, 2008; Pearce and Robinson, 2011; Ireland et al, 2013; Dess, Lumpkin, Eisner, 2008).

Bhattancharyya and Nain (2011) note that customers on the other end bargain for higher quality of goods and greater levels of service in order to reduce their costs. Pearce and Robinson (2011) argue that consumers can play competitors against each other by demanding low prices, high quality or more services. According to Ireland et al, (2013) customers are powerful when: they consume a large portion of an industry’s output; they could switch to another product at little cost hence crippling the industry. Karake (1997) adds that the more bargaining power customers have the more environmental turbulence firms face.

Porter (2008) defines a substitute as a product or service that performs the same or similar function as an industry’s product by different means; an example being videoconferencing as a substitute for travel. Porter emphasizes that when the threat of substitutes is high, the industry profitability at risk. According to Karake (1997) the level of environmental turbulence and uncertainty is also affected by product substitutes.

Ireland et al (2013) postulate that actions taken by one firm in an industry will invite competitive responses. Sirmon, et al (2010) observes that companies within an industry are rarely homogenous since they have unique capabilities and resources as they seek to differentiate themselves. Porter (2008) gives examples of that rivalry among existing firms as: price discounts, new product introduction, advertising campaigns and service improvements.

### 2.3 Commercial Banks’ Response to External Environment Turbulence

Response strategies are ways an organization ensures a fit into the changing environment (Ndungu et al., 2014). Strategic management literature suggests that a successful firm’s strategy must be favourably aligned with the external environment. Jauch (1988) argued that decisions and actions taken will lead to the development of an effective strategy
which will help to achieve organizational objectives. Changing business environments alter the way organizations fundamentally conduct business. Such adaptations made to suit the firm may be referred to as strategic response.

Ansoff and Mc Donnel (1990) note that strategic responses may take many forms depending on the organization’s capability and the environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for the firm in acquiring and sustaining a competitive edge. These strategic responses include restructuring, growth strategies, and culture change (Kiptugen, 2003).

2.3.1 Restructuring

Senior (2001) notes that there are various catalysts for organizational change such as restructuring. According to Pearce and Robinson (2011), restructuring can be defined as changing an organizational structure with the aim of streamlining activities that are core to the firm’s strategy to function at maximum effectiveness. This is strategy would enable a firm change its businesses or its financial structure (Lee and Madhaven, 2010). Firms uses different types of restructuring some of which include: downsizing, business process reengineering, down scoping and leveraged buyouts (Ireland et al., 2013).

Jones and Hill (2013) suggest that firms may opt for restructuring due to but not limited to the following reasons; an unpredetermined environmental change, a new technology that renders firm’s products obsolete, or a firm having excess human resource capacity. They further go to note that other firms restructure even when in stable condition just to improve their competitive edge.

According to Pearce and Robinson (2011), downsizing is doing away with a certain employees in an organization, particularly middle level management. Media reports in Kenya have in the recent past revealed that most of the Kenyan banks are undergoing restructure as a strategic response to the increasing turbulent environment. In November 2016, The Business Daily Kenya reported that Sidian Bank had opted to give its staff a volunteer retirement package as part of its ongoing restructure plan. Previous researches however indicate that downsizing does not at all times result in good performance as exemplified by U.S and Japanese firms (Ireland et al., 2013). They on the other hand define down scoping as a means of doing away with businesses that do not build up to a firm’s core business. According to Bergh and Lim (2008), down scoping has a more
positive impact on the performance of a firm compared to downsizing; this is because downscoping enables a firm to specialize on its core business.

2.3.2 Growth Strategies

To portray alternative corporate growth strategies, Ansoff (1990) presented a matrix that focused on the firm's present and potential products and markets (customers). Ansoff (1990) proposed four strategies for growth which are summarized in the matrix below.

![Figure 2.1: The Ansoff Matrix](image)

**Source:** Ansoff (1990)

The market penetration strategy is the least risky since it leverages many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits (Francis, 2015). He further goes to note that market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow.

Market development options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment (Francis, 2015). Perreault, Cannon and
McCarthy (2011), argue that firms strive to improve their sales by selling current products and services in new markets.

The development of products involves creating new products for existing markets (Edwards, 2008). Jobber (2010) says that one of the variants is to expand the existing product lines and give the consumers variety. A product development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself (Francis, 2015). He further goes on to explain that in such a scenario, the firm can leverage its strengths by developing a new product targeted to its existing customers.

Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm (Francis, 2015). However, Ireland et al., (2013) say that diversification strategies can lead to strategic competitiveness and above average returns. Francis (2015) adds that onto the advantages of diversification by stating that they include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk. However, according to Wowak and Hambrick (2010), if a firm’s governance mechanism is not strong, the executives may diversify the firm to the point that it fails to earn even average returns.

A past research by Kiptugen (2003) showed that banks in Kenya developed a new product-banc assurance as a result of turbulence brought about by HIV/AIDS positive clients. Such clients were considered as high risk because of their illness hence it was difficult for them to access credit facilities. Banks came up with the new product which is now not only sold to their clients but have diversified it to other consumers.

2.3.3 Strategic Issue Management

Perrot (2011) notes that with increase in environmental turbulence, strategic issues emerge more often that challenge the way an organization formulate and implement strategy. The Level of turbulence will determine the type of response an organization must make to survive (Ansoff and McDonnell, 1990). Strategic issues are explained by Perrot (2011) as events or forces (with either positive or negative effects) either inside or outside an organization that are likely to affect its ability to achieve its objectives.
In times of environmental turbulence and uncertainty, the current position of a business needs to be established before setting future directions and strategies (Perrot, 2011). In the strategic issue management approach, external issues manifest as opportunities and threats, and internal issues as strengths and weaknesses. For companies in a period of turbulence, the tracking, monitoring and management of priority issues become key for corporate survival. Strategic-issue-processing helps managers to identify issues and plan appropriate actions that address high priorities (Palese and Crane, 2002). Strategic-issue management can spur organizational action and creates momentum for organizational change (Perrot, 2011).

2.3.4 Enterprise Risk Management

Enterprise Risk Management is a relatively new approach to addressing strategic issues facing organizations (Hughes, 2009). Organizations increasingly face a multitude of risks that, if not identified and integrated into an overall business strategy, may result in lost revenues or business failure (Burnaby and Hass, 2009). Hughes (2009) says that enterprise risks are those events that would negatively influence or constrain the organization’s ability to achieve its strategic goals. Specific risks may appear in what has been described as the five factors affecting a firm’s operation, namely: environmental uncertainty, industry competition, firm size, firm complexity, and board of director monitoring process (Hughes, 2009).

The Enterprise Risk Management concept involves establishing well-defined controls to mitigate risks in line with the risk profile and culture of the particular organization (Burnaby and Hass, 2009). Enterprise Risk Management systems typically provides the ability to catalogue risks within categories, give them weights and measures and associate them with business functions that have methods and the authority to control them. The risks faced by organizations have been broadly categorized as operational, market and credit (Bainbridge, 2009). Approaches to managing risks include; avoiding risk, transferring risk, mitigating risk, and finally accepting risk within certain limitations. The first phase is to identify the various areas of risk across the organization and its operations. These must be managed continuously in an Enterprise Risk Management process (Hughes, 2009).
2.3.5 Generic Strategies

Pearce and Robinson (2011) define a generic strategy as a core idea about how a firm can best compete in the market place. Lynch (2008) in his definition breaks down generic strategies as the three fundamental strategies of cost leadership, differentiation and focus. According to Porter (2008) low cost leadership it is a set of actions taken to produce goods or services that are acceptable to customers due to the uniqueness of low price charged relative to competitors. Lynch (2008) says that the low cost leader in an industry has built its structures and operations in a way that will deliver the lowest costs in that market. Lynch maintains that having low costs can create competitive advantage.

Gehlhar, et al. (2009) state that appropriate process innovations are necessary for successful use of cost leadership strategy. Ireland et al (2013) argue that firms associated with low cost strategy normally sell standardized goods or services. Low-cost leaders take advantage of the economies of scale; they implement cost-cutting techniques, press for reductions in overhead cost and consequently use volume sales technologies in production (Pearce and Robinson, 2011). On the other hand, consumers with a special liking for a particular product attribute are commonly targeted with differentiation dependent strategies (Pearce and Robinson, 2011). Pearce and Robinson further state that customer loyalty is built through emphasis on a certain product attribute which in return translates in a firm being able to charge premium price for its products. Focus strategy on the other hand is opted for so as to utilize a firms’ core competencies to serve the needs of a specific niche market (Ireland et al, 2013).

2.4 Success of the Response to External Environmental Turbulence by Commercial Banks

Strategic responses require organizations to change their strategy to match the environment and to redesign their internal capability to match this strategy (Grant, 2011). If an organization’s strategy is not matched to its environment, then a strategy gap arises. The degrees to which response are viable will also vary considerably depending on the region or country involved. The implications of specific response will depend on its social, environmental, and economic context (Grant, 2011).

