INFLUENCE OF SELECTED EXTERNAL AND INTERNAL ENVIRONMENTAL FACTORS ON STRATEGIC MANAGEMENT PRACTICES AMONG COMMERCIAL BANKS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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SPRING 2019
DECLARATION

I, the undersigned declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic purposes and that any resemblance is purely coincidental

Signed: ___________________________   Date: ___________________________

Purity Huha (ID: 653947)

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

Signed: ___________________________   Date: ___________________________

Professor Caren Ouma

Signed: ___________________________   Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT

The study investigated selected external and internal environmental factors influencing strategic management practices in commercial banks operating in Kenya. The selected external factors were regulatory framework and competition while internal factors were organizational structure and resource allocation. The objectives were 1) to examine the role of government policies in influencing strategic management practices, 2) to determine the role of competition in influencing strategic management practices, 3) to establish the impact of competition in influencing strategic management practices, and 4) to determine the impact of resource allocation in influencing strategic management practices in commercial banks. The study used descriptive correlational since the study had variables whose relationships formed the basis of the prospective investigation. A target population of 124 was established and from which a sample size of 96 respondents was drawn from the four participating banks – Equity Bank, KCB Bank, Family Bank, and NIC Bank.

Findings on the first objective suggested that the commercial banks suffered immensely from government regulation that negatively affected their strategic management practices. The mean score for government involvement was 2.268 and was interpreted as poor. The government was found to impose unpopular bank and interest rates on the banking sector. The effect of government involvement was found to be at an R Squared coefficient of 0.243 and was thus interpreted as weak.

Resource allocation scored a very high mean of 4.667, which was interpreted as very good. The analysis also indicated that the effect of resource allocation was positive and significant but very weak (R²=0.107, p=0.001). Resource allocation was particularly found to be important for the marketing function. It was also observed that resource allocation enabled the strategic expansion of the four commercial banks.

It was found that the mean of organizational structure was 3.984, which was interpreted as average. The analysis also established that organizational structures have a weak but significant effect on strategic management practices of the banks (R²=0.164, p=0.000).
Organizational structures were found to be crucial as they acted as frameworks for the implementation of strategies.

Analysis of findings from the fourth objective suggested that competition had an average effect on strategic management practices of the banks at a mean score of 3.25. The effect of competition was computed to be at an R Squared coefficient of 0.366, which was interpreted as high. Competition from substitutes such as products from microfinance and Fintech firms were found to be very high.

It was therefore concluded that all selected internal and external environmental factors had a significant effect on strategic management practices at the banks but to varying degrees. Government policies had a negative effect on the strategic management practices of commercial banks. On its part, resource allocation had a significant effect on strategic management practices. The effect of organizational structures on strategic management practices meant that commercial banks should endeavor to streamline their structures to conform to strategic requirements and expectations. Competition was the most influential factor and needed to be kept in check at all times lest it results in undesirable outcomes.

Recommendation on the first objective suggested repealing of the interest rate-capping regulations. The law that came into effect in the year 2016 has worked to negatively affect the strategic management practices of commercial banks. It has interfered with the free competition that had come to characterize the industry then.

The issue of resource allocation and its effect on strategic management practices as envisaged in the second objective should be mitigated through more disciplined budgeting. Specifically, budgeting to involve all relevant stakeholders. It will give the budget a more acceptable and inclusive approach that is bound to bear better fruits in terms of its effectiveness during implementation.

On the third objective concerning the effect of organizational structures on strategic management practices, a change of organizational structure should suffice. The adoption of a flat based organizational structure will help the commercial banks in closing the gap between
seniors and their subordinates. It will also alleviate the effects of bureaucracy and increase delegation of duties to the appropriate centers.

Competition issues could be mitigated through the use of technological innovation. It is clear that Fintech companies have only proven to be competitive because of their high technological sophistication that gives clients convenience and faster service delivery. Banks could adopt this strategy and stay ahead of the competition even from microfinance institutions. If these recommendations are realized, there is a high likelihood that the integrity of strategic management practices of commercial banks will improve.
ACKNOWLEDGEMENT

I wish to first express my gratitude to God Almighty for his mercies that have led me to this point in my life when I get to conclude my MBA course. Secondly, I am grateful to my mentor and supervisor Dr Caren Ouma for her outstanding support and guidance that have made my research solid. Finally, I am thankful to the management of Equity Bank, Cooperative Bank, Family Bank, and NIC Bank for their cooperation during the period of data collection.
DEDICATION

This work is dedicated to my family
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<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>GE</td>
<td>General Electric</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<tr>
<td>NIC</td>
<td>National Industrial Credit (Bank)</td>
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<tr>
<td>OTC</td>
<td>Overseas Trading Company (a defunct company)</td>
</tr>
<tr>
<td>PESTLE</td>
<td>Political, Economic, Social, Technological, Legal, Ecological [factors]</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The practice of strategic decision making in organizations is what is referred to generally as strategic management practices. Thus, strategic management practices cannot be discussed without discussing the issue of strategic management. Strategy is defined as the determination of the basic long-term goals of an enterprise, and the implementation of different courses of action and the allocation of resources necessary for carrying out these goals (Bauer & Matzler, 2014). Strategic management entails the formulation and implementation of the key goals, objectives and initiatives taken by the company's top management on behalf of the owners.

Over the world, the research on the factors affecting strategic management has dominated research and other forms of inquest, especially in the commercial sector. Since the days of strategic theorists such as Alfred Chandler, there has been a consistent need to have an all-encompassing business strategy that promises to deliver the objectives set forth by organizations. According to Alfred Chandler, coordination of business activities was necessary for any organization to attain a unified approach to solving its problems (Stacey, 2016). The strategist equally considered the long term view of determining the relevance of a strategy to shape organizational culture, focus, and direction. This notion has been carried forward over time as it is adopted by almost all contemporary organizations.

Similarly, in the early years of management [but still in the 20th century], Philip Selznick introduced a new way of thinking in strategic management. This was when the model of SWOT (Strength, Weaknesses, Opportunities, and Threats) analysis was first introduced to business management (Freeman, 2015). He pioneered the thought that by matching the internal characteristics of a firm and those from outside, a manager to could create a formidable strategy that will enable it to become competitive and relevant in the market. This was later supported by other models such as the Political, Economic, Social, Technological, Legal, and Environment (PESTLE) tool, which was geared towards examining the external
macro environment in which a company operates in order to determine what it can do considering the environmental constraints at hand. These models have remained relevant to the time of writing, and have therefore formed part of periodic evaluations of the factors under which an organization is operating in order to help in crafting proper strategies with which to challenge the market.

Further development of the Ansoff matrix contributed to a more robust way of strategic thinking. Among the many developments it brought were market penetration strategies, market development strategies, and product development strategies, horizontal and vertical integration, and diversification of business (Freeman, 2015). Just like the rest of the theorists, his assertions have profound importance in the contemporary world of business. Even more significantly, Ansoff came up with the concept of gap analysis in strategic management, which essentially compares where an organization is and where it seeks to be. This technique is currently being used by most corporate strategist in formulating frameworks for beating the market in the long term.

Peter Drucker proposed another perspective of strategic management putting specific emphasis on the need for objectives in guiding the affairs of corporations. In his words, an organization operating without solid objectives is “ship without a rudder” (Haines, 2016). He came up with management by objectives, where setting up of objectives and following them up during implementation still remains the basic framework of organizations to the time of writing. His contribution is also felt in the emergence of the knowledge worker, where he claimed that there is likely to be non-hierarchical handling of tasks due to the presence of intellectualism by workers. His predictions asserted that the knowledge worker will be the temporal leader in organizational activities as opposed to the hierarchical leaders. While this is yet to be fully established, signs in the current generation of management point towards his direction of thinking.

Much has still developed in since the 1970s including the introduction of the portfolio theory in order to understand how organizations operate. Harry Markowitz, together with other financial theorists, developed the modern theory of portfolio management (Freeman, 2015). Their basic assertion was that a business is composed of units [which they called strategic
business units]. These must be managed semi-independently of each other in terms of its profitability, costing, objectives, and strategies. Their central argument is that businesses that adopt this model tend to be more successful by virtue of separating their businesses into smaller manageable units and managing them almost independently (Rothaermel, 2015).

The Boston Consulting Group is a major contributor to strategic thought as it came up with a development of Harry Markowitz’s portfolio theory. Their intention was to explain the relationships between elements in a business portfolio. This is when the concepts of cash cows, dogs, question marks, and stars came to bare. During this same time, the GE Multi-Factorial Matrix was developed for similar purposes of explaining the relationships between business units, and can, therefore, be considered to be a portfolio strategic theory (Haines, 2016). It asserts that depending on the strength of the business unit and market attractiveness, there may be different strategies for approaching the market (Freeman, 2015). These strategies are reduced to three options of growing, holding, and harvesting. While there are many other strategic management practices, the ones highlighted in this section seem to carry weight and therefore provide the most guidance to persons in contemporary strategic management teams.

There is no limit to the number and variety of factors that influence strategic management practices in the corporate world. According to Ghezzi, Cortimiglia, and Frank (2015), they claim that the quality of strategic management is influenced by the competence of those making these decisions on behalf of the company. Competence may be in terms of academic qualification and work experience in the industry. While Mitrega and Pfajfar (2015) agrees with this notion, they also add that implementation plans have almost as big an influence as the competence of these making strategic decisions. They, therefore, called for solid plans when it comes to implementation in order for strategic management practices to register success.

In Bauer and Matzler (2014), organizational structures, the cooperation of organizational members, and competition are suggested as the most influential factors that may inhibit or facilitate the attainment of success in strategic plans. Out of the three, organizational structures are given the biggest significance and are also considered to be prominent in
influencing the role played by competition and cooperation of organizational members to some extent. On top of these three, Helfat and Peteraf (2015) also add the size of the market as a factor that limits the way that strategies are formulated and implemented by firms. According to the study, firms with bigger market shares tend to have relatively longer strategic plans compared to their counterparts with smaller market shares.

Also of significance to strategic management practices according to Joo, Seo, and Min (2018) are government interventions and operating environment. The source affirms that all businesses are required to observe the law and are also subjected to constant monitoring from relevant government structures. This is said to have an effect on the kinds of strategies that can be formulated and implemented. Similarly, the operating environment also has an influence where those operating on a smaller scale [SMEs] tend to have different strategies from those operating on a large scale (Malone & Lusk, 2016). Similarly, multinational firms have different strategies for local-based firms.

According to Altamony, Al-Salti, Gharaibeh, and Elyas (2016), resource adequacy and allocation are the most prevalent factors discussed in light of their effect on firms’ strategic practices. The argument is that resources are the drivers of strategic plans and therefore their adequacy and allocation need to be made while having this in mind. Being in agreement with this assertion, Bansal and Agarwal (2015) affirm the role played by resources in determining the success or failure of strategic plans. While the two seem to be in agreement on their deliberations, they fail to agree on what constitutes resources. However, their findings still suggest resources to be inevitable to the pursuance of strategic missions.

Commercial banks in Kenya play a major role in Kenya. They contribute to the economic growth of the country by making funds available for investors to borrow as well as financial deepening in the country. Commercial banks, therefore, have a key role in the financial sector and to the whole economy. A number of strategic decisions have been made in the banking industry in Kenya in the past two decades. For instance, there have been 33 mergers in the industry since 1989 with the recent one being the merger between Equatorial Commercial Bank and Southern Credit Banking Corporation in June 2010 (Mutua, 2013).
Strategic management practices have gained importance in recent years. During the last century, organizations focused on long-term planning. Long-term planning supposed that the selected external and internal environment will remain stable for a long period of time and thus they made plans for a long duration. Today it is clear to the managers and entrepreneur’s that environment can change at any point of time and their plans should follow a strategy that includes contingency planning too. There are therefore a number of both the selected internal and external environmental factors that may influence the strategic management practices of an organization (Mbuia, 2017).

Strategic management is a very important concept for commercial banks. Characterized by intense competition for customers in the industry, banks must always be wary of the trends and opportunities in their external environment as shifts always occur. The banking sector has shown a significant expansion during the first half of 2012 (Akotch & Munyoki, 2016). Despite the significant expansion, the banking industry in Kenya is currently going through a period of rapid change (The resent one being the Interest Capping Act) due to new products and services introduced by banking industry as a result of globalization and the adoption of new technologies. Therefore, exploring the current strategic management practices of the commercial banks in Kenya and especially the selected internal and external factors that influence such practices will be extremely important for every bank in the Kenyan banking industry

Despite the numerous studies on strategic management practices, the banking industry has been largely neglected as only Riungu (2008) attempted to study the same. The limitation of this study was the fact that it was carried out in the form of a case study of Co-operative Bank of Kenya hence the results cannot be generalized to the whole banking industry. Furthermore, very few studies exist in the financial sector since there is only one other study by Maina (2014), which is in the insurance sector. The cited study also suffers the same shortcoming as that of Riungu (2008), which took the form of a case study. It is also worthy to acknowledge the fact that most of the studies are on the same in other industries and have followed the same methodology of case studies. There was, therefore, the need to carry out a survey of the banking sector.
1.2 Problem Statement

The Kenyan banking industry has been faced with challenges that have compelled it to rethink, redesign, and restructure to either conform to new requirements or simply adapt to the dynamic environment in which they operate. According to Gituma (2013), strategic thinking has become an integral part of their management in that it has been incorporated into almost all levels of management. The current challenge of interest capping is probably the most publicly known and has caused several banks to consider changing their business models in order to remain relevant and still profitable (Mbua, 2017). Similarly, supremacy battles continue for the small and medium enterprises as they form a significant portion of the banking market in the contemporary world of banking in Kenya (Onditi et al., 2012). The rise of mobile banking and other forms of electronic banking have made these financial institutions to consider innovative ways of integrating these technologies into their operations for purposes of effectiveness and efficiency (Mutua, 2013). As a result, strategic management is no longer reserved for the few top managers but is also engrained in the very fabric of each department and tasks. While all these efforts are being made to spearhead the agenda for the respective banks, many factors are at play in the environment and continue to threaten the integrity of strategies, and at times even determine the success or failure of these strategies (Okwany, 2017).

Many studies have been formulated to make a determination on how these factors influence the strategic management processes in this industry, but their results have never been conclusive. According to Okwany (2017), the sole focus was in determining the effect of interest capping as a governmental factor in influencing the strategies of banks, while there are several other government factors that influence the same. Similarly, in Mbua (2017), interest capping was also the main focus though it was covered in detail herein. Akotch and Munyoki (2016) attempted to give their view on the effect of organization structure on commercial banks strategies but still failed to do so comprehensively. While Pérez and Del Bosque (2012) gave an elaborate account of the effect of resource allocation on strategic management in commercial banks, this study is not local and its findings may not be applicable in the context in question. Onditi, Oginda, Ochieng, and Oso (2012) seem to be
considering competitiveness from the angle of how attractive a bank’s advertisements are, and this is quite a deceptive measure of competitiveness. Furthermore, most of these studies were case studies.