For effective strategic responses continuous scanning of both internal and external environment is a prerequisite so as it keeps abreast of all environmental variables.
underpinning current and future business operations of the firm (Thompson and Strickland, 2003). What is more, firms have adapted to being a ‘learning organization’ in order to cope effectively with the environment turbulence as failure to do so may jeopardize future success of these organizations (Aosa, 1992). Thwaites and Glaister (1993) state, to succeed in an industry an organization must select a mode of strategic behaviour which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode.

According to Ansoff (1990), a firm is successive in its response to turbulence of its environment if the following three things are achieved; (1) the aggressiveness of the firm’s strategic behaviour matches the turbulence of its environment, (2) the responsiveness of the firm’s capabilities matches the aggressiveness of its strategy and (3) the components of the firm’s capabilities is supportive of one another.

2.4.1 Level of Environmental Turbulence

Ansoff (1990) classified the environment in which firms operate into five distinct turbulence levels. At one extreme is the stable, placid environment where nothing changes; at the other is the creative environment characterized by major technological breakthrough and social political upheavals.

At a turbulence level of 1, known as repetitive environment, there is virtually no change in the business environment. In a free market economy, very few organizations are operating in this environment except for some not-for-profit organizations. An example of an organization in this environment is the museum. At the second level; that is the expanding environment, the pace of change is relatively slow and businesses can easily keep up with change. This level is in the economic segment where growth is rapid. Demand usually exceeds supply, and customers’ needs are basic and undifferentiated. Price is the major determinant of purchase decision and production efficiency is the key success factor (Kipley, Lewis and Jewe, 2012).

Gianos (2013) notes that the changing environment which is the third level of turbulence is characterised by fast incremental change. The customers’ demands are differentiated by different purchase powers and tastes and preferences. Key success factor is marketing effectiveness. It is important to note that at turbulence levels two and three, changes occur but are largely predictable. Discontinuous environment, the fourth level of turbulence is
characterised by changes taking place faster than the company’s ability to respond and the
future is difficult to predict. The complexity and discontinuity of the environment make it
impossible for companies to succeed simply by optimizing on a single success factor.
Production efficiency, marketing effectiveness and product responsiveness are all
important determinants of the firm’s success but their relative importance are constantly
changed by management in response to changes in the market place (Kipley, Lewis and
Jewe, 2012). When a business is at a turbulence level of four, some of the external
changes are irregular or are not predictable from previous changes. Most financial
institutions, including Sidian Bank are operating at this level of turbulence.

According to Ansoff, (1990), at turbulence level five-surpriseful environment,
technological leadership is the key success factor. New technologies and new industries
develop rapidly and customers are prepared to pay for the most advanced technology. It is
in this environment that Steve Job created the personal computer. When environmental
turbulence occurs, if one has a strategic plan in place, reactions are quicker, and it is more
likely that the business will not fall into a deep reactionary state which would typically be
seen in a level 4 or 5 environment. This augments the entrepreneur or manager’s ability to
think strategically and react creatively.

2.4.2 Strategic Gap Diagnosis

Strategic gap diagnosis is a systematic approach to determining the changes that have to
be made to a firm’s strategy and its internal capability in order to assure the firm’s
success in its future environment (Ansoff and McDonnell, 1990). This is a tailored
approach which determines the nature of a firm’s strategic problem. Strategic diagnosis
answers two questions: (a) How to diagnose the future environmental challenges which
will confront the firm? The answer to this question is diagnosis of future turbulence levels
in the firm’s environment. (b) How to determine the firm’s strategic response which will
assure success? The answers to this question are diagnoses of strategic aggressiveness and
the organizational responsiveness which will match the future turbulence (Ansoff and

Strategic gap diagnosis identifies whether a firm needs to change its strategic behaviour to
be sure of success in the future environment. If the diagnosis confirms the need, the next
step is to select and execute specific actions which will bring the firm’s aggressiveness
and responses in line with the future environment (Ansoff and McDonnell, 1990). The
adaption starts with a forecast of future growth or profitability in each of the firm’s business areas and the factors which will be key to success. The information is used to select the strategic response which will assure the firm’s future success. Whenever the gap between the present and desired capability is discontinuous, implementation of change typically encounters organizational resistance. In summary, the conceptual model describes strategic management through four closely inter-related activities; Strategic diagnosis – identifies the need for a new strategic response; Strategic planning – determines the future strategic response; Organizational design – determines the future strategic responses; and change management which implements the response and capability.

2.4.3 Strategic Aggressiveness

Strategic Aggressiveness is defined as the discontinuity and novelty of strategies and speed at which they are developed and implemented. The level of strategic aggressiveness is determined by two elements: (1) The degree of change between a firm’s successive strategic moves in the environment. (2) The database used in choosing the moves. Descriptions of the two elements at the respective level of turbulence are shown in the lower part of figure below. A firm’s strategic aggressiveness level is determined just like the turbulence level, except that the focus now is on the firm and not the environment. According to Ansoff and Sullivan (1993), at environmental turbulence level one, the strategic aggressiveness is stable, based on precedents. At level two it is incremental based on experience. At level three it is incremental based on extrapolation. At level four it is discontinuous new based on observable opportunities and at level five it is discontinuous novel based on creativity.

2.4.5 Management Responsiveness/Capability

Management Capability/Responsiveness is defined as the characteristics of the organization that give it the ability to support its strategies and respond to changes in the business environment. General Management is assessed in two complementary ways: (a) by observing the characteristics of the firm’s responsiveness behaviour—for example, whether the firm anticipates or reacts to discontinuities in the environment and (b) by observing the capability profiles of the firm that produce different types of responsiveness. Parameters which indicate management’s capability include the firms’ culture, structure, systems, technology and capacity of management. Firms’ culture is the
management’s propensity to respond to strategic change. Miller (1987) assesses organizational structure along formalized, centralized, and structurally integrated dimensions and noted that formalization had a significant and positive impact on the efficacy of the strategic making approaches. He further states that the firm’s organizational structure is critical to its information-processing capability and has a significant influence on the context and nature of human interactions. Firms relying on organic adaptive structure are characterized by a high level of mutual adjustment and tend to encourage flexibility and decentralized decision making (Burns and Stalker, 1961). Internal Power Structure is assessed within and among the functional units of the firm and the manner in which power is exercised. An autocratic structure, confirmed by Miller contributes to stability and efficiency; shared power contributes to changeability but at the expense of efficiency (Burns and Stalker, 1961).

Several authors point out the critical difference between capabilities in stable versus turbulent settings (Eisenhardt and Martin, 2000; Winter and Zollo, 2002). Capabilities in stable environments are nothing more than evolutionary routines focusing on variation where learning processes based on craftsmanship appear to be more effective and cheaper than their highly inertial alternatives (Winter and Zollo, 2002). Whereas in turbulent environments capabilities are simple, highly experiential and fragile processes with unpredictable outcomes (Eisenhardt and Martin, 2000) emphasizing learning by rapidly creating situation specific new knowledge rather than by mimicking the past since existing knowledge can be obsolete and even leading to serious mistakes.

2.5 Chapter Summary

This chapter reviewed literature guided by the three specific objectives of the study. The first objective was to determine the external environmental factors that affect Sidian Bank. Under this, technological substitution, discontinuity in economic, political and social-cultural variables were discussed. The second objective was to determine the strategic responses employed by Sidian bank to cope with external environmental turbulence. The strategies include restructuring, enterprise risk management, strategic issue management and growth strategies guided by the Ansoff matrix where diversification, product development, market development and market penetration were discussed. The third objective was to find out whether the strategies employed by Sidian Bank in coping with external environmental turbulence are successful. Levels of
turbulence, strategic gap diagnosis, strategic aggressiveness and management capability were identified and discussed. Chapter 3 will explain the methodology that will be used to collect data for the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes the research design of the study; target population and its sample size; the methods and procedures that was used in the data collection and lastly the techniques that was used in the data analysis.

3.2 Research Design

Cooper and Schindler (2011) define research design as the determination and statement of the general research approach or strategy adopted of the particular project. They further go ahead to add that it is the heart of planning. A research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari and Garg, 2014)

Kothari and Garg, (2014) define descriptive research design as one that is concerned with describing the characteristics of a particular population. Cooper and Schindler (2011) further explain that this design involves answering questions such as who, when, what, which, and how. Descriptive survey attempts to identify and explain variables that exist in a given situation and to describe the relationship that exists between these variables in order to provide a picture of a particular phenomenon (Cooper and Schindler, 2008). This research therefore adopted a descriptive research design as it sought to describe the relationship between the independent variable-external environmental turbulence and the dependent variables-the external environmental factors, the responses adopted, and the success of the responses. Descriptive research is also considered appropriate because subjects are normally observed their natural set up and can result in accurate and reliable information (Britt, 2006).

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2011) define a population as the total elements on which inferences can be made. The population is the large set of observations while the smaller set is referred to as the sample. Cooper and Schindler further explain that a census is a
count of all the elements of a population. Kothari and Garg, (2014) state that all items in any field of inquiry constitute a population.

The target population for this research were employees of Sidian Bank Limited. They were opted for because the upper management constitute the strategy formulators while the middle management and all the employees in general constituted strategy implementers. The target population was 400 (Sidian Bank, 2017).

Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Level</th>
<th>Distribution</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td></td>
<td>45</td>
<td>11.25%</td>
</tr>
<tr>
<td>Middle Management</td>
<td></td>
<td>105</td>
<td>26.25%</td>
</tr>
<tr>
<td>Low Level Staff</td>
<td></td>
<td>250</td>
<td>62.50%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>400</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Sidian Bank (2017)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sample frame refers to a list of elements from which the sample is actually drawn and is closely related to the population (Cooper and Schindler, 2011). Kothari and Garg (2014) explain that the sampling frame consists of names of all elements in the population and the list must be comprehensive, correct, reliable and appropriate. This study derived its sampling frame from Sidian Bank’s human resource department as this is the most credible source of such information. The list comprised of the employees’ names, designation and work location.

3.3.2.2 Sampling Technique

A sampling technique is the specific process by which the entities of the sample size have been selected (Kothari and Garg, 2014). The study was confined to probabilistic sampling technique. According to Cooper and Schindler (2011), probabilistic sampling is one which each target population element has a known, nonzero chance of being included in the sample. The researcher used simple random sampling in determining the departments
that took part in the survey. Once the departments had been selected, the researcher used systematic random sampling to identify the respondents per department.

3.3.2.3 Sample Size
Cooper and Schindler (2011) argue that a sample size as the set of elements from which data is collected. Kothari and Garg, (2014) explain that the sample size should neither be too large nor too small; a researcher should find the optimum sample size which fulfills the requirements of efficiency, representativeness, reliability and flexibility. Kerlinger (1986) indicates that a sample size of 10% of the target population is large enough so long as it allows for reliable data analysis and allows testing for significance of differences between estimates. In agreement to Kerlinger, Mugenda and Mugenda (2003) also consider a sample of 10% to be representative of the total population. Mugenda and Mugenda (2003) points out that stratified sampling method ensures selection of subgroups which otherwise would be omitted entirely by other compiling methods due to their small numbers considered.

Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Level</th>
<th>Target population</th>
<th>Sample proportion</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level</td>
<td>45</td>
<td>10%</td>
<td>5</td>
</tr>
<tr>
<td>Middle level</td>
<td>105</td>
<td>10%</td>
<td>11</td>
</tr>
<tr>
<td>Lower level</td>
<td>250</td>
<td>10%</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>10%</td>
<td>40</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods
The researcher focused on collecting primary data. Primary data refers to the collection of data that is unique to the specific research and that has never been used by others before (Cooper and Schindler, 2011). Methods of collecting primary data particularly in surveys and descriptive researches according to Kothari and Garg (2014) include interviews, observation, and use of questionnaires.

The primary source of data collection method that was used in this study is the use of questionnaires. According to Kothari and Garg (2014), a questionnaire presents a pre-
formulated written set of questions to which respondents record their answers, and can be administered and personally mailed to the respondents or electronically distributed. The questionnaire targeting the sample was both structured and semi-structured. This was appropriate because it allowed a participant to provide feedback that is slightly more expansive than a simple close-ended question, but that is much easier to quantify than a completely open-ended response.

The questionnaire was structured into four parts as follows: Part 1: general information. Part 2: The questions here sought to address the first specific objective. Part 3: The questions here aimed to address the second specific objective. Part 4: The questions were meant to address the third objective. Likert scale of 1 to 5 was used with 5 representing highest level of agreement and 1 the lowest.

3.5 Research Procedure

According to Cooper and Schindler (2011), a good questionnaire is one that respondents are able to understand, able to answer and one that they are willing to answer. They further go on to note that a pilot test is necessary for testing the reliability and validity of the data collection instrument. A pilot study was therefore conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a sample (Kuvaas 2010). The researcher selected a pilot group of 4 individuals from the target population, which is 10 per cent of the sample, to test the reliability of the research instrument. The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the research instruments to the respondents was established so as to enhance the instrument’s validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identify items that require modification. The result helped the researcher to correct inconsistencies that would arise from the instruments, which ensured that they measure what is intended.

A cover letter was attached to the questionnaire to state the purpose of the study and to ensure the various guidelines are met. Questionnaires was administered by drop and pick method. Respondents were given a two-week period for the completion of the questionnaire. To ensure a high response rate, confidentiality was assured to the respondents, the respondents had a clear understanding of the benefit of the study’s results findings to them, and the questionnaire were long enough to gather required data.
but short enough to encourage participation. Follow-up visits were also made to ensure timely completion of questionnaires. After the two-week period, the questionnaires were personally collected for analysis.

3.6 Data Analysis Methods

After data had been collected, data preparation followed. Kothari and Garg (2014) state that data preparation involves editing, coding, classifying and tabulating the collected data so that they are amenable to analysis. They further state that data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data groups.

Editing of data is a process of examining the collected raw data to detect errors and omissions and to correct these when possible (Kothari and Garg, 2014). It was done to assure that the data is accurate, consistent with other facts gathered, uniformly entered, and well arranged to facilitate coding and tabulation. Once editing was complete, coding was done. Coding is the process of assigning numerals or other symbols so that responses can be categorized (Kothari and Garg, 2014). Classification was then done and finally tabulation of data which is the arrangement of data into concise and logical order.

Descriptive analysis was used in this study. It involved finding measures of central tendencies, and the standard deviations. According to Collis and Hussey (2003), descriptive statistics involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. The research data was analysed using the Statistical Package for Social Sciences (SPSS) program and presented using tables to give a clear picture of the research findings at a glance. ANOVA data analysis method was applied to analyse the data using open ended questions where the respondents gave their personal opinions. The output after analysis was prepared through frequency tables, graphic presentations and inferential statistics outputs.

3.7 Chapter Summary

This chapter gave insight into how the study was conducted. The researcher discussed in detail; the research design, the population and sampling design, research procedures, data collection methods and data analysis. The research design used was a descriptive design. The sampling technique used was probabilistic sampling. The researcher focused on
collecting primary data using a questionnaire for this study. Data interpretation and analysis was done by using SPSS software.

The next chapter, chapter four, focused on data analysis. Chapter five discussed the findings, provide recommendations and conclusion.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results obtained from the data analysis done. This includes results relating to the respondents’ demography and the specific research objectives of this study which aimed investigating the strategic responses employed by Sidian bank to external environmental turbulence.

4.1.1 Response rate

The research issued a total of 40 questionnaires and out of which a total of 35 were filled and returned giving a response rate of 88%. This was sufficient for the study as indicated in Table 4.1

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>35</td>
<td>88</td>
</tr>
<tr>
<td>Non-response</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 General Information

4.2.1 Age of Respondents

An analysis of the respondent’s age revealed that majority of respondents accounting for 66% were aged between 25-35 years of age while 34% were aged between 36-45 years. The findings also show that the age groups 18-24, 46-55, and 55 and above recorded no response as shown in Table 4.2 below. This implies that Sidian Bank has employed young mature and energetic employees capable of stirring the firm to achieve its objectives

Table 4.2: Age of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>18-24</td>
<td>0</td>
</tr>
<tr>
<td>25-35</td>
<td>23</td>
</tr>
<tr>
<td>36-45</td>
<td>12</td>
</tr>
<tr>
<td>46-55</td>
<td>0</td>
</tr>
<tr>
<td>Above 55</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>
4.2.2 Gender of Respondents
To analyse the respondents gender the result established that the balance was almost achieved although the male were the majority and accounted for 54% while female represented 46% as shown in Table 4.3 below. This implies that Sidian Bank is gender sensitive and as such ensures a gender balance at the firm.

Table 4.3: Gender of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>19</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

4.2.3 Education of Respondents
To analyse the literacy levels the result established that majority of respondents accounting for 74% were graduate degree holders while 26% had a Bachelor’s degree, and no respondents had a diploma as shown in Table 4.4 below. This implies that the data received from the respondents were precise due to the high literacy level and was therefore able to comprehend the questions asked.

Table 4.4: Education of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Diploma</td>
<td>0</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>9</td>
</tr>
<tr>
<td>Graduate</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

4.2.4 Years in the Industry
An analysis of the respondent’s experience revealed that majority of respondents accounting for 34% have 2-4 years’ experience, this was followed by 26% who possess 5-7 years. Those with 8-10 years, and above 10 years’ experience both had 20% response rate as indicated in Table 4.5. This implies that Sidian Bank has experienced employees capable of employing strategic responses to curb external environmental turbulence.
Table 4.5: Years in the Industry

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 years</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2-4 years</td>
<td></td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>5-7 years</td>
<td></td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>8-10 years</td>
<td></td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Above 10 years</td>
<td></td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3 External Environmental Turbulence Factors Affecting Sidian Bank

The first objective set to determine the external environmental turbulence factors that affect Sidian bank. Respondents were asked a set of questions to indicate to what extent they agree or disagreed with statement related to external environmental turbulence factors affecting Sidian bank.