It was prudent to consider engaging in new holistic research that targets to encompass several banks [as opposed to studying a single entity] in order to gain a wider view of the factors that affect strategic management processes in this industry. In each of the four sections, due diligence is supposed to be exercised in selecting measures of determining the influence that they have in their causal effect on the strategic practices of commercial banks in Kenya. Case studies have proved to be ineffective in explaining trends in the commercial bank's sector, and so this study engaged an overall assessment of various banks selected from the industry such that common features and trends between and among these entities can be established. The present study answers the following questions: what are the strategic management practices in the banking industry in Kenya and what factors affect such practices?

1.3 General Objective

The general objective of the study was to determine the influence of selected internal and external environmental factors on strategic management practices among commercial banks in Kenya.

1.4 Specific Objectives

The specific objectives of the study were as follows.

1.4.1 To establish the role of government regulations/policies on strategic management practices among commercial banks in Kenya

1.4.2 To investigate the effect of resource allocation on strategic management practices among commercial banks in Kenya

1.4.3 To examine the impact of organizational structure on strategic management practices among commercial banks in Kenya
1.4.4 To explore the influence of competition on strategic management practices among commercial banks in Kenya

1.5 Significance of the study

The study is significant to the following:

1.5.1 Organizations

The value in terms of contributing to knowledge in that field of study will be seen in the sense that strategic management practices are good; however, the choice the organization makes of a strategic management practice will determine the success of the company. Not all strategic management practices work for all companies.

1.5.2 Scholars and Future researchers

Researchers may find this study valuable as it will provide information that will broaden their understanding of this field of study, and in addition through it, any gaps will be identified that will create an opportunity for further research.

1.5.3 Policy Makers

This study is relevant and adds value in terms of guiding managerial policy for the commercial banking sector since policies in an organization are set to guide the members of staff on the boundaries in which they should operate. Management should, therefore, ensure that the policies that they set are not too stringent that they limit the staff from exploring their potential for the benefit of the organization, and neither should they be too lenient such that the bank experience loses.

1.6 Scope of the Study

The study included data collected from four commercial banks within Nairobi with special attention on tier one (two banking firms) and tier Two Banks (two banking firms). It focused on Strategic Management Practices of these banks between 2013 and 2018 with special focus on the year 2017 when the interest cap regulation was put into effect.
The study also focused solely on strategic management practices and the factors that influence them. Thus, its scope was limited to the strategic management practices in commercial banks and not any other concept. The results were therefore limited to these concepts.

This study focused on commercial banks. The results of this study were therefore limited to commercial banks in Kenya and were not necessarily applicable in other financial sector firms. Therefore, attempts to interpret the results outside these institutions should be approached with care.

1.7 Definition of Key Terms

The main terms in this study are hereby defined for purposes of understanding the context in which they are going to be used.

1.7.1 Commercial Bank:

A bank that offers services to the general public and to companies (Abishua, 2010). Commercial banks interact with customers as opposed to central banks that control the supply and flow of money in the economy.

1.7.2 Strategy

The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals (Haines, 2016). Strategies are what determine how an organization is to achieve its objectives since they provide the road map to this effect.

1.7.3 Strategic Management:

The formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Freeman, 2015).
1.7.4 Strategic Management Practices

Decisions being made to ensure that the strategy is accomplished (Rothaermel, 2015). These practices are done in every department in an organization, but the central practices are the responsibility of top-level management.

1.7.5 Environment

In business, the environment refers to the forces and factors that an organization is exposed to, and which affect the manner in which such an organization operates (Freeman, 2015). A favorable environment enhances the attainment of goals while an unfavorable environment inhibits this process.

1.7.6 External Environment

The external environment refers to the forces and factors an organization is exposed to as a result of interacting with parties, stakeholders, and entities from outside (Marjanova, 2015). The external environmental factors to be investigated in this study are competition and government regulation.

1.7.7 Internal Environment

Internal environment refers to the forces and factors that act from within an organization to influence the manner in which such an organization achieves its goals and objectives (Stacey, 2016). The internal factors to be investigated in this study are resource allocation and organizational structure.

Government Policy

These are laws, rules, and regulations formulated and enforced by the government to ensure fairness of practice in the banking sector and optimal revenue for the government (Ng'ang'a, 2017). These laws may be in the constitution, come as an Act of parliament, or formulated independently by a government agency.
Competition

Competition refers to the constant rivalry in the commercial sector between and among firms as they seek superiority in market share, profitability, and public perception (Igbaekemen, 2014). Competition gives rise to higher value for customers and is therefore healthy.

Resource Allocation

It is the process of apportioning shares of resources in an organization to different functions, activities, and departments (Haines, 2016). Fair resource allocation is important to ensure the sustainability of operations.

Organizational Structure

An organizational structure is the nature of relationships among members in an organization (Mitrega & Pfajfar, 2015). It defines who is superior to another and therefore determines the level of authority and control that individuals and offices have.

1.8 Chapter Summary

This chapter has laid the ground for the research by detailing the background to the study and justifying the research by explaining the problem under investigation. Objectives have thus been set to ensure the fulfillment of the study’s purpose, which is basically to find out the effect of various factors on the strategic management practices of commercial banks in Kenya. Other sections that were also deliberated on in this chapter are the operational definition of key terms, the significance of the study, and its scope. The next chapter delves into reviewing present literature on the subject, after which, the third chapter formulates the methodology to be used in the study.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This section deliberates on issues and concepts that relate to the topic under investigation. For purposes of relevance, it is guided by the four objectives outlined in the first chapter of this proposal and is thus organized into four sections.

2.1 Effects of Government Policies on Strategic Management Practices

2.1.1 Overview

There is an impact on government regulation and financial performance. The result of the government policy towards the commercial banks may be either positive or negative (Bansal & Agarwal, 2015). However, the plans which the authorities set influence commercial banks depending on the aims as well as the objectives that the banks have set in place. According to the financial sector, it is true to state that rules represent the variables which are independent whereas the financial performance describes the variables that are dependent (Altamony, Al-Salti, Gharaibeh, & Elyas, 2016). The financial progress of the commercial banks is measured by the use of financial ratios which are regarding returns in equity, returns in the capital, returns in credit, and the liquidity ratio (Chiorazzo & Milani, 2016).

The financial rules and regulations are the laws which have been put in place by the authority to manage the financial flow of other banks (Mbua, 2017). These laws enhance an orderly licensing in the banking industry, enable the favorable environment in the world banking market, and also ensure that there is a good flow of cash in Kenyan commercial banks (Mutua, 2013). The financial policies can be determined by measuring the level of performance in the commercial banks before such policies were passed and also measure the profits accrued or the losses incurred after the guidelines regarding the financial matters were formulated (Onditi, Oginda, Ochieng & Oso, 2012).

The current and the previous rules issued by the national government of Kenya to the central bank of Kenya are fully implemented by almost all the commercial banks (Mokaya &
Kipyegon, 2014). The guidelines regarding Non-Operating Holding Companies and the regulations on the Incidental Business Activities were stipulated in the year 2013 (Akotch & Munyoki, 2016). These rules aimed at helping the managerial team in commercial banks reduce complexity in those firms. The management team also targeted at containing risks within the groups that are working in the central business offices as well as their branches (Olweny & Shipho, 2011).

High-interest rates put on the withdrawals shy off the investors and also the customers. The government of Kenya came up with regulations that have set high withdrawal rates on many of the commercial banks (Munyoroku, 2012). More so, the rate at which customers withdraw their money is not constant to all the commercial banks. Many customers fear from withdrawing their cash through over the counter method. Since banks cannot come up with their policies regarding the withdrawal rates, such institutions find it difficult to create the best strategic management practices (Abishua, 2010). The result of such policies is reducing the number of clients who are offered with services at the commercial banks. When there is a lower customer turn out, the government savings and revenue reduces which affects the whole economy (Ng'ang'a, 2017).

High-interest rates on the loans also is a policy that the central government of Kenya has put on the commercial banks to discourage some of the foreign investors (Akotch & Munyoki, 2016). In 2007, the number of customers who had shown interest in securing loans had dropped significantly by 2% as compared to the previous financial year (Mbua, 2017). The reason was alleged to the high loaning rates that had been put up by the government on the borrowers. Furthermore, many people had feared to secure loans because of the high political temperatures that were in the country. The clients will not turn up in large numbers to obtain loans if they are offered at high-interest rates (Saleem, Zahra, Ahmad & Ismail, 2016).

Apart from the government, the Central Bank of Kenya also enforces strict regulations to other financial institutions (Abishua, 2010). In spite of tough laws that have been enforced on the Kenyan commercial banks, these financial institutions seem to be growing at an exorbitant rate over the past few years (Gaiku, 2016). The record provided by the Central Bank of Kenya on the Monthly Economic Review conducted in November in 2015 indicated
that the balance sheet had increased regarding assets from 3.1 billion in November 2014 to 3.6 billion in November in 2016 (Mbu, 2017).

2.1.2 Bank Rates and Interest Rates
From the study by Jiménez, Ongena, Peydró, and Saurina (2014), findings indicate that the commercial banking industry is tied to the monetary policies as effected by governments. Governments are said to be one of the biggest determinants of how banks operate due to the fact that all commercial banks work under the direct control of the central bank (Tsuma & Gichinga, 2016). One prominent concern that is discussed in this text is the issue of bank rates, which is a requirement for all banks to have with their respective central banks in most countries. Each of them can borrow money from the central banks at a given rate. When this rate is increased, they are compelled to revise their strategies in order to match the development. Similarly, when they are reduced, they also need to revise their pricing strategies to remain competitive (Rosinger, Taylor, Coco & Slaughter, 2016).

In this way, the researchers find that the government plays a significant role in determining the strategic behavior of banks within the industry (Bauer & Matzler, 2014). In a more relevant study, Mbu (2017) examines the effect of interest rates capping in the Kenyan commercial banking sector. One of the effects as discussed in the study is that it has inconvenienced the profit making interests of banks and thus making them unattractive on the Nairobi Stock Exchange (Mutua, 2013). Prior to the establishment of this policy, banks could make decisions on how much they are to charge as interest on borrowing and how much they are to offer as interest on deposits. Some firms that were operating on a large scale compared to others were offering lower interest rates on borrowing, and they derived their competitiveness from it. Similarly, those that were offering higher rates derived their competitiveness from other terms such as payment period and faster processing of loans (Tsuma & Gichinga, 2016). In the current dispensation, all rates for borrowing have been capped at 14% while that of savings is capped at 7% (Mbu, 2017).

Similarly, while the studies by Okwany (2017) and Ng’anga’ (2017) sought to establish the effect of interest rate capping by the government on the performance of commercial banks, there is a lot that can be learned in terms of how their business strategies were affected too.
Ng’anga’ (2017) makes reference on KCB to the effect that it has reduced its tolerance limits regarding the number and size of loans that it could allow being serviced simultaneously. There was also a significant increase in the strictness of procedures for loan application in order to ensure that only the most qualified are allocated credit (Ng’ang’a, 2017). In other banks, the move by the government threatened them to consider retrenchment strategies especially on cutting down the number of employees working at banks premises. In this case, a bank like equity popularized its remote banking facilities in order to enable it to work efficiently without having a bloated workforce (Meskendahl, 2017).

2.1.3 Taxation and Consumer Protection

Another similar study was conducted by Chiorazzo and Milani (2016) where it deliberated on the issue of taxation as a government right and duty. Just like any other commercial organizations, commercial banks are also affected by it where lower tax rates are always preferred by commercial. Issues such as tax rebates, tax relief, residency, foreign income, domestic income are all concepts that are factored in governments in computing the tax liability of a commercial bank (Altamony, Al-Salti, Gharaibeh & Elyas, 2016). Changes in tax laws have an immense effect on how the banks structure their operations. When these changes are severe, top management, unions, and committees in the commercial banking sector have to come together and renegotiate with the government about these changes (Jiménez, Ongena, Peydró & Saurina, 2014). While tax compliance is a legal duty of commercial banks, they may also lobby for better conditions in this regard to safeguard their businesses.

Naceur and Omran (2011) also decry the effect of government regulation on strategic marketing of commercial banks. Governments have a role to play in consumer protection and this is at the expense of banks and credit lending institutions. While marketing, these institutions are not allowed to give falsified information (Akotch & Munyoki, 2016). While this is the case with all other commercial organizations, there are other specific rules that apply to this industry in most countries. For instance, the source claims that the rules of balancing information may be unjustified by virtue of mostly applying to this sector. When banks advertise the benefits of their products, they are equally required to give the other side
of the truth by disclosing the risks and costs of claiming the advertised benefits. This is said to empower customers in making informed decisions and also that they get to understand the risks involved in making the move. However, this is detrimental to the banking industry as customers always overthink risks when they are given in advertisements by the very company that is advertising (Gomes, Angwin, Weber & Yedidia, 2015).

2.2 Effect of Resource Allocation on Strategic Management Practices

2.2.1 Overview

Resource allocation involves the buildings, infrastructure, and human resources as well as machinery that is applied in the banking system (Akotch & Munyoki, 2016). Resources will determine whether the strategic planning among the banking stakeholders will achieve the aims which are set or not. Strategic planning improves efficiency and optimizes the resources that have been set aside to ruin the commercial banks in Kenya (Mokaya & Kipyegon, 2014). Regarding the technological advancements, there are some banks which use the old machine in performing their tasks. Such institutions consume a lot of time while serving the clients. More so, the devices are prone to regular breakdowns, a situation that limits efficiency and effectiveness in the banking sector (Jiménez, Ongena, Peydró & Saurina, 2014). Commercial banks which lack modern technology hinder strategic planning in the banking sector.

There is a theory known as the Resource Based View that encourages the commercial banks to identify and nature the resources which offer them an upper hand to compete favorably with the other banks in Kenya (Munyoroku, 2012). However, the resources which the government and the investors have identified and developed can achieve a competitive advantage if those resources are of value. Furthermore, the resources which are available in the Kenyan commercial banks should not be imitable so that bankers can accrue much profit from the banking sector (Mutua, 2013). For any business and commercial banks in Kenya to reach their prosperity, they have to acquire the appropriate resources which are in form of human labor, finance, updated technology, and physical empowerment (Onditi, Oginda, Ochieng & Oso, 2012).
The other area of concern in the commercial banks in Kenya is the issue of staffing. Many of the banking institutions in Kenya suffer a problem of staffing. However, there are some cases where unprofessional personnel are recruited into the banking field (Okwany, 2017). The sector of banking requires well-equipped individuals who are equipped with both the pedagogical as well as the necessary skills (Chiorazzo & Milani, 2016). Bank assets include various types of loans and securities that are on demand. Such securities are the reserves base of money, which can be held either as the real central notes and coins or in deposit form (Mbua, 2017). The main liability of the bank is its capital that including cash reserves, subordinated debt, and deposits.

The latter may be from domestic or foreign sources and firms, private individuals, other banks, and even the governments (Jiménez, Ongena, Peydró & Saurina, 2014). The main resource of cash of the commercial banks in Kenya has borrowed money which the bank loans out as profitably as is prudent. Central banks hold cash reserves for interbank settlements as well as to provide depositors with cash on demand. In the commercial banks in Kenya, the safe cash-to-assets ratio has been established by authority (Akotch & Munyoki, 2016). Whenever a minimum cash ratio is needed by the law, a portion of a bank’s assets is in effect frozen and not available to meet sudden demands for cash from the bank’s customers. To provide more flexibility, the commercial banks in Kenya have come up with the required ratios are frequently based on the average of cash holdings over a specified period, such as a week or a month (Olweny & Shipho, 2011).

Commercial banks in Kenya mobilize its assets in several ways. In Kenya, commercial banks have at times been required to maintain a minimum liquid assets ratio. Among the assets of commercial banks, investments are less liquid than money-market assets out (Mokaya & Kipyegon, 2014). This produces a steady flow of liquidity and therefore entails a secondary liquid assets reserve. The necessity to change a significant part of the commercial bank’s liabilities into cash on demand makes banks to carry out short term and long term borrowing. Since most of the commercial bank loans have specific maturity dates, banks must exchange the cash that may have accrued at any time for their benefits that will not come soon until some future date (Helfat & Peteraf, 2015).
The commercial banks manage the liquidity peril in several ways. There is an approach called asset management which focuses on changing the components of the commercial bank’s assets (Pérez & Del Bosque, 2012). This includes their portfolio of loans, securities, and cash. However, the approach puts less control over the commercial bank’s liabilities and the entire size. In particular, the Kenya commercial bank management boards create a portfolio of assets that can earn the best interest revenue and at the same time, they can keep perils in acceptable limits. Kenya commercial banks must put aside money reserves that are able to meet daily demands while they keep the remaining money for the purposes of short-term commercial loans (Mbuia, 2017). The existence of more short-term loans among commercial banks in Kenya in their assets indicates that some bank loans are always coming due, thus making it possible for a bank to meet future cash withdrawals or settlement debts by avoiding doing renewing or replacing some maturing loans. The exercise among commercial bankers of concentrating on short-term commercial loans that were always tolerated was given the assets they had to choose from (Mokaya & Kipyegon, 2014).

According to Moizer and Tracey (2017), resource allocation is an integral part of business strategy formulation and execution. This is the case for both big and small enterprises. Whenever there is a change in the number of resources allocated to a specific project or department, changes must follow since strategies are propelled by resources. According to Ghezzi, Cortimiglia, and Frank (2015), resources do not necessarily have to imply finances. Other types of resources such as human resources, material resources, and even time come into play whenever strategy formulation and implementation is concerned. For instance, if human resources are inadequate, an organization might have to shelve some elements of their robust plans for the time that this resource becomes available in the right magnitude. Similarly, if the financial well-being of a company necessitates cutting down on its allocations to departments, it might become necessary to consider how much expenditure is budgeted on in departmental and tactical budgets (Altamony, Al-Salti, Gharaibeh & Elyas, 2016).
2.2.2 Resource Allocation and Marketing

With respect to the research conducted by Pérez and Del Bosque (2012), resource allocation is also hailed as a core element of strategy implementation. The study concerns itself with financial resources and how they affect the implementation of strategic marketing plans. According to Ghezzi, Cortimiglia, and Frank (2015) claim that marketing strategies consume lots of funding from commercial companies since they are one of the main drivers of business therein. Firms are keen not to interfere with the allocation made to this department and function because of the disastrous effects that emanate from such a move. For those that have been daring enough to explore cutting down of financial allocation to marketing, they have seen the negative consequences such as reduced sales and unfavorable brand equity. Firms that invest well in their marketing strategies and plans tend to be more profitable and more successful relative to their counterparts who are rather economical with their allocations (Giorgis Sahile, Tarus & Cheruiyot, 2015).

2.2.3 Resource Allocation and Strategic Expansion

Expansionary interests are at the center of almost all businesses. There is always that urge to conquer the market and penetrate it more with time. According to Gomes, Angwin, Weber, and Yedidia Tarba (2015), these decisions are usually made at the top management level where strategic issues are deliberated. Arrangements for merging, acquisitions, and consolidation of companies require funding for them to be successful especially when the company in question is the one seeking to expand by acquiring other firms (Jiménez, Ongena, Peydró & Saurina, 2014). From the financial point of view, there are two factors that affect the decision of whether to acquire the other company or not; these are the price set by the company as its purchase price and the financial capacity of the acquiring firm to afford the purchase. The latter links well with resource allocation, and is therefore provided as proof that there is a significant effect that resource allocation influence strategic management practices in corporations (Ott, Kzatz & Thomas, 2012).

2.2.4 Resource Allocation and Attainment of Goals/Success

Strategic management practices are also said in Meskendahl (2017) to be influenced by resource allocations. In all projects, there are always three resources that are constrained, and
these are time, funding, and human resources. Each of these needs to be provided to a certain acceptable level of adequacy without which the strategic goals of a project are likely to be attained (Altamony, Al-Salti, Gharaibeh & Elyas, 2016). At times too much of their allocation may be detrimental to the operational flow of activities within an entity. For instance, when workers are over-allocated to a task, the speed of execution will be negatively affected due to the inhibiting factor of there being too many human links between processes. The most suitable alternative would be to have an optimal number of workers serving in a department in order for the process to be streamlined and empowered to achieve organizational goals and objectives (Bansal & Agarwal, 2015).

In Rosinger, Taylor, Coco, and Slaughter (2016), departmental allocation of resources is considered an influential factor to the success or failure of organizations at large. Because there are links between departments, a resource-impaired department is likely to cause inconveniences to other departments that may be well ‘resourced.’ Malone and Lusk (2016) claim that it is usually quite difficult to determine which departments have reasonably been under-resourced because all departments claim to have been underfunded or having inadequate personnel. The rule of thumb should be about benchmarking with industry and global standards (Rosinger, Taylor, Coco & Slaughter, 2016). If a department appears to be way behind its counterparts in the industry in terms of the resources allocated to it, it will imply that it has been under-resourced. In total quality management, each element of the organization needs to be brought at par with the rest and continue to be improved alongside the rest (Bansal & Agarwal, 2015). This is not going to be the case if some of the elements [such as departmental elements] are unfairly accorded minimal resources.

2.3 Effect of Organizational Structure on Strategic Management Practices

2.3.1 Overview

The organizational structures of the commercial banks of Kenya are complex, and they rely on the instructions which exist in an organization. In 31st December the year 2010, the Central Bank of Kenya had licensed forty-three banks to work for the entire nation in Kenya (Akotch & Munyoki, 2016). The government realized that there was a need to come up with the overall commercial bank manager to cater to all the interests of other banks. Therefore, a
chair was elected by the board of directors of the other business banks to spearhead issues which affected the banking system (Okwany, 2017). All in all, it was agreed that every commercial bank was to come up with the hierarchical structures in enhancing efficiency and effectiveness in the banking industry (Mbu, 2017).

The Central Bank of Kenya is controlled by the Government of the Republic of Kenya. The Bank is strengthened by its authority. Transparency and accountability are required in the Central Bank of Kenya so that matters to do with fraud are fully diminished (Ng’ang’a, 2017). Act Cap 491 of the laws of Kenya entails what the commercial banks in Kenya ought to carry out (Giorgis Sahile, Tarus & Cheruiyot, 2015). The Bank is looking forward to maintaining the top standards of integrity, professionalism, and business ethics (accepted code of conduct) in all its operations. Section eleven of the Central Bank of Kenya under Act Cap 491 states that the Board of Directors shall entail the Governor that also acts as the Chairman. The board also needs to have a Deputy Governor. The Deputy Governor shall also be the Deputy Chairman of the committee that runs commercial banks (Onditi, Oginda, Ochieng & Oso, 2012).

The Permanent Secretary to the Treasury does not engage in the voting process. Furthermore, the Permanent Secretary to the Treasury is not among the five Non-Executive Directors (Akotch & Munyoki, 2016). The Permanent Secretary to the Treasury is an ex-officio member of the board, and he is also appointed by the president of Kenya. All the other members of the board of directors are appointed by the President of the Republic of Kenya for terms of four years each (Mokaya & Kipyegon, 2014). However, these members are eligible to be appointed for the second term in the banking management if only Governor, Deputy Governor as well as the director shall not hold office for more than two terms. For instance, on 4th March 2007, Professor Njuguna Ndungu was appointed to serve as a Governor because Dr Andrew K. Mullei’s time had expired (Mutua, 2013).

At the moment, five directors are among the executive directors such as Messrs Waiguru, Nesbitt, Ogara, Kioko, and Wanjiru who are all serving for their first term in office (Munyorok, 2012). It is stated that all the Directors who are not executive are independent of management of the commercial banks. More so, these non-executive directors are free
from any transactions or other deals that can mess with the exercise of their independent judgment and decision making. The Board has scheduled to carry out meetings meets once after six weeks and has a formal program of agenda items based on their commitments and deliberations (Olweny & Shipho, 2011). The Directors are fed with the correct information regarding their duties. In addition to that, the Directors are told about the events on time to maintain full and effective control over strategic, financial and operational matters. The Board is not involved in the daily duties of the bank because the Governor must accomplish those tasks (Ng’ang’a, 2017). However, the board does the responsibilities which have been assigned to them for reaching the aspirations of the commercial Banks.

The Monetary Policy Advisory Committee is found in section 4D of the Central Bank of Kenya Act. Its primary role is to establish the Advisory Committee that handles the Monetary Policy (Akotch & Munyoki, 2016). The Secretariat of this Committee is dealing with the Departmental Research in the Bank. Its Members are always free to access the Bank for purposes of research in an area which they take as an essential aspect. The law states that the Committee team should meet at least once in two months (Giorgis Sahile, Tarus, & Cheruiyot, 2015). The functions of the Committee include advising the bank regarding the monetary flow. Apart from that, the committee performs duties such as reminding the other members of the regulations of safeguarding finance. Today, the committee of the commercial bank is composed of the Governor that works hand in hand with the Chairman. The other member is the Deputy Governor who acts as the Deputy Chairman and lastly the Permanent Secretary to the Treasury (Mbua, 2017).

Commercial banks in Kenya are required to follow several steps before they are given any mandate to operate (Munyoroku, 2012). The procedure indicates how the staff has to follow the structure in the banking system in Kenya before a legal matter is carried out. Such processes include conducting the central bank of Kenya for a preliminary meeting to see whether licensing of the bank met the requirements of the government (Akotch & Munyoki, 2016). After permitting has been approved, the management will seek the central bank of Kenya to pass them before they incorporate the word "bank" into use. After the approval has been accomplished, the people concern will apply for the Registrar of companies under the
companies act to put into the system the proposed bank, mortgage finance firm or even the non-banking financial firms. At this moment, the newly registered institutions are still referred to as a limited liability company. After the limited liability company has been incorporated, the manager will make applications to the central bank of Kenya for banking (Olweny & Shipho, 2011).

The team who intends to have a new financial institution visits the website of the Central Bank of Kenya and contacts the Bank Supervision Department of the Central Bank of Kenya (Tsuma & Gichinga, 2016). If the team cannot visit the supervisor, it will download and complete the application forms although they can also be gotten from the Central Bank of Kenya’s website with the title "Application form for a License to Conduct the Business of an Institution". In those application forms, the proposed directors and Chief Executive Officer must be addressed. However, the forms should be submitted alongside with the supporting documentation to show that the application process is genuine (Onditi, Oginda, Ochieng & Oso, 2012). The documents which are required to be filled are the certified copy of the certificate of incorporation of the proposed institution, the certified copy of the Memorandum of Association, the certified copy of the Articles of Association of the proposed institution, the certified copy of the Memorandum and Articles of Association of any corporate body that intends to possess a bigger shares in the industry, the certified copy of the present financial statements that have been audited for each of the three years. This must contain immediately preceding the date of the application. It is also applicable when the applicant has been carrying out services in any department that has been under any name and laws. The situation is even appropriate in cases where any of the shareholders is a worker in that firm (Giorgis Sahile, Tarus & Cheruiyot, 2015).

Today, the fee that is used in the application is about five thousand Kenyan shillings (Ng’ang’a, 2017). A recognized copy that has minutes which are signed by the board of the institution is kept safely for future decision making. The other primary body that is known can be used to act as an oversight party which can pass the resolution to the main branch of the commercial banks established in Kenya. An undertaking by the board or another oversight body to maintain the required minimum assigned cash in the proposed branch in
Kenya, as per the Banking Act, and that such capital shall be in Kenyan shillings is agreed upon by the stakeholders (Olweny & Shinho, 2011). The name and details of the person whose signature is in the contract must be among the major stakeholders in those banking institutions. A few queries are asked regarding the capacity of the applicant to meet the lowest capital that is needed to start a bank as proposed by the law as well as in the Banking Act. The evidence to be brought up may include accredited copies of bank statements. Immediately after the license fee has been met, the Central Bank of Kenya will place a notice in the Kenya Gazette to formally or announce on the establishment of the new institution or bank (Akotch & Munyoki, 2016).

To organize involves conglomerating a group of people or items in a company, field or industry with the aim of meeting a common goal (Mbu, 2017). Organizational structure in commercial banks in Kenya needs to be carried out with a lot of considerations. A poorly organized group affects strategic management practices among commercial banks in Kenya negatively (Mutua, 2013). If a bank employs a manager who is lazy and uncooperative, the entire structure will also lack direction and motivation. All the commercial banks in Kenya need to be structured through clear means (Abishua, 2010).