4.3.1 Extent of External Environmental Turbulence Factors on Sidian Bank

Respondents were asked to indicate the extent which external environmental turbulence factors on sidian bank and the findings revealed that 82% indicated that the rate was higher, on the other hand 9% indicated a much higher and about the same rate respectively. No response was received for lower and much lower rate as indicated in Table 4.6

Table 4.6: Extent of External Environmental Turbulence Factors on Sidian Bank

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much higher</td>
<td></td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Higher</td>
<td></td>
<td>29</td>
<td>82</td>
</tr>
<tr>
<td>About the same</td>
<td></td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Lower</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Much Lower</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.2 External factors affecting Sidian Bank

The first objective was aimed at establishing the effect of individual external factors on Sidian bank the respondents were asked a set of questions to which they were to indicate
their level of agreement. Using a five point Likert scale where 1 – Not at all, 2 – little extent, 3- moderate extent, 4- great extent, 5– very great extent as indicated in Table 4.7.

The findings revealed that in line with political discontinuity was as a result of government regulation (m=4.51, sd=0.621), process control (m=4.57, sd=0.698), and political stability (m=4.20, sd=1.079). An analysis of the factors of economic disruptions was caused to a great extent by disposable income (m=4.00, sd=.874), interest rates (m=4.83, sd=.382), however inflation (m=3.91, sd=.742) was to a little extent.

Analysis of social cultural changes revealed that the changes were to a little extent caused by changes in consumer taste (m=3.51, sd=1.173), population demography (m=3.03, sd=.695) and consumer attitude (m=3.57, sd= 1.170). a review of technology substitution was to a great extent caused by speed and technology adoption (m=4.20, sd=.833), innovation (m=4.48, sd= .755). in addition to a little extent by rate of obsolescence (m=3.46, sd=.741).

The findings revealed that industry environment was to a great extent caused by aggressive competition (m=4.46, sd=0.611), while to a little extent by threat of entry (m=3.60, sd=.914), rising substitute (m=3.94, sd=1.116), consumer bargaining power (m=3.52, sd=0.906) and suppliers bargaining power (m=3.17, sd=.822).
Table 4.7: External Factors Affecting Sidian Bank

<table>
<thead>
<tr>
<th>Variable</th>
<th>VG</th>
<th>GE</th>
<th>ME</th>
<th>LE</th>
<th>NA</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government regulation</td>
<td>57</td>
<td>37</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>4.51</td>
<td>.612</td>
</tr>
<tr>
<td>Process control</td>
<td>69</td>
<td>20</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>4.57</td>
<td>.698</td>
</tr>
<tr>
<td>Political stability</td>
<td>57</td>
<td>17</td>
<td>14</td>
<td>11</td>
<td>0</td>
<td>4.20</td>
<td>1.079</td>
</tr>
<tr>
<td>Disposable income</td>
<td>23</td>
<td>46</td>
<td>31</td>
<td>0</td>
<td>0</td>
<td>3.91</td>
<td>.742</td>
</tr>
<tr>
<td>Interest rates</td>
<td>83</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.83</td>
<td>.382</td>
</tr>
<tr>
<td>Inflation</td>
<td>37</td>
<td>26</td>
<td>37</td>
<td>0</td>
<td>0</td>
<td>4.00</td>
<td>.874</td>
</tr>
<tr>
<td>Changes in consumer taste</td>
<td>22</td>
<td>29</td>
<td>34</td>
<td>6</td>
<td>9</td>
<td>3.51</td>
<td>1.173</td>
</tr>
<tr>
<td>Population demography</td>
<td>9</td>
<td>23</td>
<td>49</td>
<td>20</td>
<td>0</td>
<td>3.03</td>
<td>.695</td>
</tr>
<tr>
<td>Consumer attitude</td>
<td>28</td>
<td>26</td>
<td>20</td>
<td>26</td>
<td>0</td>
<td>3.57</td>
<td>1.170</td>
</tr>
<tr>
<td>Speed and technology adoption</td>
<td>40</td>
<td>45</td>
<td>9</td>
<td>6</td>
<td>0</td>
<td>4.20</td>
<td>.833</td>
</tr>
<tr>
<td>Rate of obsolescence</td>
<td>9</td>
<td>34</td>
<td>51</td>
<td>6</td>
<td>0</td>
<td>3.46</td>
<td>.741</td>
</tr>
<tr>
<td>Innovation</td>
<td>60</td>
<td>20</td>
<td>14</td>
<td>6</td>
<td>0</td>
<td>4.48</td>
<td>.755</td>
</tr>
<tr>
<td>Aggressive competition</td>
<td>51</td>
<td>43</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>4.46</td>
<td>.611</td>
</tr>
<tr>
<td>Threat of entry</td>
<td>18</td>
<td>37</td>
<td>34</td>
<td>11</td>
<td>0</td>
<td>3.60</td>
<td>.914</td>
</tr>
<tr>
<td>Rising substitute</td>
<td>6</td>
<td>37</td>
<td>26</td>
<td>26</td>
<td>5</td>
<td>3.94</td>
<td>1.116</td>
</tr>
<tr>
<td>Consumer bargaining power</td>
<td>15</td>
<td>31</td>
<td>37</td>
<td>11</td>
<td>6</td>
<td>3.52</td>
<td>.906</td>
</tr>
<tr>
<td>Suppliers bargaining power</td>
<td>0</td>
<td>43</td>
<td>31</td>
<td>26</td>
<td>0</td>
<td>3.17</td>
<td>.822</td>
</tr>
</tbody>
</table>

Key: VG= Very great extent, GE=Great extent, ME=Moderate extent, LE= Little extent, NA=Not at all, M= Mean, SD= Standard Deviation

4.3.2 Coefficient of Variation of External factors Affecting Sidian Bank

In order to establish the distribution, the researcher undertook a coefficient of variation to measure the variability of external factors independently. This was done by dividing the grouped standard deviation by the grouped means of the five turbulence factors identified in this study.
Table 4.8: Coefficient of Variation of External factors Affecting Sidian Bank

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>M</th>
<th>SD</th>
<th>Cov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Discontinuity</td>
<td>35</td>
<td>4.43</td>
<td>0.515</td>
<td>8.6</td>
</tr>
<tr>
<td>Economic Disruption</td>
<td>35</td>
<td>4.25</td>
<td>0.423</td>
<td>10.05</td>
</tr>
<tr>
<td>Technology Substitution</td>
<td>35</td>
<td>4.03</td>
<td>0.589</td>
<td>6.84</td>
</tr>
<tr>
<td>Industry Environment</td>
<td>35</td>
<td>3.72</td>
<td>0.621</td>
<td>5.99</td>
</tr>
<tr>
<td>Social Culture Changes</td>
<td>35</td>
<td>3.43</td>
<td>0.969</td>
<td>3.54</td>
</tr>
</tbody>
</table>

Analysis of the coefficient of variation of external factors affecting Sidian bank revealed that Economic Disruption had the highest dispersion at 10.05, followed by Political Discontinuity at 8.6, while Technology Substitution at 6.84, Industry Environment was at 5.99 and Social Culture Changes was the least at 3.54.

4.4 Strategic Responses Employed to Cope With External Environmental Turbulence

The second objective set to investigate the strategic responses employed to cope with external environmental turbulence. Respondents were asked a set of questions to indicate to what extent they agree or disagree with the statement and were expected to use a five point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly Agree.

4.4.1 Descriptive of Strategic Responses Employed

The finding as shown in Table 4.9 indicate that majority greed that among the most used strategic response was restructuring (M=4.46, sd=.852), it was also revealed that at the bank there exist defined controls to mitigate risks (m=4.09, sd=.612). Majority also agreed that they have ventured into new market (m=3.94, sd=.591), also used focus strategy (m=3.94, sd=1.027). It was also revealed that the have improved existing products (m=3.83, sd=.618), diversified product offerings (m=3.71, sd=.789), as well as identifying strategic issues (m=3.71, sd=.710). In addition, majority also agreed that the bank use low cost strategy (m=3.57, sd=.917), have unique products (m=3.57, sd=.739), structures to address factors (m=3.54, sd=.611). There was however uncertainty of the bank having prompt response (m=3.46, sd=.505) the ability to innovate and develop new products (m=3.43, sd=.698) as well as undertaking intense marketing campaigns (m=3.03, sd=1.200).
Table 4.9: Strategic Responses to Cope With External Environmental Turbulence