2.3.2 Organizational Structure as a Framework for Strategy Implementation
Zheng, Yang, and McLean (2010) conducted a study to investigate the role played by the organizational structure in determining the success or failure of business strategy. The findings suggested that there is indeed a close link between the two variables where it claims that a strategy is just a concept that needs a framework or it to be actualized. The source indicated that organizational structures are the framework in which strategy becomes a reality. As cited in Gomes, Angwin, Weber, and Yedidia Tarba (2015), strategic decisions are made up in the hierarchy of an organization and are passed down to subordinate staffs for implementation. Furthermore, at each level of management, these strategic elements are further broken down into attainable objectives and delegated to the right personnel for implementation. In the absence of these structures, there is likely to be some void somewhere and it might lead to miscommunication, or even the ultimate underperformance of the strategy (Jiménez, Ongena, Peydró & Saurina, 2014). From the analysis, the study concluded
that the use of organizational structures is essential in breathing life to organizational strategies.

Similarly, in Munyoroku (2012), credit is given to the power of organizational charts in managing the implementation of strategies. The study notes that in every strategy, there needs to be a feedback mechanism, which will inform its developers and advocates of how its progress is faring. In the absence of organizational structures, this cannot happen since there would be no channels of communication between and among levels of management (Mbuia, 2017). However, due to the presence of these structures, one is able to report a problem to the right office for it to be resolved. This would have otherwise been impossible to achieve due to the lack of designated offices for reporting specific issues experienced during operation. It is these same structures that also provide personnel to oversee the implementation of the strategy in question. While the organizational chart is hailed as the most prominent document in strategic management, the roles played by others such as budgets and timetables are also highlighted (Onditi, Oginda, Ochieng & Oso, 2012).

2.3.3 Structures for the Attainment of Strategic Objectives

Gituma (2013) observes that strategic management is part of management roles, which is always done through people. According to the study, a strategy is an action-oriented document/idea that instructs people to do something so that a certain objective can be obtained. For this reason, it has to work through people. Structuring of an organization entails [among others] the organization of how people are to discharge their duties in the company (Bauer & Matzler, 2014). It is, therefore, an important element of strategic practice that cannot be ignored. Organizing is one function of management that is heavily reflected in the Henry Fayol’s 14 principles of management, and is relevant to strategic implementation of ideas as it provides a conducive system where people can interact effectively and efficiently to ensure the success of the strategy in question (Altamony, Al-Salti, Gharaibeh & Elyas, 2016).

In Gaiku (2016), organizational structures are said to impact strategy formulation and implementation quite definitively. An organization that has made good its structures should have a team to deliberate on the future needs of a department or organization. When the talk
about strategic management becomes part of the culture of an organization by being incorporated into its structures, the quality of strategies proposed will be high (Malone & Lusk, 2016). This is as opposed to having top management teams the only ones involved in strategic thinking. Another role as envisaged in this study is that of delegation. Organizational structures provide an avenue for work to be delegated and appropriated to individuals and departments. In the absence of these structures, it would be upon the individuals to determine whether they will take the responsibilities assigned to them or not (Mitrega & Pfajfar, 2015). This shows that organizational structures have a big role to play in enhancing the quality of strategies as formulated and implemented by the organization in question.

Also relevantly, Ott, Kzatz, and Thomas (2012) claims that organizational structures have the role of approving or disapproving of strategies. This may be done through brainstorming sessions where members are gathered together for them to deliberate on the issue at hand. If a strategic proposal does not receive much support from members of several departments, there is the likelihood that it does not have the chance of succeeding (Bozkurt & Ergen, 2014). Equally, the study claims that when a company has a centralized organizational structure, it becomes difficult for it to implement certain strategies. At the same time, decentralized systems of organizations tend to spend more time deliberating on which strategy to adopt due to the autonomy they have. In this same care, some of the strategies proposed and implemented in certain quarters of the organization may be incongruent with other strategies in other departments (Joo, Seo & Min, 2018). The study concludes that it is therefore imperative that organizational structures are taken into consideration since they are highly influential in strategic management practices.

2.4 Effect of Competition on Strategic Management Practices

2.4.1 Overview

According to Meskendahl (2017), the competitive strategy describes the method in which the commercial banks are intending to use while they are in the process of persuading their clients. Stiff competition among the commercial banks leads to the closure of some commercial banks which have a weak financial base. For instance, the Chase Bank, Dubai
Bank, and the Imperial Bank have collapsed because they could not withstand stiff competition that was being exercised by other banks (Akotch & Munyoki, 2016). Similarly, a commercial bank that has a strong financial base will enable its staff to come up with proper strategic management. In 2015, the Kenya Commercial Bank got an advantage over its rivals because the management team of the bank came up with the policies which were favoring customers. Currently, KCB offers online services, there are different accounts which can be owned by small business personnel, and the rate at which money accrue on the fixed accounts is higher as compared to other commercial banks in Kenya (Giorgis Sahile, Tarus & Cheruiyot, 2015).

There is a theory that was pioneered by Michael Porter in 1985 which majorly focus on the competitive nature of commercial banks in various nations. He defined the two different modes of competitive advantage a bank can reach that is relative to its competitors as lower cost or differentiation (Bansal & Agarwal, 2015). This advantage is gotten from the attribute which enables a business firm to perform better as compared to its counter parts. The advantage that most of the commercial banks in Kenya enjoy ranges from a better market position, professional skills, and availability of different resources which can fetch money (Marjanova, 2015). According to Porter's view, strategic management should always consider building and sustaining competitive advantage in commercial banks. Porter further claimed that the nature and level at which firms compete relies on the five forces that are, the threat of new banks, bargaining power of the customers regarding the quality of services offered in the Kenyan commercial banks, bargaining power of the borrowers the, threat of substitute services, and the degree of competition among the current banks (Ott, Kzatz & Thomas, 2012). This theory is relevant to the finance industry in the sense that today`s banks face a lot of competition in service delivery in the areas that they are operating.

Gaiku (2016) notes that the primary objective of any bank's strategy is to achieve a competitive advantage. However, the approach itself is a competitive advantage. Commercial banks which are involved in strategic planning and have designed and also applied well competitive strategies tend to record spectacular performance than those that do not plan well. The motivation to study the policies that are used by commercial banks in Kenya to
attract targeted customers resulted from the idea of the current banking industry (Akotch & Munyoki, 2016). The environment in Kenyan banks is highly competitive, and it also has dynamic customers' demands. The stiff competition has made the commercial banks to improve regarding product delivery by improving the operating environment. However, tough competition will initiate the commercial bank’s strategic planners to be innovative in every step they make (Mokaya & Kipyegon, 2014).

For favorable competition among the commercial banks, some of the commercial banks have opted to chosen to adopt four generic strategies that can be used in long-term business management (Onditi, Oginda, Ochieng & Oso, 2012). Such a contusive plan includes cost leadership, differentiation, focus, and differentiation focus strategy. The cost leadership strategy involves the Kenya commercial banks offering the best services to their clients at lower prices as compared to other banks. The cost leadership strategy is mostly associated with the economies of scale. The economies of scale involve are applied in the commercial banks in Kenya with the purpose of offering quality products than what other firms offer (Igbaekemen, 2014). Commercial banks in Kenya with a reasonable cost leadership strategy creates a good competitive atmosphere for better strategic management practices. Moreover, the Kenyan commercial banks inculcate the differentiation strategy where a bank is subdivided into several sections. Each section usually deals with a particular service such as registration, deposits, making withdrawals, auto teller machine services, and places for making different inquiries. The aim of commercial banks carrying out differentiation strategy is to ease on the operation speed. The banks also intended to serve many customers using the limited resources that are available (Rosinger, Taylor, Coco & Slaughter, 2016).

Another strategy that is used by the commercial banks in Kenya to curb the stiff competition from other banks is the cost strategy. The cost strategy involves the act of serving customers at a convenient place with the aim of reducing stiff competition which exists on the market (Olweny & Shipho, 2011). This method has a considerable attraction because the best and quality services by the commercial banks are provided on subsidized terms. For instance, the commercial banks in Kenya may opt for offering open market services where the clients are requested to apply for auto teller machine card at lower prices (Gituma, 2013). The clients
may also be asked to open the bank accounts on free services. With the availability of efficient cost strategy in the commercial banks in Kenya, the planning team will be enabled to carry out a proper strategic plan on the current as well as the future prosperity of the commercial banks (Akotch & Munyoki, 2016).

The last form of planning well to curb the existing competition on the market is by doing differentiation focus. Here, the Kenyan commercial banks will choose to provide the products that differ from the items which are offered by other banks in the market (Mokaya & Kipyegon, 2014). Furthermore, commercial banks will provide unique services that other banking industries may not be able to offer. The purpose of this service is to attract more clients in commercial banks and also retain the existing customers (Ghezzi, Cortimiglia & Frank, 2015). If one of the commercial banks is outstanding the other banks regarding delivering its services, proper strategic management practices will be brought in by the professional team to correct where there is a weakness (Altamony, Al-Salti, Gharaibeh & Elyas, 2016).

Many of the commercial banks in Kenya tend to put less focus on the cooperate customers but rather focus on the entire commercial bank clients (Mbuia, 2017). Business people have been trying to focus on financial innovation to cope up with the competitive nature of the banking system in the Kenyan nation (Mutua, 2013). To cater for the rising need of services by the commercial bank clients, most of the strategic management practitioners have tried to put up the branches belonging to commercial banks in the cities such as Nairobi, Mombasa, Kisumu, and other business booming towns (Munyoroku, 2012).

Summarily, the commercial banking industry in Kenya has been dramatically influenced the business environment changes that occur every day. Most of the commercial banks in Kenya have been forced to adjust their strategies so that they can survive (Saleem, Zahra, Ahmad & Ismail, 2016). There have been critical problems that have continuously faced commercial banks such as technological innovations where expertise in the area of technology has lacked in some commercial banking firms (Gituma, 2013). Also, the business banks have been faced with globalization, privatization as well as an increased level of competition among the other
banks. There has also been liberalization as well as the different bank rates in the country (Malone & Lusk, 2016).

However, despite the tireless efforts made by the Central Bank of Kenya for the commercial banks to reduce their lending rates, there has been no significant impact that is felt in those banks (Akotch & Munyoki, 2016). Instead, statistics have shown that most of the commercial banks are characterized by non-performing loans, stiff competition from the other banks, and weak internal policies that hinder the progress of such banks (Abishua, 2010). The managerial team that is in charge of commercial banks are still using the same rules which were enacted under a weak regulatory framework to manage the business banks. The managers in the commercial banks found in Kenya should aim at reducing the administrative costs and then focus on broadening the profits margins in the banks (Mokaya & Kipyegon, 2014).

Numerous authors have tried to find possible problems and challenges that might lead to the collapse in strategic management in the banks. Fubini has listed numerous reasons for the failure which involves placing inappropriate strategies, mistrust among the bank workers, incompatible partners, making the deals that are not realistic, weak management in the firm, inadequate launch planning, and execution (Onditi, Oginda, Ochieng & Oso, 2012). Research has shown that many strategic planning failures can be linked with compatibility problems among stakeholders in the organization. These usually involve having partners who have divergent ideologies, employees who lack collaboration experience or using inappropriate managerial style (Bauer & Matzler, 2014). Other incompatibilities include staffing errors and the lack of participatory management among the workers. People argue that most strategic positioning plans are results to failure due to insufficient planning by the stakeholders, inadequate funds in the firm, lack of proper leadership skills, lack of commitment among the workers, and the existence of cultural as well as the ideological differences (Mbua, 2017).

Strategic planning has an importance role in banking industries. The plans aim towards bettering the future of potential investors. For any business firm to accrue many profits, it has to put in place good and desirable strategies that position it towards market dominance and improving on the institution’s overall performance (Okwany, 2017). Strategic planning has
been identified as an important tool in dealing with the competitive pressures coming from other banking organizations, as well as an indicator for improving the performance of these industries. The banking sector performs a big role in a country’s socio economic development, and more specifically, Kenya. It is known that in Kenya, all other sectors rely on the banking sector and any form of inappropriateness in the banking industry will affect almost all other sectors in the economy. The banking industry in Kenya has recorded an increased competition in the recent past which has forced bank’s managerial team to go back to the drawing board to seek new ways of expanding their businesses and also reach new markets more every day (Ng’ang’a, 2017). In order for a person to comprehend an industry’s strategy based on collaborative resources, one requires to use many methods to see success in banking firms. However, the research done on strategic planning and financial records in Kenya’s banking sector is limited. However, all bank managers need to understand how good strategies affect firms’ performance. Therefore, the need to determine the effect that strategic planning has on the financial performance of commercial banks in Kenya should not be underrated (Mokaya & Kipyegon, 2014).

2.4.2 Competition from Substitutes
The presence of substitutes is considered by Olweny and Shipho (2011) as a significant source of threats for commercial banking organizations in Kenya. In the banking sector, this threat is posed by savings and credit societies, mobile money, mortgage companies, and pyramid schemes (Abishua, 2010). All these provide some financial solutions to the populace and therefore stand in the way of banking institutions. Some of them charge little interest on borrowing and thus become more viable sources of funding for the masses. Such features of substitutes to banking services have led some of the leading banks to consider expanding their model to also reach out to these customers (Gaiku, 2016). Good examples given in the study are KCB and Equity Bank, which have incorporated mobile banking in different ways. Other banks such as Family Bank are offering housing mortgages and SME banking thus being seen as stretching out to the masses (Olweny & Shipho, 2011).
2.4.3 Competition from Industry Rivalry

Industry rivalry is perhaps the biggest source of competition in the banking sector. Firms keep seeking supremacy through lowering down of bank charges, reducing customer waiting time, and integrating technology into their operations (Onditi, Oginda, Ochieng & Oso, 2012). The ultimate goal is to lure more customers to subscribe to a banking institution. As Mutua (2013) indicates, business strategies of firms have been heavily influenced by what competitors are doing. Mostly, there has been a mimetic isomorphism, which is generally emulating what another organization is doing not because it is good but because it kills the competitive advantage the rival would have. The coming in of ATM’s was some sort of mimetic isomorphism to the extent that currently, very few bank branches do not have these machines on and off their premises. As Abishua (2010) study notes, this has been the case with other aspects of business such as online portals and mobile banking in order to ensure that they become as competitive as rival firms. The installation of these features and facilities is a strategic function that must be approved from that level of management.

2.4.4 Competition from New Entrants

Onditi, Oginda, Ochieng, and Oso (2012) appreciates that competition may also stem from new entrants and that this has caused firms to tailor their strategies with this notion in mind. Incurring hefty costs in advertisements is one way that has been identified in the study as a ploy to discourage potentially interested parties from joining the banking industry bandwagon. Similarly, putting up of infrastructures such as automated teller machines and bank branches discourages potential new entrants from seeking to join in on the race. These are strategic decisions made after considering the competition. According to Abishua (2010), competition is a relevant factor to be considered during strategic decision making. Management at this level is usually concerned about pre-empting the actions of their competitors. Due to limited financial capabilities priority of spending on new installation follows this priority in order to ensure that competitors do not have an edge against the company in focus. Capital expenditure is usually costly, and it needs to be made after careful deliberations have been made. Competition is, therefore, one such factor that comes to question whenever an item of expenditure is proposed (Altamony, Al-Salti, Gharibeh &
Elyas, 2016). In the end, the selected strategy should be one that has been clearly seen to match the economic dynamics of the company and its power to confront competition.