<table>
<thead>
<tr>
<th>Variable</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring</td>
<td>63</td>
<td>25</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>4.46</td>
<td>.852</td>
</tr>
<tr>
<td>Improved existing products</td>
<td>11</td>
<td>60</td>
<td>29</td>
<td>0</td>
<td>0</td>
<td>3.83</td>
<td>.618</td>
</tr>
<tr>
<td>Intense marketing campaigns</td>
<td>11</td>
<td>29</td>
<td>20</td>
<td>31</td>
<td>9</td>
<td>3.03</td>
<td>1.200</td>
</tr>
<tr>
<td>Innovate and develop new products</td>
<td>6</td>
<td>37</td>
<td>51</td>
<td>6</td>
<td>0</td>
<td>3.43</td>
<td>.698</td>
</tr>
<tr>
<td>Venture into new market</td>
<td>14</td>
<td>66</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>3.94</td>
<td>.591</td>
</tr>
<tr>
<td>diversified product offerings</td>
<td>20</td>
<td>39</td>
<td>41</td>
<td>0</td>
<td>0</td>
<td>3.71</td>
<td>.789</td>
</tr>
<tr>
<td>Structures to address factors</td>
<td>6</td>
<td>43</td>
<td>51</td>
<td>0</td>
<td>0</td>
<td>3.54</td>
<td>.611</td>
</tr>
<tr>
<td>Identify strategic issues</td>
<td>6</td>
<td>69</td>
<td>17</td>
<td>8</td>
<td>0</td>
<td>3.71</td>
<td>.710</td>
</tr>
<tr>
<td>Defined controls to mitigate risks</td>
<td>23</td>
<td>63</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>4.09</td>
<td>.612</td>
</tr>
<tr>
<td>Prompt response</td>
<td>0</td>
<td>46</td>
<td>54</td>
<td>0</td>
<td>0</td>
<td>3.46</td>
<td>.505</td>
</tr>
<tr>
<td>Low cost strategy</td>
<td>18</td>
<td>34</td>
<td>37</td>
<td>11</td>
<td>0</td>
<td>3.57</td>
<td>.917</td>
</tr>
<tr>
<td>Unique products</td>
<td>8</td>
<td>46</td>
<td>40</td>
<td>6</td>
<td>0</td>
<td>3.57</td>
<td>.739</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>34</td>
<td>40</td>
<td>12</td>
<td>14</td>
<td>0</td>
<td>3.94</td>
<td>1.027</td>
</tr>
</tbody>
</table>

Key:  SA= Strongy agree, A=Agree, N=Neutral, D= Disagree, SD=Strongly disagree, M= Mean, SD= Standard Deviation

4.4.2 Correlation of Strategic Responses and External Environmental Turbulence

The study sought to determine the relationship between strategic response to the various forms of environmental turbulence and the results indicated in Table 4.9. The findings revealed that there was a negative relationship between strategic response and political factors ($r= -0.247$, $p>.05$), economic ($r= -0.109$, $p>.05$), social culture ($r= -0.320$, $p>.05$), technology ($r= -0.522$, $p<.05$), industry environment ($r= -0.320$, $p>.05$).

From the analysis technology turbulence had a significant correlation and thus imply that there has been adequate response to technological turbulence in the sector.
Table 4.10: Correlation of Strategic Responses and External Environmental Turbulence

<table>
<thead>
<tr>
<th></th>
<th>strategic response</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>strategic response</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.152</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political (1)</td>
<td>Pearson Correlation</td>
<td>-.247</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.152</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic (2)</td>
<td>Pearson Correlation</td>
<td>-.109</td>
<td>.459*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.532</td>
<td>.006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social culture (3)</td>
<td>Pearson Correlation</td>
<td>-.320</td>
<td>.296</td>
<td>.483**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.061</td>
<td>.085</td>
<td>.003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology (4)</td>
<td>Pearson Correlation</td>
<td>-.522**</td>
<td>.217</td>
<td>.443**</td>
<td>.831**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.211</td>
<td>.008</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Industry environment (5)</td>
<td>Pearson Correlation</td>
<td>-.144</td>
<td>.541*</td>
<td>.622**</td>
<td>.786**</td>
<td>.642*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.410</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
</tbody>
</table>

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

4.4.3 Regression of Strategic Responses and External Environmental Turbulence

The research analysed relationship between the dependent variable (strategic response) against other core factors. The results showed that the R² value was 0.446 hence 44.6% of the variation in strategic response was explained by the variations in political, economic, social culture, technology and industry environment while 55.4% is explained by other factors.
Table 4.11: Model Summary of Strategic Responses and External Environmental Turbulence

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1</td>
</tr>
<tr>
<td>1</td>
<td>.668^a</td>
<td>.446</td>
<td>.350</td>
<td>.24277</td>
<td>.446</td>
</tr>
</tbody>
</table>

^a. Predictors: (Constant), industry environment, political, economic, technology, social culture

4.4.4 ANOVA Analysis of Strategic Responses and External Environmental

An ANOVA analysis was done between strategy response, industry environment, political, economic, technology, social culture at 95% confidence level, the F critical was 4.665 and the P value was (0.003) therefore significant the results are illustrated below in table 4.12.

Table 4.12: ANOVA Analysis of Strategic Responses and External Environmental

<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></td>
<td>Regression</td>
<td>1.375</td>
<td>5</td>
<td>.275</td>
<td>4.665</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>1.709</td>
<td>29</td>
<td>.059</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3.084</td>
<td>34</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

^a. Dependent Variable: strategic response
^b. Predictors: (Constant), industry environment, political, economic, technology, social culture

4.4.5 Coefficients of Strategic Responses and External Environmental

The regression equation illustrated in Table 4.13 has established that taking all factors into account (industry environment, political, economic, technology, social culture) strategic response increases by 5.215.
Table 4.13: Coefficients of Strategic Responses and External Environment

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.215</td>
<td>.545</td>
<td>9.578</td>
</tr>
<tr>
<td></td>
<td>Political</td>
<td>-.238</td>
<td>.101</td>
<td>-.407</td>
</tr>
<tr>
<td></td>
<td>Economic</td>
<td>.079</td>
<td>.129</td>
<td>.111</td>
</tr>
<tr>
<td></td>
<td>Social Culture</td>
<td>.018</td>
<td>.097</td>
<td>.057</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>-.440</td>
<td>.128</td>
<td>-.861</td>
</tr>
<tr>
<td></td>
<td>Industry Environment</td>
<td>.250</td>
<td>.134</td>
<td>.515</td>
</tr>
</tbody>
</table>

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon \]

\[ Y = 5.215 - 0.238X_1 +0.079X_2+ 0.018X_3 - 0.440X_4+0.25X_5+.243 \]

Where:

- \( Y \) is the dependent variable (strategic response);
- \( \beta_0 \) is the regression constant;
- \( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 \) are the coefficients of independent variables;
- \( X_1 \) is Political discontinuity;
- \( X_2 \) is factors that determine economic disruption;
- \( X_3 \) is social cultural changes;
- \( X_4 \) is factors that determine technological substitution;
- \( X_5 \) is industry environment; and
- \( \varepsilon \) is the error term.

4.5 Success of Strategies Employed in Coping with External Environmental Turbulence

The third objective set to investigate the success of strategies employed to cope with external environmental turbulence. Respondents were asked a set of questions to indicate to what extent they agree or disagreed with the statement and were expected to use a five point Likert scale where 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly Agree.
4.5.1 Descriptive Of Success of Strategies Employed

As per the findings majority agreed that the firm had an understanding of the environmental turbulence level that it operates in and has enabled them tackle environmental uncertainties proactively (m=4.29, sd=.572). It was also established that Sidian bank undertakes a continuous improvement of its processes and system upgrade has enabled it attain operational excellence (m=4.26, sd=.561). The result also indicated that formal and flexible organization structure has enabled the firm achieve competitive advantage in relation to responding to turbulent environment (m=4.26, sd=.443). In addition, management’s technical ability has provided an edge in implementing environmental turbulence responsive strategies (m=4.20, sd=.719).

The findings also indicated that the company’s culture encourages adapting to rapid uncertainties (m=4.13, sd=.725) and the periodic evaluation of the set strategies to respond to environmental turbulence has given Sidian Bank a competitive edge (m=4.03, sd=.568), while alignment of strategies fits the environmental turbulence (rapid uncertainty) (m=3.73, sd=.876).

The analysis also revealed that dynamic management system has enabled Sidian Bank achieve prompt organizational responsiveness to changes in the environment (m=3.73, sd=.574). Although as compared to those who are neutral a few respondents agreed that continuous staff capacity building has assisted the organization to adapt to rapid unexpected changes in the environment (m=3.69, sd=.676) as indicated in Table 4.14.
Table 4.14: Descriptive Of Success Of Strategies Employed

<table>
<thead>
<tr>
<th>Variable</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental turbulence awareness</td>
<td>34</td>
<td>60</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>4.29</td>
<td>.572</td>
</tr>
<tr>
<td>Aligned strategies</td>
<td>17</td>
<td>43</td>
<td>26</td>
<td>14</td>
<td>0</td>
<td>3.73</td>
<td>.876</td>
</tr>
<tr>
<td>Uncertainty determine response</td>
<td>31</td>
<td>63</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>4.26</td>
<td>.561</td>
</tr>
<tr>
<td>Improve processes to attain efficiency</td>
<td>17</td>
<td>69</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>4.03</td>
<td>.568</td>
</tr>
<tr>
<td>Evaluate strategies to identify gaps</td>
<td>6</td>
<td>57</td>
<td>31</td>
<td>6</td>
<td>0</td>
<td>3.73</td>
<td>.574</td>
</tr>
<tr>
<td>Management system is key to responsiveness</td>
<td>37</td>
<td>46</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>4.20</td>
<td>.719</td>
</tr>
<tr>
<td>Management has technical ability to implement strategies</td>
<td>11</td>
<td>46</td>
<td>43</td>
<td>0</td>
<td>0</td>
<td>3.69</td>
<td>.676</td>
</tr>
<tr>
<td>Continuously build capacity to staff</td>
<td>49</td>
<td>37</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>4.13</td>
<td>.725</td>
</tr>
<tr>
<td>Formal organization structure</td>
<td>26</td>
<td>74</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.26</td>
<td>.443</td>
</tr>
</tbody>
</table>

4.5.2 Correlation of Strategic Responses Success and External Environmental Turbulence

The study sought to determine the relationship between strategic responses success and the various forms of environmental turbulence and the results indicated in Table 4.15. The findings revealed that there was a positive relationship between strategic response success and political factors (r=.155, p>.05) and technology (r=.640, p>.05). On the other hand, the result indicated a negative relationship between strategic response success and economic (r= -.185, p>.05), social culture (r= -.126, p>.05), and industry environment (r= -.150, p>.05).