While most studies focus on strategic finance allocation as being influenced by competition, Marjanova (2015) considers the contents of the strategy as being influenced by competition. Various strategies are available for application in seeking to compete with the market leader. The first strategy is a defensive approach, which entails guarding current customer base against being lured by other companies. This can come in the form of position defense, mobile defense, flanking defense, counter-offensive defense, and contraction defense strategies. An offensive strategy is about fighting in the market to take away other firms’ customers, and it involves lots of aggressiveness when it comes to marketing and positioning (Bozkurt & Ergen, 2014). This attack may be in the form of frontal attacks, flank attacks, encirclement attack, by pass attack, and guerrilla attacks (Marjanova, 2015).

With respect to Bauer and Matzler (2014), Offensive attacks may be appropriate for new market entrants as they seek to assert presence in the market. For example, an international firm that has chosen to enter a market as a subsidiary may opt to engage in heavy commercialization of their products, which is tantamount to an offensive attack (Varshney & Sharma, 2018). On the other hand, a defensive attack will most likely be initiated by the local companies as they seek to retain their market share in the industry (Igbaekemen, 2014). For example, they may choose to lower their prices in order for the entering companies to find the market unattractive in terms of its profitability.

2.5 Chapter Summary

This chapter has deliberated on the review of the literature regarding the factors that influence strategic management practices. Several studies have been reviewed, most of which have affirmed the effect that the selected four factors have on strategic management of banks. On a positive note, most of the studies were from the local scene thereby underscoring their relevance to the study at hand. Most studies were also carried out in the past 10 years thereby still affirming their validity. On the negative side, some of the studies were not related to the
banking sector thereby creating the need for additional research on the topic. The section on resource allocation had very few local studies implying that research on the subject in Kenya is still in its infancy stages. These gaps are part of the motivation that led the researcher to consider carrying out independent primary research on factors affecting the strategic management of commercial banks in Kenya. In the next chapter, the study proceeds to formulate and detail the methodology to be used related to research design, data collection, and other relevant parameters.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This section presents the methodology of the study as will be adopted by the researcher. Several items are encompassed herein including research design, population, sample size, sampling techniques, research instruments, data collection procedures, data processing and analysis, validity and reliability, ethical considerations, and limitations of the study.

3.2 Research Design

The study adopted a descriptive correlational design. Descriptive research design focuses on the characteristics of a population whereas a correlational design focuses on understanding the relationships between and amongst variables. A descriptive correlational study is, therefore, a quantitative method of research in which a researcher explores 2 or more quantitative variables from the same group of participants, and tries to determine if there is a relationship (or covariance) between the said variables (Krishnaswamy, Sivakumar & Mathirajan, 2009). The variables in question were government policies, resource allocation, organizational structure, and competition. In light of this, only both qualitative and quantitative approaches were used in this study.

3.3 Population and Sampling Design

3.3.1 Population

The target population for this study was 124 leads of respondents who were selected from branches of the four commercial banks in Nairobi during the data collection phase. These banks were selected because they were the most prominent in each of the two tiers (Tsuma & Gichinga, 2016). The population consisted of branch managers, HR managers, administrative officers, and members of staff. In both tiers of banks, all of these categories were represented. The table below shows the distribution of population across the four banks.
Table 3.3.1: Breakdown of Population Figures

<table>
<thead>
<tr>
<th>Tier</th>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>KCB Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Branch Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
</tr>
<tr>
<td></td>
<td>Equity Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Branch Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
</tr>
<tr>
<td></td>
<td>Family Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Branch Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td></td>
<td>NIC Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Branch Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Grand Total</strong></td>
<td><strong>124</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

The banks considered in this study were KCB (Biashara Street Branch), Equity Bank (OTC Branch), Family Bank (Tom Mboya Street), and NIC Bank (Masaba Road Branch). KCB and Equity Banks are Tier #1 banks while Family and NIC Banks are Tier #2 banks. The reason for selecting the specific banks is that they are highly regarded banks in the Kenyan financial sector and they have been around for a reasonable period of time (Tsuma & Gichinga, 2016). The particular categories of respondents that took part in the study were from the
administration, management, and regular employees. The population was derived from the review of the annual reports of the aforementioned banks.

3.3.2.2 Sampling Method
The study used the stratified random sampling technique to select respondents for data collection. It is a method of sampling in which the population is organized into strata (Hair Jr, Wolfinbarger, Money, Samouel & Page, 2015), which in this case were the four banks. From each of the banks, the population was further organized into sub-strata with respect to the positions held by potential respondents. The method was used in respondents’ selection to determine the number of sampling frames obtained from each bank branch.

3.3.2.3 Sample Size
The sample size identified for this study was 96. In computing this estimate, Yamane’s (1967) formula was used and the following calculations ensued.

\[
n = \frac{N}{1 + N \times 0.05^2}
\]

\[
n = \frac{124}{1 + 124 \times 0.05^2}
\]

\[
n = 96
\]

This figure can also be obtained by looking up the population of 124 on the Krejice and Morgan’s (1970) table.
Table 3.3.2.3: Population and Sample Summary

<table>
<thead>
<tr>
<th>Tier</th>
<th>Category</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KCB Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>Branch Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td></td>
<td>Equity Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>Branch Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td></td>
<td>Family Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 2</td>
<td>Branch Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>21</strong></td>
</tr>
<tr>
<td></td>
<td>NIC Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 2</td>
<td>Branch Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>HR Mgrs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Admin Officers</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Staff Members</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>21</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Grand Total</strong></td>
<td><strong>124</strong></td>
<td><strong>96</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Two data collection tools were used for purposes of this study and these were the questionnaire and an interview guide.

3.4.1 Questionnaire

The main tool for data collection were self-administered survey questionnaires. The questionnaires were close ended where the respondents were constrained to five choices in their answering. The questions in the questionnaires were designed to require respondents to select from five available options which were numbered from 1 to 5. The numbers are in such a way to conform to a five-point Likert scale where 1=strongly disagree, 2=disagree,
3=Neutral, 4=Agree and 5= Strongly Agree. This was the basis of measurement for all variables in the study.

The study employed two research tools, the face sheet which was used to collect data in the profile of the respondents; and three researcher-made questionnaires. One questionnaire focused on the independent factor variables, which were government policies, resource allocation, organizational structure, and competition. The other section focused on the dependent variable that was strategic management practices. This instrument was used on all willing respondents.

3.4.2 Interview Guide

An interview guide is an oral administration of a questionnaire and it gives a general plan to follow for data collection (Amin, 2005). An interview guide was used because it encouraged face to face interaction with the respondents so that issues can be clarified therefore gaining in-depth information on the subject. However, the interview guide was found to be time consuming which limited responses to just a small number of respondents. In addition, the interview guide was used to supplement the information given in the questionnaires. This instrument was only used to gather information from the brand managers and HR managers since they were deemed to have busy schedules and were unable to spare time to fill the questionnaires.

3.5 Research Procedure

An introduction letter was obtained from relevant university authorities at USIU-Kenya for the researcher to solicit approval to conduct the study from the banks in question. When approved, the researcher secured a list of the qualified respondents from the banks’ management and selected respondents through stratified and systematic sampling techniques. Data collection then followed, after which the retrieval of questionnaires was done. On their return, the researcher edited and entered the questionnaire responses into the SPSS software, for further processing and analysis.
3.6 Data Analysis Methods

Descriptive data were analyzed by the use of frequencies, percentages, means, and standard deviation. For inferential purposes, a multiple correlation coefficient (Pearson) to provide answers to the research questions was used. Regression analysis employed the $R^2$ (coefficient of determination) to determine if there was a significant causal relationship between and among the variables under investigation. Qualitative data were analyzed using thematic analysis approaches.

3.7 Chapter Summary

The research design considered was descriptive correlational where three banks were investigated and they were NIC Bank, Equity Bank, and KCB Bank. Out of a population of 124, 96 respondents were reached using stratified and systematic sampling techniques. The data collection methods used were the questionnaire and interview guide. The research procedure entailed getting approval and introduction letter from USIU-Kenya authorities and proceeding to collect data from the three banks. Data analysis involved descriptive and inferential statistics on top of the thematic analysis of qualitative data. The next chapter on results and findings presents and analyzes findings on the topic at hand from the survey carried out.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The section of the report is tasked to present, analyze, and interpret findings obtained from the primary research conducted on the subject matter. It has four major sections, which reflect the four objectives of the study. Additional sections are however included to give the analysis more credibility and comprehensiveness. The response rate was remarkable. Out of the 110 respondents invited to participate in the study, 96 of them successfully did so. This figure formed the basis of analysis in this chapter.

4.2 Analyzing Respondents’ Profiles

Five parameters were used to analyze the demographic characteristics of the respondents and these were gender, age, educational level, job position, and work experience.

4.2.1 Gender of Respondents

Findings suggested that there were more males than female respondents. From the sample size of 96, 76% (73) were male while 24% (23) of them were female. Since systematic random sampling method was used, it may imply that the companies had more males than females working there.
4.2.2 Age of Respondents

Regarding the age distribution of respondents, the most dominant category was for those that were between 46 and 55 years as they constituted 29% (28). This group was followed by those between 36 and 45 years who composed 28% (27) of the 96 respondents. The third category was for those aged between 26 and 35 years 26% (25). Respondents 25 years and under came in at fourth place as they claimed 11% (25) composition. Finally, those with greater than 55 years of age came in last as they claimed the remaining 6% (6). The general implication was that most of the workers at the four commercial banks were in their middle to advanced ages.
4.2.3 Work Experience of Respondents

With regards to work experience, the majority of the respondents had between 10 and 12 years of experience and they constituted 29% (28) of the respondents. They were followed by those with greater than 12 years of experience as they claimed 22% (21). The third category was found to be for those with 4-6 years of experience as they had 19% (18) composition. Those with 0-10 years followed with 18% (17) composition. The least ranked category with regards to work experience at the banks was for those with 7-9 years of experience as they constituted 12% (12) of the 96 respondents consulted during the study. The implication is that the four commercial banks had sufficiently experienced staffs at their disposal.
4.2.4 Educational Qualification of Respondents

The study also considered the analysis of the educational qualification of the respondents in the commercial banks. The most dominant category, in this case, was composed of those who had undergraduate degree qualifications as they were 28% (27) of the 96 respondents sampled in the study. The second dominant group was for those who had certificates as their highest held educational qualification. This group had 24% (23) composition. Those with undergraduate diplomas followed closely as they were 22% (21) of the respondents. They were followed by those holding PhD qualifications as they formed 14% (13) of the sample size. The least populated group in this regard was composed of those with Master Degree qualifications as they constituted only 12% (12) of the entire sample of 96 respondents.
4.2.5 Job Position of Respondents

The final parameter analyzed the demographic characteristics of respondents was their job positions. Majority of the respondents consulted were staff members and their composition was 52% (50). This group was followed by administrators as they were 31% (30). The third most populated job position was branch management as they were 9% (9) while the least populated job category was HR management as they were 8% (8). The implication was that the study obtained a reasonable sample from the four groups of respondents hence the richness of data procured in the process.
4.3 Objective One: The Role of Government Regulations on the Strategic Management Practices among Commercial Banks in Kenya

The first objective entailed the examination of the role that the government plays in influencing strategic management practices in Kenyan commercial banks. Four questions were asked to respondents and some interviews conducted on the same. Results are presented and interpreted in both descriptive and inferential statistics as elaborated in the two subsections 4.3.1 and 4.3.2 hereunder.

4.3.1 Analysis of Descriptive Statistics

This construct variable sought to assess the extent to which respondents agreed with the manner in which government policies influence strategic decision making. Findings are as presented in Table 4.3.1 hereunder.
Table 4.3.1: Descriptive Statistics on the Role of Government Policy

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Rank</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government has a fair approach to controlling interest rates</td>
<td>2.31</td>
<td>.850</td>
<td>2</td>
<td>Poor</td>
</tr>
<tr>
<td>Consumer protection laws instituted by the government are sensitive to the welfare of banking institutions</td>
<td>2.14</td>
<td>.763</td>
<td>4</td>
<td>Poor</td>
</tr>
<tr>
<td>Taxation rates imposed by authorities are exceptionally fair</td>
<td>2.19</td>
<td>.744</td>
<td>3</td>
<td>Poor</td>
</tr>
<tr>
<td>Central bank’s “bank rates” determine operating rates at your bank</td>
<td>2.44</td>
<td>.880</td>
<td>1</td>
<td>Poor</td>
</tr>
<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>2.2682</strong></td>
<td><strong>.50425</strong></td>
<td></td>
<td><strong>Poor</strong></td>
</tr>
</tbody>
</table>

Findings suggested that the respondents consulted thought the government was doing a poor job in formulating and implementing policies related to the banking sector. This fact is evident from the mean score of the aggregate response that was computed to be at 2.282. All questions answered in this section were interpreted as poor since their respective mean was interpreted to be between 1.80 and 2.60. The standard deviation for the responses was computed to be 0.504 showing that the responses were not that much far apart.

The highest rated statement among the four was “Central bank’s “bank rates” determine operating rates at your bank”, as it obtained a mean score of 2.44, and was interpreted as being “poor”. The lowest ranked statement was “Consumer protection laws instituted by the government are sensitive to the welfare of banking institutions”, which scored a mean of 2.14, and was thus interpreted as “poor”. The overall implication of the findings obtained from questionnaire responses was that the government was using unpopular policies that have proven to be unfriendly to the Kenyan banking sector.
Responses from the interviews conducted resonated with those established from the admission of respondents in the questionnaires. They all referenced the current interest rate-capping policy by the government citing it as a move to cripple the banking sector.

4.3.2 Regression Analysis

In order to fulfill the requirements of this objective, it was deemed necessary for the study to carry out a regression analysis to determine the effect of government policy on the strategic management practices of Kenyan commercial banks. The independent variable, in this case, was government policies while the dependent variable was the integrity of strategic management practices at the four selected banks – Equity, KCB, NIC, and Family Bank. Findings are as presented in Table 4.3.2 below.
Table 4.3.2: Regressing Strategic Management Practices on Government Policies/Regulation

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Government Policy</td>
</tr>
</tbody>
</table>

From the findings presented in Table 4.3.2, the R squared coefficient was found to be 0.243, which denotes a weak influence of government policies on the formation and implementation of strategic management practices in the four selected commercial banks in Kenya. It meant 24.3% of the variation in the integrity of strategic management practices could be explained by the variation in government policies. The beta coefficient for government policy in the model was found to be -0.493 meaning that the variable has some negative effect on the strategic management practices in commercial banks. Its significance is high since its p-value was computed to be 0.000. This notion seems to coincide with the responses obtained from the interview sessions where respondents indicated their dissatisfaction with the manner in which the government sustains the interest rate-capping policy.
4.4 Objective Two: The Effect of Resource Allocation on Strategic Management Practices among Commercial Banks in Kenya

The second objective endeavored to evaluate the role played resource allocation in influencing strategic management practices in the four selected Kenyan commercial banks. Similar to the first objective, four questions were asked to respondents and some interviews conducted on the same. Results are presented and interpreted in both descriptive and inferential statistics as elaborated in the two subsections 4.4.1 and 4.4.2 hereunder.

4.4.1 Analysis of Descriptive Statistics

This construct variable sought to assess the extent to which respondents agreed with the manner in which respondents’ respective banking firms handled the issue of resource allocation in relation to its influence on strategic decision making. Findings are as presented in Table 4.4.1 hereunder.

Table 4.4.1: Descriptive Statistics on the Effect of Resource Allocation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Rank</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The allocation of human resources is equitably distributed among a firm’s business units</td>
<td>4.51</td>
<td>1.016</td>
<td>4</td>
<td>Very Good</td>
</tr>
<tr>
<td>The allocation of physical resources is equitably distributed among firm’s business units</td>
<td>4.69</td>
<td>.715</td>
<td>3</td>
<td>Very Good</td>
</tr>
<tr>
<td>The allocation of financial resources is equitably distributed among firm’s business units</td>
<td>4.72</td>
<td>.676</td>
<td>2</td>
<td>Very Good</td>
</tr>
<tr>
<td>The allocation of resources follows recommendations made in needs assessment surveys</td>
<td>4.75</td>
<td>.665</td>
<td>1</td>
<td>Very Good</td>
</tr>
<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>4.6667</strong></td>
<td><strong>.37987</strong></td>
<td></td>
<td><strong>Very Good</strong></td>
</tr>
</tbody>
</table>
Findings in this regard indicated that the four banks were handling their resource allocation activities excellently well. This notion manifests as a result of the mean score for responses as it was computed to be 4.667. Its standard deviation of 0.379 suggested that the responses gathered in this case were not far from each other. All responses were interpreted as being very high throughout the question variables.

The highest evaluated statement of the four presented in the questionnaire was “The allocation of resources follows recommendations made in needs assessment surveys”, which scored a mean of 4.75, and was interpreted to be very good. The lowest evaluated statement with respect to the responses garnered during the study from the questionnaire was “The allocation of human resources is equitably distributed among firm’s business units”, as it obtained a mean score of 4.51, and interpreted as also being very good. The overall implication from these findings was that the banks did an averagely commendable job in allocating resources to power strategic management practices. It shows that all the banks had excellent policies regarding how to allocate resources and that this function was well taken care of.

From interview responses, the majority of them agreed with the notion held in the analysis of questionnaire responses. They specifically hailed their respective budget committees that paid attention to specific details when allocating financial resources to various departments and activities.
4.4.2 Regression Analysis

The fulfillment of this objective required the study to carry out regression analysis to determine the effect of resource allocation on the strategic management practices of the selected Kenyan commercial banks. The independent variable, in this case, was resource allocation while the dependent variable was the integrity of strategic management practices at the four selected banks – Equity, KCB, NIC, and Family Bank. Findings in this regard are as presented in Table 4.4.2 hereunder.

Table 4.4.2: Regressing Strategic Management Practices on Resource Allocation

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

From the findings presented in Table 4.4.2, the R squared coefficient was found to be 0.107, which denotes a very weak influence that resource allocation has on the formation and implementation of strategic management practices in the four selected commercial banks in Kenya. It meant 10.7% of the variation in the integrity of strategic management practices could be explained by the variation in the banks’ resource allocation strategies. The beta coefficient for resource allocation variable in the model was found to be 0.327 meaning that the variable has some positive effect on the strategic management practices in the selected commercial banks. Its significance is high since its p-value was computed to be 0.001. The
implication of the findings made in this section is that even though the banks focused on the streamlining of the resource allocation function, it played a very mild role in influencing the success of strategic management practices. However, its role is still significant, and can therefore not be underrated.

4.5 Objective Three: The Impact of Organizational Structure on Strategic Management Practices among Commercial Banks in Kenya

The third objective of the study related to the determination of the effect that organizational structure has on the strategic management practices in the three commercial banks of Kenya. Even here, both descriptive and inferential statistics were used to explain the effect. Findings are discussed in subsections 4.5.1 and 4.5.2 below.

4.5.1 Analysis of Descriptive Statistics

The purpose of analyzing descriptive statistic in this subsection was to determine respondents’ opinions on how much they consider their organizational structure to be. The descriptive statistics analyzed in this section are the mean, standard deviation, and ranks. Findings are as presented in Table 4.5.1

Table 4.5.1: Descriptive Statistics on the Impact of Organizational Structure.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Rank</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmentalization helps in the attainment of organizational objectives</td>
<td>2.72</td>
<td>1.389</td>
<td>4</td>
<td>Average</td>
</tr>
<tr>
<td>The span of control is just adequate enough to result in effectiveness in your bank</td>
<td>3.00</td>
<td>1.444</td>
<td>3</td>
<td>Average</td>
</tr>
<tr>
<td>Work specialization is appropriately allocated to competent individuals</td>
<td>3.38</td>
<td>1.558</td>
<td>2</td>
<td>Average</td>
</tr>
<tr>
<td>Chain of command is well defined at your bank for subordinates to follow</td>
<td>4.50</td>
<td>0.940</td>
<td>1</td>
<td>Very Good</td>
</tr>
<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>3.3984</strong></td>
<td><strong>.82444</strong></td>
<td></td>
<td>Average</td>
</tr>
</tbody>
</table>
Responses from data analysis showed that they averagely rated the sanctity of their organizational structure. This notion is evidenced by the mean scored by the responses, which was computed to be 3.398. Its standard deviation was found to be 0.824, which is an indication that the responses were not quite far apart. Three of the question/statement variables were interpreted as being average while the last one was interpreted as being very good.

The highest ranked question/statement variable was “Chain of command is well defined at your bank for subordinates to follow”, as it obtained a mean score of 4.50 and thus interpreted as being very good. The lowest evaluated statement was that “Departmentalization helps in the attainment of organizational objectives”, which scored a mean of 2.72 and was interpreted as being average. These findings show that even though the companies faced problems with departmentalization, the span of control, and work specialization, their prospects regarding following the chain of command were exemplary.

Interviews were also carried out to establish respondents’ sentiments regarding their respective organizational structures. The overall findings indicated that workers were well acquainted with their respective organizational structures and that management teams put effort to adapt their structures to the dynamic environmental pressures. Below are some of the sampled responses from the interview sessions conducted.

“...I must admit that it is quite difficult to have a formidable organizational structure at such a time when there is intense pressure from within the organization and from outside compelling us to constantly having to change...Our employees know their chain of command and I think management teams are doing a good job in ensuring that superiors’ span of control is kept within acceptable ranges....we do not experience any problems when it comes to management of internal affairs because we have a solid organizational structure to refer to in case of any challenges...”

4.5.2 Regression Analysis

Just like in the previous objectives, it was deemed necessary to carry out a regression analysis to determine the effect of the four selected banks’ organizational structures on the
integrity of their strategic management practices. Findings on the regression test are aggregated for all the banks in Table 4.5.2 below.

Table 4.5.2: Regressing Strategic Management Practices on Organizational Structure

<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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.406a</td>
<td>.164</td>
<td>.156</td>
<td>.38945</td>
</tr>
</tbody>
</table>

Coefficienta

<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>(Constant)</td>
<td>3.253</td>
<td>.169</td>
<td>19.197</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>Organizational Structure</td>
<td>.208</td>
<td>.406</td>
<td>4.301</td>
</tr>
</tbody>
</table>

From the findings presented in Table 4.5.2, the R squared coefficient was found to be 0.164, which denotes a weak influence that organizational structures have on the integrity of strategic management practices in the four selected commercial banks (Equity, KCB, NIC, and Family Banks). It meant 16.4% of the variation in the integrity of strategic management practices could be explained by the variation in the banks’ organizational structures. The beta coefficient for the organizational structure variable in the model was found to be 0.406 meaning that the organizational structure variable has some positive effect on the strategic management practices in the four commercial banks. Its significance is high since its p-value was computed to be 0.000. The implication of the findings made in this section is that the banks have made serious efforts in having formidable organizational structures and the structures are playing a significant role in facilitating the formulation and implementation of strategic policies, though minimally.
4.6Objective Four: The Influence of Competition on Strategic Management Practices among Commercial Banks in Kenya

The fourth objective of the study entailed the determination of the influence that competition has on the strategic management practices among the four selected commercial banks in Kenya. This section also employs both descriptive and inferential statistics to present and analyze the findings. Findings are discussed in subsections 4.6.1 and 4.6.2 below.

4.6.1 Analysis of Descriptive Statistics

The analysis of descriptive statistics in this subsection used the mean, standard deviation, and ranks to determine how much respondents though the competition was rife in the banking sector to influence strategic management practices in their respective banking organizations. Findings made in this regard are as presented in Table 4.6.1 below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Rank</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry rivalry is high within the Kenyan banking sector</td>
<td>3.15</td>
<td>1.026</td>
<td>3</td>
<td>Average</td>
</tr>
<tr>
<td>Substitutes to services provided by banks are giving banks a hard time in competition</td>
<td>2.85</td>
<td>1.114</td>
<td>4</td>
<td>Average</td>
</tr>
<tr>
<td>New entrants pose a significant and high threat to existing banks in Kenya</td>
<td>3.51</td>
<td>.834</td>
<td>1</td>
<td>High</td>
</tr>
<tr>
<td>There is a high differentiation of products offered by different banks</td>
<td>3.50</td>
<td>.795</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>3.250</strong></td>
<td><strong>.69206</strong></td>
<td></td>
<td><strong>Average</strong></td>
</tr>
</tbody>
</table>

Findings in this subsection suggested that competition was average in the Kenyan banking sector. This notion is informed by the mean score of 3.250, which is interpreted as average. The standard deviation for the responses obtained in this case was 0.692, which is an
indication that the responses given in the questionnaires were not far from each other. It further shows that most respondents were in agreement with the overall trend obtained after the analysis of their questionnaire responses. Two questions/statements were interpreted to be high while the other two were interpreted to be average.

Further analysis of these findings reveals that the highest rated statement with respect to responses gathered was “New entrants pose a significant and high threat to existing banks in Kenya”, as it obtained a mean score of 3.50, and was interpreted to be high. The lowest ranked statement was “Substitutes to services provided by banks are giving banks a hard time in competition”, since the responses obtained a mean score of 2.85, and therefore interpreted to be average. From these findings, it is clear that competition was average and mostly came from new entrants, high level of differentiated products, substitutes, and generic industry rivalry in the banking sector.

There were lots of similarities between responses given during interviews and those offered in the questionnaires. Most interviewees lamented the entry of Fintech companies that tended to take away business from traditional banks. They claimed that currently, when one seeks to obtain a loan, they do not go to a bank but to sources offering unsecured loans such as Tala, Branch, and Okoa-Cash. Some claimed that the competition from these service providers may not be significant because their loan limits are not as high as those offered by banks.

4.6.2 Regression Analysis

The fulfillment of the fourth objective necessitated the study to conduct a regression analysis to establish the effect of competition on the strategic management practices of the selected Kenyan commercial banks. The independent variable, in this case, was competition while the dependent variable was the integrity of strategic management practices at the four selected banks – Equity, KCB, NIC, and Family Bank. Findings in this regard are as presented in Table 4.6.2 hereunder.
Table 4.6.2: Regressing Strategic Management Practices on Competition

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Competition</td>
</tr>
</tbody>
</table>

From the findings presented in Table 4.6.2, the R squared coefficient was found to be 0.366, which denotes an averagely formidable influence that competition has on the formation and implementation of strategic management practices in the four selected commercial banks in Kenya. It meant 36.6% of the variation in the integrity of strategic management practices could be explained by the variation in competition in the banking sector. The beta coefficient for competition in the model was found to be 0.605 meaning that the variable has a strong positive effect on the strategic management practices in the four commercial banks. Its significance is high since its p-value was computed to be 0.000. This implication of these findings is that competition seems to determine to an average extent the manner in which strategies are formulated and implemented in the four banks namely Equity, KCB, NIC, and Family Banks.

4.7 Comparing the Intensity of Environmental Factors

This section seeks to evaluate the environmental factors by comparing how respondents reacted to them in the questionnaires. The highest ranked factor would imply it is the one that respondents thought was well managed by their respective banking organizations. Findings are as presented in Figure 4.7.
In Figure 4.7.1, the analysis indicates that organizational structure was the most well-considered environmental factor by the four banks as it received a mean score of 4.667/5.000. The second most well-considered environmental factor was resource allocation as it scored a mean of 3.398/5.000. It was closely followed by the competition variable as it scored a mean of 3.250/5.000. The least considered variable was government policy as it only had a mean score of 2.268/5.000.

The findings are clearly indicating a trend where internal factors score highly in terms of how the banks managed them relative to how they managed external factors. This is quite understandable because external factors are arguably beyond the control of any organization. The said external factors that the banks failed to control were competition and government policy hence the poor performance of the companies in them.

4.8 Multiple Regression Analysis

The final task in analyzing findings in this chapter was to conduct a multiple regression test that encompasses all the independent variables that were individually considered in the previous sections of this report. The goal was to establish the overall effect that the selected
factors had on the integrity of strategic management practices in the four commercial banks. Findings are as presented in Table 4.8 hereunder.

Table 4.8: Multiple Regression Test Results

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients^a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Government Policy</td>
</tr>
<tr>
<td>Competition</td>
</tr>
<tr>
<td>Resource Allocation</td>
</tr>
<tr>
<td>Organizational Structure</td>
</tr>
</tbody>
</table>

The regression test had five variables. Four of them were independent variables and they were government policy, competition, resource allocation, and organizational structure. The R squared coefficient scored by the variables was found to be 0.501, which denotes an above-average effect that the selected variables have on the integrity of strategic management practices in the four commercial banks. This means that 50.1% of the variation in the integrity of strategic management practices could be explained by the variation in the four selected environmental factors of government policy, competition, resource allocation, and organizational structure. Regarding the betas of the respective independent variables, the organizational structure seemed to be the most significant as it scored a beta of 0.297 (p=0.001), while the least influential was resource allocation scoring a beta of 0.210 (p=0.010). Only government policy worked against the integrity of strategic management
practices as it scored a negative beta of -0.270 (p=0.003). These findings graphically presented in Figure 4.8 below.