From the analysis it is revealed that Sidian Bank are able to easily cope with political and technology turbulence compared to other forms of turbulence however there is no significant correlation.
Table 4.15: Correlation of Strategic Responses Success and External Environmental Turbulence

<table>
<thead>
<tr>
<th></th>
<th>Strategic Response</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Political</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Economic</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Social Culture</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Technology</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Industry Environment</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
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<tr>
<td>Strategic</td>
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<td>Political (1)</td>
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<td>Economic (2)</td>
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<td>Social Culture (3)</td>
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<td>Technology (4)</td>
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<td>Industry Environment (5)</td>
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<td></td>
<td>.155</td>
<td>1</td>
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<td>.459**</td>
<td>1</td>
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<td></td>
<td></td>
<td>-.185</td>
<td>.459**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>.296</td>
<td>.483**</td>
<td></td>
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<td></td>
<td></td>
<td>.288</td>
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<td></td>
<td></td>
<td>-.126</td>
<td>.296</td>
<td>.483**</td>
<td>1</td>
<td></td>
<td></td>
<td>.471</td>
<td>.085</td>
<td>.003</td>
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<tr>
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<td>.082</td>
<td>.217</td>
<td>.443**</td>
<td></td>
<td></td>
<td></td>
<td>.640</td>
<td>.211</td>
<td>.008</td>
<td>.000</td>
<td></td>
<td></td>
<td>.640</td>
<td>.211</td>
<td>.008</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-.150</td>
<td>.541**</td>
<td>.622**</td>
<td>.786**</td>
<td>.642**</td>
<td>1</td>
<td>.389</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
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</tbody>
</table>

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

4.5.3 Regression of Strategic Responses Success and External Environmental Turbulence

As indicated in Table 4.16, the research analysed the relationship between the dependent variable (strategic response success) against other core factors. The results showed that the $R^2$ value was 0.272 hence 27.2% of the variation in strategic response success was explained by the variations in political, economic, social culture, technology and industry environment while 72.8% is explained by other factors.

Table 4.16: Model summary of Strategic Responses Success and External Environmental Turbulence

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.521a</td>
<td>.272</td>
<td>.146</td>
<td>.32012</td>
<td>.272</td>
<td>2.163</td>
<td>5</td>
<td>.086</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), industry environment, political, economic, technology, social culture
4.5.4 ANOVA Analysis of Strategic Responses Success and External Environmental

An ANOVA analysis was done between strategy response success and, industry environment, political, economic, technology, social culture at 95% confidence level, the F critical was 2.163 and the P value was (0.086) therefore not significant the results are illustrated below in Table 4.17.

Table 4.17: ANOVA Analysis of Strategic Responses Success and External Environmental

<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>1.108</td>
<td>5</td>
<td>.222</td>
<td>2.163</td>
<td>.086b</td>
</tr>
<tr>
<td>1</td>
<td>2.972</td>
<td>29</td>
<td>.102</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.080</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: strategic success  
b. Predictors: (Constant), industry environment, political, economic, technology, social culture

4.5.5 Coefficients of Strategic Responses Success and External Environmental

The regression equation illustrated in Table 4.18 has established that taking all factors into account (industry environment, political, economic, technology, social culture) strategic response success increases by 3.213.

Table 4.18: Coefficients of Strategic Responses Success and External Environmental

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.213</td>
<td>.718</td>
<td>4.475</td>
</tr>
<tr>
<td></td>
<td>Political</td>
<td>.285</td>
<td>.134</td>
<td>2.134</td>
</tr>
<tr>
<td></td>
<td>Economic</td>
<td>-.234</td>
<td>.170</td>
<td>-.286</td>
</tr>
<tr>
<td></td>
<td>social culture</td>
<td>-.162</td>
<td>.128</td>
<td>-.453</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>.394</td>
<td>.169</td>
<td>.670</td>
</tr>
<tr>
<td></td>
<td>industry environment</td>
<td>-.153</td>
<td>.177</td>
<td>-.275</td>
</tr>
</tbody>
</table>

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \]

\[ Y = 3.213 + 0.285X_1 - 0.234X_2 - 0.162X_3 + 0.394X_4 - 0.153X_5 + 0.320 \]
Where:

\( Y \) is the dependent variable (strategic response Success);
\( \beta_0 \) is the regression constant;
\( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 \) are the coefficients of independent variables;
\( X_1 \) is Political discontinuity;
\( X_2 \) is factors that determine economic disruption;
\( X_3 \) is social cultural changes;
\( X_4 \) is factors that determine technological substitution;
\( X_5 \) is industry environment; and
\( \varepsilon \) is the error term.

4.6 Chapter Summary

This chapter presents the results obtained from the data analysis done. This includes results relating to the respondents’ demography and the specific research objectives of this study which aimed investigating the strategic responses employed by Sidian bank to external environmental turbulence. The first objective set to determine the external environmental turbulence factors that affect Sidian bank. The second objective set to investigate the strategic responses employed to cope with external environmental turbulence. The third objective set to investigate the success of strategies employed to cope with external environmental turbulence.

The research utilised descriptive statistics such as frequency, mean and standard deviation to show distribution of the data. On the other hand, inferential statistics such as correlation and regression were also employed to establish the relationship between the variables. The next chapter presents the conclusion, discussion and recommendations as per the objectives of this study.
CHAPTER FIVE

5.0 DISCUSSION CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section will seek to analyse the findings and this will be done by comparing the findings to the literature related to strategic responses employed by bank to external environmental turbulence. This will be organized based on the specific research questions which sought to establish the external environmental turbulence factors that affect Sidian bank. To establish the strategic responses employed by Sidian bank to cope with external environmental turbulence. To find out if the strategies employed by Sidian bank in coping with external environmental turbulence are successful.

5.2 Summary

The general objective of this study was to investigate the strategic responses employed by Sidian bank to external environmental turbulence. The specific objectives was to determine the external environmental turbulence factors that affect Sidian bank, to establish the strategic responses employed by Sidian bank to cope with external environmental turbulence and to find out if the strategies employed by Sidian bank in coping with external environmental turbulence are successful.

This research adopted a descriptive research design as it sought to describe the relationship between the independent variable-external environmental turbulence and the dependent variables-the external environmental factors, the responses adopted, and the success of the responses. The target population for this research were employees of Sidian Bank Limited. They were opted for because the upper management constitute the strategy formulators while the middle management and all the employees in general constituted strategy implementers. The target population was 400 and a sample size of 10% of the target population was large chosen resulting into 40 respondents and out of which a total of 35 were filled and returned giving a response rate of 88%.

In order to establish the distribution, the researcher undertook a coefficient of variation to measure the variability of external factors independently. This was done by dividing the grouped standard deviation by the grouped means of the five turbulence factors identified in this study. Analysis of the coefficient of variation of external factors affecting Sidian bank revealed that Economic Disruption had the highest dispersion at 10.05, followed by
Political Discontinuity at 8.6, while Technology Substitution at 6.84, Industry Environment was at 5.99 and Social Culture Changes was the least at 3.54.

The study sought to determine the relationship between strategic response to the various forms of environmental turbulence. The findings revealed that there was a negative relationship between strategic response and political factors (r = -0.247, p > 0.05), economic (r = -0.109, p > 0.05), social culture (r = -0.320, p > 0.05), technology (r = -0.522, p < 0.05), industry environment (r = -0.320, p > 0.05). From the analysis technology turbulence had a significant correlation and thus imply that there has been adequate response to technological turbulence in the sector. The research analysed relationship between the dependent variable (strategic response) against other core factors. The results showed that the R2 value was 0.446 hence 44.6% of the variation in strategic response was explained by the variations in political, economic, social culture, technology and industry environment while 55.4% is explained by other factors. An ANOVA analysis was done between strategy response, industry environment, political, economic, technology, social culture at 95% confidence level, the F critical was 4.665 and the P value was (0.003) therefore significant.

The study sought to determine the relationship between strategic responses success and the various forms of environmental turbulence. The findings revealed that there was a positive relationship between strategic response success and political factors (r = 0.155, p > 0.05) and technology (r = 0.640, p > 0.05). On the other hand, the result indicated a negative relationship between strategic response success and economic (r = -0.185, p > 0.05), social culture (r = -0.126, p > 0.05), and industry environment (r = -0.150, p > 0.05). From the analysis it is revealed that Sidian Bank are able to easily cope with political and technology turbulence compared to other forms of turbulence however there is no significant correlation. The research analysed the relationship between the dependent variable (strategic response success) against other core factors. The results showed that the R² value was 0.272 hence 27.2% of the variation in strategic response success was explained by the variations in political, economic, social culture, technology and industry environment while 72.8% is explained by other factors. An ANOVA analysis was done between strategy response success and, industry environment, political, economic, technology, social culture at 95% confidence level, the F critical was 2.163 and the P value was (0.086) therefore not significant.
5.3 Discussion

5.3.1 External Environmental Turbulence Factors That Affect Sidian Bank

In order to establish the distribution, the researcher undertook a coefficient of variation to measure the variability of external factors independently. Analysis of the coefficient of variation of external factors affecting Sidian bank revealed that Economic Disruption had the highest dispersion. Jaffrey and Caron (2015) advise organizations to consider forecast of economic growth in determining when to make critical decisions such as plant expansion. They further go on to explain that interest rates payable by organizations are influenced by inflation and availability of credit. High cost of credit can constrain strategic flexibility of firms making new ventures and capacity expansion prohibitively expensive.

The study also revealed that the banks operation is also affected by political discontinuity. Other researchers have also revealed that political factors may influence the level of competition within an industry and the firm’s strategic decisions, through government’s interventions in the economy (Gandelini, 2012). Jeffrey and Caron, (2015) further observe that governments provide and enforce rules by which organizations operate. Ireland et al (2013) argues that regulations formed in response to new laws often influence a firm’s action.

The findings revealed that technology substitution affects performance in the sector. Similar notion has been established in past studies, for instance Jeffrey and Caron (2015) Technological change not only creates new products, services, and, in some cases, entire new industries but can also change the way society behaves and what society expects. Gandelini, (2012) acknowledges that technological factors may have a rapid impact on a firm’s performance and can influence the reorientation of the firm’s strategic thinking. Euchner, (2011) advices firms that they must be aware of technological changes that might affect the industry they operate in for them to avoid obsolescence and promote innovation.

Industry environment was found to have a significant impact on the industry. Tarzijan and Ramirez (2011) note that the industry environment has a direct impact on the firm’s strategic competiveness an ability to earn above-average returns. Pearce and Robinson (2011) define industry environment as; the general conditions for competition that
influence all businesses that provide similar products and services. According to Karake (1997) an industry with above average rate of threat of new entrant in the market is likely to be associated with higher environmental turbulence. Bhattacharyya and Nain (2011) note that customers on the other end bargain for higher quality of goods and greater levels of service in order to reduce their costs.

The analysis shows that social culture changes had the least effect on the banks performance this is attributed to changes in consumer taste and consumer attitude. Gandelini, (2012) states that both multinational and local firms have to anticipate the emerging trends to gain or maintain a competitive advantage. Sarker, et al. (2012) note that a banking organization has to prioritize the provision of high quality service to their clients as this will help to gain positive attitude from customers. Ernst and Young (2012) argue that to achieve this, banks need to re-evaluate their customers, and be flexible in embracing change by giving their customers greater control of choice and flexibility.

5.3.2 Strategic Responses Employed To Cope With External Environmental Turbulence

The study sought to determine the relationship between strategic response to the various forms of environmental turbulence and the results indicated that there was a negative relationship between strategic response and political factors, economic factors, social culture, technology, and industry environment. Previous studies by Pearce and Robinson (2009) indicate that laws and regulations are commonly restrictive and have the tendency of cutting off potential profits.

Ireland et al (2013) also adds that societal factors such as attitudes, opinions and lifestyles of customers also influence firm performance. More consistent evidence is revealed in the findings of Chiuri, Ferri and Majnoni (2002) who established that obligation of capital regulation on banks also plays a role in the loans supply thus minimise total lending. Despite the impact of the external environment, Kane (2012) on the other hand states that government intervention in the banking sector has in a way improved customer confidence in the sector leading to customer loyalty and consequently good bank performance.

Boyd and Champ (2003) noted that inflation affects the economic development of a nation through the banking sector by reducing the amount of credit available for
borrowing by businesses and individuals. The findings implies that the nature and direction of a country’s economy can impact the performance of a firm and it is therefore imperative that managers must continually consider economic trends that would affect them. Findings by Sarker, et al. (2012) determined that a bank needs to prioritize the provisions of high quality service to their consumers as this will help them gain positive attitude from their clients

The research analyzed relationship between the dependent variable (strategic response) against other core factors. The results showed that 44.6% of the variation in strategic response was explained by the variations in political, economic, social culture, technology and industry environment. It is therefore necessary for the bank to put up measures in place and Pearce and Robinson (2011) outlined the benefit of restructuring as enabling activities most critical to the firm’s strategy to function at maximum effectiveness. Lee and Madhaven (2010) added that such strategy would enable a firm change its businesses or its financial structure.

Jones and Hill (2013) explain that firms may opt for restructuring due to the following reasons; a predetermined environmental change, a new technology that renders firm’s products obsolete, or a firm having excess human resource capacity. Despite its application, previous researches however indicate that downsizing does not necessarily lead to good performance as exemplified by U.S and Japanese firms (Ireland et al., 2013). Other finding differ and according to Bergh and Lim (2008) down scoping has a positive impact on the performance of a firm compared to downsizing; this is because down scoping enables a firm to concentrate on its core business.

Gehlhar, et al. (2009) state that appropriate process innovations are necessary for successful use of cost leadership strategy. Ireland et al (2013) is of the opinion that firms associated with low cost strategy normally sell standardized goods or services. Low-cost leaders take advantage of the economies of scale; they implement cost-cutting techniques, press for reductions in overhead cost and consequently use volume sales technologies in production (Pearce and Robinson, 2011). On the other hand, consumers with a special liking for a particular product attribute are commonly targeted with differentiation dependent strategies (Pearce and Robinson, 2011). Pearce and Robinson further state that customer loyalty is built through emphasis on a certain product attribute which in return translates in a firm being able to charge premium price for its products. Focus strategy on
the other hand is opted for so as to utilize a firms’ core competencies to serve the needs of a specific niche market (Ireland et al, 2013).

5.3.3 Success of Strategies Employed In Coping with External Environmental Turbulence

The study sought to determine the relationship between strategic responses success and the various forms of environmental turbulence and the results indicated that there was a positive relationship between strategic response success and political and technology. Gianos (2013) notes that the changing environment which is the third level of turbulence is characterised by fast incremental change. The customers’ demands are differentiated by different purchase powers and tastes and preferences. Key success factor is marketing effectiveness. It is important to note that at turbulence levels two and three, changes occur but are largely predictable. Discontinuous environment, the fourth level of turbulence is characterised by changes taking place faster than the company’s ability to respond and the future is difficult to predict.

For effective strategic responses continuous scanning of both internal and external environment is a prerequisite so as it keeps abreast of all environmental variables underpinning current and future business operations of the firm (Thompson and Strickland, 2003). What is more, firms have adapted to being a ‘learning organization’ in order to cope effectively with the environment turbulence as failure to do so may jeopardize future success of these organizations (Aosa, 1992). Thwaites and Glaister (1993) state, to succeed in an industry an organization must select a mode of strategic behaviour which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode.

From the analysis it is revealed that Sidian Bank is able to easily cope with political and technology turbulence compared to other forms of turbulence however there is no significant correlation. Firms relying on organic adaptive structure are characterized by a high level of mutual adjustment and tend to encourage flexibility and decentralized decision making (Burns and Stalker, 1961; Gibbons and O’Connor, 2005). Internal Power Structure is assessed within and among the functional units of the firm and the manner in which power is exercised. An autocratic structure, confirmed by Miller contributes to stability and efficiency; shared power contributes to changeability but at the expense of efficiency (Burns and Stalker, 1961; Gibbons and O’Connor, 2005).
On the other hand, the result indicated a negative relationship between strategic response success and economic, social culture and industry environment. Sidian bank are able to easily cope with political and technology turbulence compared to other forms of turbulence however there is no significant correlation. According to Ansoff (2007), a firm is successive in its response to turbulence of its environment if the following three things are achieved; (1) the aggressiveness of the firm’s strategic behaviour matches the turbulence of its environment, (2) the responsiveness of the firm’s capabilities matches the aggressiveness of its strategy and (3) the components of the firm’s capabilities is supportive of one another.

The research analysed the relationship between the dependent variable (strategic response) against other core factors. The results showed that 27.2% of the variation in strategic response was explained by the variations in political, economic, social culture, technology and industry environment. This has been established in other studies and it is highlighted by Kipley, Lewis and Jewe (2012) who adds that the complexity and discontinuity of the environment make it impossible for companies to succeed simply by optimizing on a single success factor. Production efficiency, marketing effectiveness and product responsiveness are all important determinants of the firm’s success but their relative importance are constantly changed by management in response to changes in the market place.