Figure 4.8: Ranking Beta Coefficients of Study Independent Variables

4.9 Chapter Summary

This chapter has presented and interpreted the findings of the study. It has attempted to analyze findings objective by objective using both descriptive and inferential statistics. It began with the exploration of respondents’ profiles. It then proceeded to analyze the first objective of the role of government regulations on strategic management practices. The other objectives analyzed herein were the effect of resource allocation, organizational structure, and competition on the integrity of strategic management practices. The next chapter discusses these findings in light of other studies conducted previously by other scholars.
CHAPTER FIVE

5.0 DISCUSSION OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter is the fifth and final section of the study. It deliberates on the discussion of findings, a summary of findings, conclusion, and recommendations. The section also suggests areas for further research.

5.2 Summary of the Study

The general objective of the study was to investigate the effect of selected environmental factors on the strategic management practices of commercial banks in Nairobi, Kenya. Its objectives were 1) to examine the role of government policies in influencing strategic management practices, 2) to determine the role of competition in influencing strategic management practices, 3) to establish the impact of competition in influencing strategic management practices, and 4) to determine the impact of resource allocation in influencing strategic management practices in commercial banks. It adopted the descriptive correlational study design. Out of a population of 124, a sample size of 96 was acquired. The sampling techniques opted for were stratified and systematic random sampling. Data were collected by the use of questionnaires and interviews and it was analyzed using both quantitative (descriptive and inferential statistics) and qualitative (thematic analysis.)

The part of the demographics of respondents produced insights that were quite reflective of the situation as it is at the four selected commercial banks. Findings suggested that there were more male than female respondents participating in the study. There was also the notion that members were mostly middle-aged from the analysis of their age distribution. Thirdly, the majority of the respondents had some good amount of experience working for a bank. Analysis of their educational qualification indicated that they were well educated. Regarding their job positions, findings established that the biggest group consulted was composed of staff members while the least one was composed of branch managers and HR officers.

The first objective was analyzed with both descriptive and inferential statistics. Descriptive suggested that the government was doing a poor job in formulating and implementing
policies related to the management of the banking industry. The case that most respondents referred to was the interference with market forces regarding the interest rate-capping policy. It was also found that government policies had a weak but significant effect on the strategic management practices of banking institutions in Kenya. The effect was found to be negative, which shows that more interjection by the government reduced the strategic management of the four banking organizations implicated in the findings of the study.

The second objective was analyzed regarding the effect of resource allocation on the performance of the four commercial banks in Kenya. Findings indicated that the companies encompassed in the analysis did their best in ensuring that they allocated resources to facilitate the implementation of strategies. However, the same study found there to be a slight positive effect that resource allocation initiatives have on the success of strategic management practices in the four selected commercial banks.

As for the third objective, the focus was on the determination of the effect of organizational structures on the success of strategic management practices at Equity, KCB, NIC, and Family Banks. Descriptive analysis of findings determined that the companies were in good control of their structures as their delegation and departmentalization processes were well taken care of. However, the study found there to be a very weak but positive effect that organizational structures have on the success of strategic management practices.

Finally, the fourth objective analyzed the effect of competition on the strategic management practices of the same commercial banks in Kenya. It was found that competitors posed an average threat from the mean responses that were gathered from the data. It was also established that competition has a sizeable effect on the strategic management of commercial banks. This meant that formulators and implementers of strategies in the banks should have been monitoring closely the actions of their competitors in order to refine and redefine their strategies.

5.3 Discussion of Findings

The section on the discussion of findings was organized into four subsections reflecting the four objectives of the study as labeled in the following parts.
5.3.1 The Role of Government Regulation on the Strategic Management Practices of Commercial Banks

The study reported that the government’s role in the strategic management of the four commercial banks was majorly negative and quite significant. The implication of these findings was that more regulatory policies form the government meant that strategic management would become more difficult for the said banks. There was a resounding sentiment from the respondents in this case thereby indicating that they were opposed to the manner in which the government was playing its role. These findings seem to have the support of much scholarly evidence as gathered and documented in the past.

Ng’ang’a (2017) is particularly consistent with this study’s findings as the source claims that the micro-management of the banking sector was an ingredient to the lack of proper development of the sector. The source cited the capping of interest rates as a counter-productive regulatory move that gives very little political mileage for an incumbent government but results in a massive economic disincentive. This notion is clear from the findings gathered in this study as its findings have demonstrated the negative role the Kenyan government is playing through the institution of a legal framework that curbs interest rates. As Mbuia (2017) observes, credit is a commodity that should be governed by the laws of demand and supply; therefore, the government is going against fundamental economic principles, even though it is a popular move with the masses.

Similarly, Gaiku (2016) found that intensive government control of the banking industry has a profound negative effect on the strategic management practices of commercial banks. The said study affirmed that when the government is left to implement policies without proper consultation with stakeholders in the banking sector, they are likely to make decisions that are unpopular with the sector thereby creating havoc economically. The study by Akotch and Munyoki (2016) argue consistently with the study in focus by stating that the income prospects of banks are negatively and substantially affected by such a move.

Rosinger, Taylor, Coco, and Slaughter (2016) argue consistently with the findings established herein concerning the role played by governments in influencing the strategic
management practices of commercial banks. The study claims that governments should stick to regulatory activities and leave operational duties to the banks themselves. The authors are particularly against the imposition of interest rates without it being warranted by economic indicators. Political interference has indeed affected the Kenyan banking industry since the introduction of interest capping law in 2016. It has led to commercial banks with very few options to exercise in enhancing their competitiveness. Beforehand, interest rates were an area of strategic deliberation, which would give each bank an opportunity to innovate and give customers the maximum value. However, by capping the interest rates, the government has only managed to ruin banks’ strategic and competitive edges. As informed by the quoted study, politics and commercial activities should be distinct, and it seems that the Kenyan government is yet to learn this vital lesson.

Bauer and Matzler (2014) are opposed to the view presented in this study as the source claims that the government should be allowed to exercise its oversight role in the banking sector. The source is of the opinion that commercial banks are money-oriented and this greed stands to oppress the masses if it is not well regulated. By adjusting and capping interest rates, the government ensures that customers are not exploited by the banks. The inconsistency comes from the fact that this study has found that the role played by the government is to a large extent negative on the welfare of the banking industry. It should, however, be noted that the cited source also cautions government from using its oversight role to make it hard for banking firms since it would discourage the growth of the industry due to the unfavorable business environment.

Findings established herein seem to contrast those made in Naceur and Omran (2011), where it was found that the government plays a positive role in facilitating strategic management practices in commercial banks. In the said study, the role was played by the central bank by formulating supportive policies to ensure the sustainability of the business in this sector. It is understandable that the current study claims that the government policies have a negative effect on the integrity of strategic management practices in the banking sector because of the interest capping legislation. It seems that in the absence of this law, the assessment of
commercial banks regarding government’s role in strategic management practices would significantly improve.

5.3.2 The Effect of Resource Allocation on the Strategic Management Practices of Commercial Banks

The second objective investigated the effect of resource allocation on the strategic management practices of the four commercial banks in Kenya. Findings showed that the effect was mild but also significant. The companies had put some effort into ensuring that they allocated resources to facilitate the current strategic management processes at the respective banking firms. The study further finds that the banks seemed to have been putting their focus on a factor that had little effect on the success of strategic management practices of their businesses. While some previous studies agree with these findings, others seem to differ with the same.

The research by Munyoroku (2012) attests to the fact that resource allocation is a crucial process that all banking organizations ought to look into in order to ensure the success of their strategies. The justification given by the report was that when resources are adequately allocated, it empowers members to go about implementing the strategies. This position is inconsistent with the one obtained from the analysis of findings presented in this study. The position of the current report is that while resource allocation is of crucial importance for an organization, it seems to have very little to do with the success of a commercial bank’s strategic management practices.

Okwany (2017) similar argues the case for the allocation for adequate resource allocation in commercial banks by positing that when this is the case, banks have the muscle to undertake various forms of counter-strategies against competitors. Olweny and Shipho (2011) however argue in line with the findings of the study by stating that the mere act of allocating resources does not necessarily translate into the success of strategic management practices in commercial banks. The study further elaborates this position by stating that indeed, resource allocation is a vital organizational process, but it has very little to do with the success of
strategic management practices. While it is a fundamental requirement, more of it does not result in better outcomes in strategic management.

Findings established in this study are consistent with those in Giorgis Sahile, Tarus, and Cheruiyot (2015), where it was found that the effect of resource allocation in strategic management practices is significant. This was especially so during the process of strategy implementation. The study claimed that the success or failure of strategy implementation is highly dependent on how a company has deployed its resources toward this cause. Similarly, Ott, Kzatz, and Thomas (2012) established that the more resources are deployed in strategy implementation, the higher the chances of such strategies registering success. The fact that the companies investigated in this study seemed to have some strategic issues is an indication that they could have been faulting on the issue of resource allocation where they have not allocated sufficient resources.

As found in this study, commercial banks benefit heavily from sound resource management practices. This notion is also observed in the findings established in Bansal and Agarwal (2015), where the source finds that resource allocation is the driver of strategy implementation and that without it, no strategic goals can be attained. In other words, the allocation of resources is synonymous to empowering strategy implementation. The resources may be human, physical, or financial. This view is consistently held throughout the current study as it has been established that the process of resource allocation is vital to the success of strategic management practices in the four selected commercial banks in Kenya. The fact that the said banks did not as prioritize it in their organizational management is an indication that it could have been one of the factors that have limited their growth in the industry. It is an area that presents the industry with an opportunity to enhance their effectiveness in advancing their missions.

In slight contrast with the findings established in this study, Ghezzi, Cortimiglia, and Frank (2015) warn about prioritizing resource allocation by stating that it leads to arbitrary allocation of resources even to activities that are unproductive. The source claims that a lot of consideration should be made before attempting to allocate resources because each of the said resources ultimately has to be accounted for. The current study has found that problems
with allocating resources to activities seem to be part of the factors that have led to the ineffectiveness of strategic management practices as applied in the four commercial banks under investigation. The slight contrast, in this case, is that while the current study opines that increased resource allocation is likely to better strategy implementation, the cited source opines that increased resource allocation leads to misappropriation and irresponsible spending by commercial banks.

5.3.3 The Impact of Organizational Structure on Strategic Management Practices among Commercial Banks

The third objective regarded the determination of the impact of organizational structure on the strategic management practices of the selected commercial banks in Kenya. Findings showed that this internal environmental factor had some little positive effect on the prospects of strategic management in banks. Organizational structure encompassed the departmentalization, division of labor, and delegation of responsibilities at the banks. The overarching notion was that even though proper organizational structures were fundamentally a requirement for the implementation of strategies, they had little effect on the success of strategic management functions. Some studies agree with this position, though not entirely. Others seem to disagree with the position held in this report as envisioned in the data analysis section of this report.

As Mutua (2013) views it, the organizational structure is the framework with which an organization accomplishes all its goals and objectives. The source claims that without such a fundamental requirement, it becomes almost impossible for it to formulate or implement strategies. Mbua (2017) finds that the role played by organizational structures is major during the implementation phases of strategies. The source opines that when there is a good organizational structure, a firm would benefit from knowing who to apportion a task during the implementation of strategies. Both of these sources seem to concur with the findings established in this report. Indeed, organizational structures have been found to influence strategic management practices though to a limited extent.
Contrastingly, Onditi, Oginda, Ochieng, and Oso (2012) note that organizational structures play a counter-productive role in influencing the success of strategic management practices. The primary point of argument for the source is concerning bureaucracy. When there is so much focus on organizational structures, bureaucracy arises and distorts the system. According to Gituma (2013), bureaucracy works against speed with which strategies are formulated and or implemented. These sources go against the current study’s findings that established a positive (though minor) role of these structures in strategic management practices. The reason given for the specific position held throughout this report on organizational structures is the when there are proper organizational hierarchies, departmentalization, and delegation of responsibilities, there are bound to be better chances of an organization meeting its strategic goals and objectives.

The findings that organizational structure has a weak impact on strategic management practices in commercial banks have been established in Bauer and Matzler (2014). The study claims that organizational structures are important in firms because they determine and facilitate their business models. However, there is little that they do to strategic management practices apart from laying the foundation for the implementation of such strategies. This is clearly inconsistent with works such as those written by Altamony, Al-Salti, Gharraibeh, and Elyas (2016), which have claimed that organizational structures have a significant positive and strong impact on strategic management practices.

The weak impact of organizational structure in strategic management practices of organizations as observed in this study was also established in Gomes, Angwin, Weber & Yedidia Tarba (2015). The source opines that while the structure of an organization is vital to the attainment of mission and vision goals, it does not necessarily influence its strategic direction. The source further claims that there is not just one master organizational structure for firms to adopt even when they operate in the same industry. Each company formulates its structure based on several factors such as the level of competition, its culture, and products on offer. It is almost impossible to recommend one structure that fits all situations, and it is, therefore, unrealistic to suggest that organizational structure has a big impact on the strategic
management practices of commercial banks. This is clearly consistent with the weak effect established in this discourse.

Ott, Kzatz, and Thomas (2012) argue contrastingly with the findings in this study where the source finds that organizational structures have a big impact on the strategic management practices of commercial entities. The source specifically argues that many businesses have had to change their business models, which are part of their structures just to get by difficult situations. Others, the authors continue, have changed their organizational structures and ended up falling out of favor with the market. The commercial banks in question may have been using the wrong organizational structures hence resulting in the observed difficulty in sustaining their ability to manage their strategic management practices. These findings are clearly in sharp contrast with those established in the quoted sources as they argue for and against the role played by organizational structures.

5.3.4 The Influence of Competition on Strategic Management Practices among Commercial Banks

In the fourth objective, the essence was finding out the influence that competition has on the success or strategic management practices in the four commercial banks espoused in this report. Findings from the previous chapter have shown that there is indeed a positive and significant influence. The implication of these findings is that when there is competition in the external environment, a firm is likely to make even more formidable strategies to excel in the Kenyan banking industry. These findings seem to be pointing to the fact that most banks rely on the actions of other banks for them to understand what they should do internally. It all comes in the wake of intense competition that has characterized the banking industry at the time. Both 1st and 2nd tiers of banks face the same situation as they attempt to outwit their immediate competitors in the immediate external local banking environment.