5.4 Conclusion

5.4.1 External Environmental Turbulence Factors That Affect Sidian Bank

External environmental turbulence factors have a very big impact on the banking sector. Government regulation, process control and political stability are among the political issues affecting the industry. Disposable income and interest rates causing factors of economic disruptions. Similarly in the sector, issues of consumer taste and consumer attitude are the major social cultural changes revealed. A review of technology substitution as a form of turbulence indicates that speed and technology adoption as well as innovation need to be taken up seriously. The findings also reveal that industry environment is greatly caused by aggressive competition although generally economic disruption is the highest cause of turbulence in the banking industry.
5.4.2 Strategic Responses Employed To Cope With External Environmental Turbulence

The banking sector is very volatile hence there is a need to have a strategy for response as such the findings show that at Sidian bank there exist defined controls to mitigate risks. To ensure that the market share is not eroded the bank has ventured into new market and has in place a focus strategy as well as improved existing products to satisfy customer needs. This has been done through diversified product offerings, as well as identifying strategic issues.

5.4.3 Success of Strategies Employed In Coping with External Environmental Turbulence

Sidian bank has an understanding of the environmental turbulence level that it operates in and has enabled them tackle environmental uncertainties proactively. The bank has also adapted to the environment and is continuously improving its processes and system upgrade to attain operational excellence. The result also indicated that formal and flexible organization structure has enabled the firm achieve competitive advantage in relation to responding to turbulent environment. Management’s technical ability has also provided an edge in implementing environmental turbulence responsive strategies and the periodic evaluation of the set strategies to respond to environmental turbulence has given Sidian bank a competitive edge.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 External Environmental Turbulence Factors That Affect Sidian Bank

Sidian bank should acknowledge that external environmental turbulence factors are a major threat in the banking sector. There is a need to also adhere to the government regulation, and have in place mitigations to ensure the firm is not caught up in the political issues affecting the industry. Disposable income and interest rates causing factors of economic disruptions thus there is a need for the bank to have in place measures to retain customers through quality services. In the banking sector, it is confirmed that the issues of consumer taste and consumer attitude are the major cause of social cultural changes thus Sidian bank need to have in place strategies to maintain the current customers.
5.5.1.2 Strategic Responses Employed To Cope With External Environmental Turbulence

Sidian bank should affect measures to ensure their ability to mitigate risks; in addition, the strategies should be up to date. Sidian bank should continue venturing into new markets and this could be facilitated by the introduction of new products and services to suit current and existing customers, in addition, the bank also needs to identify strategic issues affecting the sector.

5.5.1.3 Success of Strategies Employed In Coping with External Environmental Turbulence

Sidian bank need to better understand of the environmental turbulence level that it operates in and so as to better tackle the challenges. There is a dire need for the bank to better analyse its management system and thus achieve prompt organizational responsiveness to changes in the environment. To maintain the position as a bank, Sidian Bank needs to have a continuous staff capacity building to effectively motivate and adapt to rapid unexpected changes in the environment.

5.5.2 Recommendation for Further Studies

The study was aimed at establishing the external turbulence facing Sidian Bank in Kenya and the responses they employ to counter the threats. For further research on strategic responses employed by banks, the researcher recommends another study that will include banks and financial institutions to establish their mode of responding to environmental challenges and threats.
REFERENCES


Nairobi, KE: Unpublished MBA Research Project, University of Nairobi.


Sarker, S., Bose, T. & Khan, A. (2013). Attitudes of customers towards the financial


APPENDICES
APPENDIX I: LETTER OF INTRODUCTION

October, 2017

Dear Respondent,

**RE: REQUEST FOR RESEARCH DATA**

I am a graduate student at United States International University-Africa pursuing a Masters of Business Administration (MBA) degree in the Chandaria School of Business. In partial fulfilment of the requirement for the degree, I am carrying out a research on “STRATEGIC RESPONSES BY THE KENYAN COMMERCIAL BANKS TO THE EXTERNAL ENVIRONMENTAL TURBULENCE: A CASE OF SIDIAN BANK KENYA LIMITED”.

To achieve this, you have been randomly selected to participate in the survey. Filling of the questionnaire has been estimated that it will take less than fifteen (15) minutes of your time. I would like to assure you that the information you will give will be treated as confidential and will only be used for the purpose of this study. Upon completion of the study, the findings will be availed to you as per your request. Kindly respond as honestly and objectively as possible.

Your assistance and cooperation will be highly appreciated.

Thank you in advance.

NGAIRA HARRIET ASENWA
MBA STUDENT – RESEARCHER
UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA
APPENDIX II: QUESTIONNAIRE

Part One: General Information
Please tick the most appropriate

1. Age
   18-24 [ ]
   25-35 [ ]
   36-45 [ ]
   46-55 [ ]
   Above 55 [ ]

2. Gender
   Male [ ]
   Female [ ]

3. Highest level of Education (tick one)
   □ Diploma [ ]
   □ Undergraduate [ ]
   □ Graduate [ ]
   □ Others (Please specify) ________________________________

4. Years of experience in the industry?
   □ 0-1 year [ ]
   □ 2 - 4 years [ ]
   □ 5 – 7 years [ ]
   □ 8 – 10 years [ ]
   □ Above 10 years [ ]
Part Two: External Environment Turbulence Factors and How They Affect Sidian Bank

5. To what extent does external environmental turbulence affect Sidian bank?

- Much higher
- Higher
- About the same
- Lower
- Much lower

To what extent do the following factors affect the Sidian bank? Please tick the one that best suits you. Use the following scale.

**5-very great extent, 4- great extent, 3- moderate extent, 2-little extent and 1- not at all**

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<td>Political discontinuity</td>
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<td>6. Government regulations</td>
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<td>7. Price control</td>
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<td>8. Political stability</td>
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<td>Economic disruptions</td>
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<td>9. Disposable income</td>
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<td>10. Interest rates</td>
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<td>11. Inflation</td>
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<td>Social cultural changes</td>
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<td>12. Changes in consumers tastes and preferences</td>
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<td>13. Population demographics eg. Age</td>
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<td>14. Consumer attitude towards the products</td>
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<td>Technological substitution</td>
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<td>15. Speed of technology adoption</td>
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<td>16. Rate of obsolesceness</td>
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<td>17. Innovation</td>
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<td>Industry Environment</td>
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<td>18. Aggressive competition from competitors</td>
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<td>19. Threat of entry by other financial institutions</td>
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<td>20. Rising number of substitute products</td>
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<td>21. Bargaining power of consumers-their growing demand for quality services at low prices</td>
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<td>22. Bargaining power of suppliers</td>
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</table>
Part Three: Strategic Responses that have been Employed by Sidian Bank to cope with the External Environmental Turbulence.

To what extent do you agree with the statements below regarding strategies employed by the bank to cope with external environmental turbulence? Use the scale below.  
5-strongly agree, 4- agree, 3- neutral, 2-disagree and 1- strongly disagree

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<td>23. We have engaged in company restructuring in the past two years</td>
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<td>24. We have continuously improved the current existing products</td>
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<td>25. We engage in intense marketing campaigns</td>
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<td>26. We continuously innovate and develop new products</td>
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<td>27. We strive to venture into new markets</td>
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<td>28. We have diversified our product offerings</td>
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<td>29. We have a formal structure to address factors/issues (external &amp; internal) that could affect us</td>
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<td>30. We continuously identify strategic issues that affect our operation</td>
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<td>31. We have well defined controls to mitigate risks</td>
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<td>32. We promptly respond to unforeseen situations that need to be resolved urgently</td>
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<td>33. We use low cost strategy to attract our target customers</td>
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<td>34. We create unique products and services hence attracting our target customers</td>
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<td>35. We use focus strategy whereby we focus on a specific target market</td>
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Part Four: The Success of the Employed Strategic Responses
Using the scale below, tick appropriate answer from the alternatives provided for each of the questions as per your opinion.

5-strongly agree, 4- agree, 3- neutral, 2-disagree and 1- strongly disagree

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<tr>
<td>36. Our understanding of the environmental turbulence level that we operate in has enabled us tackle environmental uncertainties proactively</td>
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<td>37. Our alignment of strategies fits the environmental turbulence (rapid uncertainty)</td>
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<td>38. Continuous improvement of our processes and system upgrade has enabled us attain operational excellence</td>
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<td>39. Our periodic evaluation of the set strategies to respond to environmental turbulence has given us a competitive edge</td>
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<td>40. Our dynamic management system has enabled us achieve prompt organizational responsiveness to changes in the environment</td>
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<td>41. Our management’s technical ability has given us an edge in implementing environmental turbulence responsive strategies</td>
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<td>42. The continuous staff capacity building has assisted our organization to adapt to rapid unexpected changes in the environment</td>
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<td>43. Our company culture encourages adapting to rapid uncertainties</td>
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<td>44. Our formal and flexible organization structure has enabled us achieve competitive advantage in relation to responding to turbulent environment</td>
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THANK YOU!