The topic of the influence that competition has on received much attention with regards to how it impacts the strategic management of organizations. Mitrega and Pfajfar (2015) find that the use organizations facing the most intense of competition tend to formulate tougher strategies since it is their only formidable defensive mechanism against aggression in the
market. The situation of Equity, KCB, NIC, and Family banks in Kenya is synonymous to
the one espoused in the quoted study where each company is interested in what strategies
other rivals have in the market before formulating their own strategies. According to Joo,
Seo, and Min (2018), some resort to engaging in game theory to determine the best courses
of action. Therefore, where there is intense competition, a company becomes more intelligent
as it develops and grows along the learning curve of the industry. This notion is exactly what
the current study found out to be true hence being the point of similarity with the quoted
previous studies herein.

The banks lamented that the biggest source of competition, for the time being, is Fintech
companies offering unsecured loans to the public. This environmental change where the
public has substitutes from such companies has pushed banks to also make similar offers. In
Kenya, Mshwari and KCB Mpesa are products offered by banks namely CBA and KCB
respectively. Even Equity Bank offers unsecured loans branded as Eazzyloan. It is clear that
Fintech companies have changed the strategic practices for these banks and also changed the
competitive landscape of the industry. According to Meskendahl (2017), technological
changes have impacted the banking sector since the days of automated teller machines. The
banks encompassed in this study have shown that dealing with competition has required them
to be flexible and innovative in order to remain relevant and competitive.

Findings established in this study regarding the influence of competition as an environmental
factor on strategic management practices are inconsistent with what was found in Abishua
(2010). In the quoted study, even though competition was a significant factor, it was regarded
as an external factor that the company had little control over. This view is inconsistent with
the findings made in Bozkurt and Ergen (2014) where it was established that despite
competition being an external factor, a firm could still manipulate factor through strategies
such as pricing and branding. The problems faced by the four commercial banks
encapsulated in this study could, therefore, be solved by the use of strategies such as the ones
proposed above.

Onditi, Oginda, Ochieng, and Oso (2012) is of the opinion that competition should not
necessarily be the source of change in the strategic direction taken by commercial entities.
The source argues in contrast with the current study as it claims that when a business is influenced by competitive forces, it is likely to lose its overall strategic direction. Competitive forces in the industry come and go, but the mission and vision of an organization are there to stay. Steering away from an organizational mission because of competitive pressure is not acceptable, though many firms have considered this way out. The source opines that no matter how much competition there is in the market, firms need to prioritize their fundamental strategic courses. In justifying this approach, the source further argues that there is no perfect strategy in business that will fit all times and situations. Each strategy will always be countered by competition but that does not make it weak or unwarranted. It is always wise to stick to a course of action rather than changing them each time competition comes into the picture. This view is divergent to the one shaped throughout this study where it is suggested that firms need to formulate their strategies partly with respect to what competitors are doing in the industry and beyond.

5.4 Conclusion

5.4.1 Conclusion of the Role of Government on Strategic Management Practices

The study has established that the government plays a significant role in determining the strategic management practices at the four commercial banks. Because this effect is negative, it shows that the government has not been instituting good policies in managing the banking sector.

5.4.2 Conclusion of the Effect of Resource Allocation on Strategic Management Practices

Regarding the effect of resource allocation on strategic management practices of commercial banks, the study concludes that this effect is real though it is minimal. It is understandable because resource allocation is a function that facilitates the pursuance of strategies but it is not the only factor, and neither is it the strongest among the internal factors.
5.4.3 Conclusion of the Impact of Organizational Structure on Strategic Management Practices

The investigation into the impact of organizational structure on the strategic management practices of commercial banks indicated that it was weak but significant. The organizational structure included pertinent issues such as departmentalization, delegation, and the division of labor and specialization.

5.4.4 Conclusion of the Influence of Competition on Strategic Management Practices

Competition was the last factor to be investigated regarding its influence on strategic management practices. It was established as the most formidable factor meaning that nature and extent of competition at the commercial banks informed the strategic decisions that the banks would make.

5.5 Recommendations

5.5.1 Recommendations for Improvement

After discussing the findings and drawing conclusions from them, the next step is to make recommendations in light of the issues seen to have arisen from the sections above.

5.5.1 Role of Government Regulation/ Policies

The interest capping legislation seems to only be yielding political benefits at the expense of economic and business incentives. It is making banks face a difficult time formulating and implementing strategies. Therefore, it needs to be repealed.

Apart from repealing the interest capping legislation, the government should adopt a laissez-faire approach when it comes to the institutionalization of policies to govern the banking sector. This move will allow the invisible hand of demand and supply rule the market thereby establishing equilibrium.
5.5.2 Role of Resource Allocation
Strategic goals need to be given priority during resource allocation deliberations. It does not make sense formulating strategies and then when it is time to implement them, there are no adequate resources to facilitate the process.

All relevant stakeholders need to be involved during the process of allocating resources. The companies should, therefore, adopt a bottom-up approach where the estimates for resource allocation are determined in departments and forwarded to the top for budgetary allocation.

5.5.3 Role of Organizational Structure
Staff members are the foot soldiers that are responsible for the implementation of strategies. It will help if the organizational structure provides a proper framework regarding their specific roles all members play in the process of fulfilling the requirements for strategic attainment of objectives.

A flat based organizational structure allows communication between and among members than a hierarchical one. It fosters the delegation of responsibilities, which is a good form of empowerment for subordinate staff members in an organization. It eliminates bureaucracy and makes the system more flexible and responsive.

5.5.4 Role of Competition
The competition brought by Fintech companies can be dealt with using technological innovation that anchors some of the banks’ services on a business model such as the one offered by the side companies. Such can only be achieved if the banks invest in technological innovation since it seems to be the next frontier of competition in banking.

Digital marketing is another technique that the banks can employ in fending off competition especially the one coming from Fintech companies. These techniques could include social media marketing, search engine optimization, and in-app advertisements.

5.1.2 Suggested Areas for Further Research
The following areas need more research because the study in focus could not comprehensively pay attention to them.
The impact of technological innovation on the competitiveness of Kenyan commercial banks. With the growing competition among commercial banks, many of them are resorting to technological innovation to become more competitive. It will be interesting to find out how this approach helps them sustain strategic competitiveness in the industry and beyond.

The effect of the interest capping laws on the competitive landscape of the Kenyan banking sector. In the year 2016, the interest capping law came into effect. It is prudent to conduct a study that will evaluate the successes and failures of the legislation in terms of how it has impacted the competitive landscape in the banking sector of Kenya.

Comparison between organizational structures and their impact on strategic management of banks. For this study, the purpose will be to compare the impact that different kinds of organizational structure on the strategic management practices of commercial banks. It will be interesting to find out if there is a single dominant strategy that is superior to the rest.
REFERENCES


APPENDICES

Appendix I: Introduction Letter

I am PURITY WANGUI HUHA; a student at United States International University (Kenya) carrying out a study entitled INFLUENCE OF SELECTED EXTERNAL AND INTERNAL FACTORS ON STRATEGIC MANAGEMENT PRACTICES AMONG COMMERCIAL BANKS IN KENYA. The study is ONLY meant for academic purposes and the information solicited will NOT be shared with third parties apart from university authorities, and neither will the identity of respondents. I hereby invite you to participate in this study by answering the questions in this questionnaire with an unbiased mind.

Appendix II: Informed Consent Form

I hereby participate in this study out of my full will understanding that the information I share in this research project will be used for academic purposes only and that my confidentiality has been fully guaranteed.

Sign

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

Appendix III: Questionnaire

Section I: Background Information

Respondent’s Information

Tick the Most Suitable Option
<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
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</thead>
<tbody>
<tr>
<td>Age</td>
<td>&lt;=25 Yrs</td>
<td>26-35 Yrs</td>
</tr>
<tr>
<td>Education</td>
<td>U. Diploma</td>
<td>B. Degree</td>
</tr>
<tr>
<td>Experience</td>
<td>1-3 Yrs</td>
<td>4-6 Yrs</td>
</tr>
<tr>
<td>Position</td>
<td>HR Mgr</td>
<td>Branch Mgr</td>
</tr>
</tbody>
</table>

Company Information

1. Age of Company
   ........................................................................................................

2. Top Three Biggest Perceived Competitors
   a. .................................................................
   b. .................................................................
   c. .................................................................

3. Biggest Strategic Challenges
   a. .................................................................
   b. .................................................................
   c. .................................................................

4. Competitive Advantages
   a. .................................................................
   b. .................................................................
   c. .................................................................
Section II: Role of Government Regulations/Policies on Strategic Management Practices

Respond to the following statements by selecting the option which best describes how best you assess the statement

KEY

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly Disagree

<table>
<thead>
<tr>
<th>#</th>
<th>Question/ Prompting Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The government has a fair approach to controlling interest rates</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Consumer protection laws instituted by the government are sensitive to the welfare of banking institutions</td>
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<tr>
<td>3</td>
<td>Taxation rates imposed by authorities are exceptionally fair</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>Central bank’s “bank rates” determine operating rates at your bank</td>
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</table>

Section III: Effect of Resource Allocation on Strategic Management Practices

Respond to the following statements by selecting the option which best describes how best you assess the statement

KEY

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly Disagree

<table>
<thead>
<tr>
<th>#</th>
<th>Question/ Prompting Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>The allocation of human resources is equitably distributed among firm’s business units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The allocation of physical resources is equitably distributed among firm’s business units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The allocation of financial resources is equitably distributed among firm’s business units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The allocation of resources follows recommendations made in needs assessment surveys</td>
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<td></td>
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</tbody>
</table>
Section IV:  Impact of Organizational Structure on Strategic Management Practices

Respond to the following statements by selecting the option which best describes how best you assess the statement

KEY

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly Disagree

<table>
<thead>
<tr>
<th>#</th>
<th>Question/ Prompting Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Departmentalization helps in the attainment of organizational objectives</td>
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<tr>
<td>2</td>
<td>The span of control is just adequate enough to result in effectiveness in your bank</td>
<td></td>
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<tr>
<td>3</td>
<td>Work specialization is appropriately allocated to competent individuals</td>
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</tr>
<tr>
<td>4</td>
<td>Chain of command is well defined at your bank for subordinates to follow</td>
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<td></td>
<td></td>
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</tbody>
</table>

Section V:  Influence of Competition on Strategic Management Practices

Respond to the following statements by selecting the option which best describes how best you assess the statement

KEY

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly Disagree

<table>
<thead>
<tr>
<th>#</th>
<th>Question/ Prompting Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Industry rivalry is high within the Kenyan banking sector</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Substitutes to services provided by banks are giving banks a hard time in competition</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td>New entrants pose a significant and high threat to existing banks in Kenya</td>
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<td></td>
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<tr>
<td>4</td>
<td>There is high differentiation of products offered by different banks</td>
<td></td>
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</tr>
</tbody>
</table>
**Section V: Other Questions (Strategic Management Practices)**

Respond to the following statements by selecting the option which best describes how best you assess the statement

**KEY**

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly Disagree

<table>
<thead>
<tr>
<th>Question Variable</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The goal setting process in strategic management is done promptly</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Strategic management practices are anchored majorly on long term planning</td>
<td></td>
</tr>
<tr>
<td>Evaluation of strategies is properly carried out for both formative and summative</td>
<td></td>
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<tr>
<td>evaluations</td>
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<tr>
<td>Environment scanning is a crucial element in formulating strategic management plans</td>
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<tr>
<td>Implementation of strategic management practices is always consistent with its</td>
<td></td>
</tr>
<tr>
<td>corresponding plans</td>
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<tr>
<td>Adequate control measures are put in place to ensure that deviations are taken</td>
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<tr>
<td>care of</td>
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<tr>
<td>Decision making during implementation is always informed by strategic elements of</td>
<td></td>
</tr>
<tr>
<td>vision, mission, and objectives</td>
<td></td>
</tr>
<tr>
<td>The effectiveness of strategic management practices in your bank is high</td>
<td></td>
</tr>
</tbody>
</table>
Appendix V: Interview Guide

1. Enlighten me about the integrity of strategic management practices in your bank
2. Would you consider these practices all the way smooth or what problems arise therein?
3. Talk to me about how these practices are influenced by government policies
4. What would you say is the effect of resource allocation on those practices?
5. Does organizational structure have an influence on the integrity of strategic management practices in your banking organization? Please explain
6. How does competition impact strategic management practices in your bank?
7. What are you currently doing to increase and improve the integrity of your strategic management practices
Appendix VI: Research Letter

TO WHOM IT MAY CONCERN.

23rd October, 2018

Dear Sir/Madam,

REF: PERMISSION TO CONDUCT RESEARCH – HUHA PURITY WANGUI
STUDENT ID. NO. 653947

The bearer of this letter is a student of United States International University (USIU)-Africa pursuing a Master of Business Administration.

As part of the program, the student is required to undertake a dissertation on “Influence of External and Internal Environmental Factors on Strategic Management Practices among Commercial Banks in Kenya” which requires her to collect data.

Please note that information provided will be treated with utmost confidentiality and will only be used for academic purposes.

Kindly assist the student get the appropriate data and should you have any queries contact the undersigned.

Yours Sincerely,

[Signature]

Prof. Amos Njuguna,
Dean – School of Graduate Studies, Research and Extension
Tel: 730 116 442
Email: amnjuguna@usi.ac.ke
Appendix VII: NACOSTI Letter

NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471
22413-9, 331557-2219420
Fax: +254-20-318245, 318249
Email: dg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

Ref No. NACOSTI/P/19/68717/27916 Date: 31st January, 2019

Purity Wangui Huha
United States International University – Africa (USIU-A)
P.O. Box 14634 – 00800
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “External and internal environmental factors influencing strategic management practices among commercial banks in Kenya” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 31st January, 2020.

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

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

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

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.
THIS IS TO CERTIFY THAT:
MISS. PURITY WANGUI HUNA
of UNITED STATES INTERNATIONAL
UNIVERSITY, 468-1000 THIKA, has been
permitted to conduct research in
Nairobi County
on the topic: EXTERNAL AND INTERNAL
ENVIRONMENTAL FACTORS
INFLUENCING STRATEGIC MANAGEMENT
PRACTICES AMONG COMMERCIAL BANKS
IN KENYA
for the period ending:
31st January, 2020

Applicant’s Signature

Permit No: NACOSTI/P/19/68717/27916
Date Of Issue: 31st January, 2015
Fee Recieved: Kshs 1,000

Director General
National Commission for Science, Technology & Innovation