

**STRATEGIC LEADERSHIP, STRATEGY IMPLEMENTATION  
AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

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OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF  
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## **DECLARATION**

I Onesmus Mwema hereby declare that this research project entitled ‘Strategic Leadership, Strategy implementation and performance of Commercial banks in Kenya’ has not been submitted for any academic award such as certificate, diploma or degree in any college, University or institution of learning.

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**MBA PROGRAMME**

### **SUPERVISOR’S APPROVAL**

This research project prepared by Mwema Onesmus entitled “Strategic Leadership, Strategy implementation and Performance of Commercial Banks in Kenya’ has been developed with my guidance and has been submitted for examination with my approval as the university supervisor.

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## **ABBREVIATIONS AND ACRONYMS**

CAPEX	-	Capital expenditures.
ICT	-	Information and Communication Technology
OPEX	-	Operating expense
SPSS	-	Statistical Package for Social Scientist.
STRATEX	-	Strategic Expenditure
Y-o-Y	-	Year over Year

## ABSTRACT

The objective of the study was to determine the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya. The data collected from the branch managers, finance managers, human resource managers and heads of sections of commercial banks was analysed using descriptive statistics such as frequencies, percentages, means and standard deviations. The findings were presented using tables and figures. In order to establish the effect of organizational structure, leadership, organizational culture, resources and environment on the performance of commercial banks in relation to strategy implementation, regression analysis was carried out using Statistical Package for Social Sciences (SPSS). The study established that leadership affects strategy implementation and performance among commercial banks in Kenya to a very great extent. Organizational structure, organizational culture, resources and environment affect strategy implementation and performance among commercial banks in Kenya to a great extent. On the extent to which strategic leadership, strategy implementation and performance apply to commercial banks in Kenya, the study found out that strategy implementation applies among commercial banks to a great extent. On whether there is a positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya, the study found out that there was a high level of positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya. The study concludes that leadership affects strategy implementation and performance among commercial banks in Kenya to a very great extent while organizational structure, organizational culture, resources and environment affect strategy implementation and performance among commercial banks in Kenya to a great extent. On the extent to which strategic leadership, strategy implementation and performance apply to commercial banks in Kenya, the study concludes that strategy implementation applies among commercial banks to a great extent. On whether there is a positive relationship between, strategic leadership, strategy implementation and performance among commercial banks in Kenya, the study concludes that there was a high level of positive relationship between, strategic leadership, strategy implementation and performance among commercial banks in Kenya. The study also concludes that there is strong relationship ( $R= 0.723$ ) between organizational structure, leadership, organizational culture, resources, environment and performance of commercial banks in Kenya. Further, the study concludes that organizational structure, leadership, organizational culture, resources and environment have a positive and statistically significant effect on the performance of commercial banks in Kenya and accounts for 45.8% of the total variance in commercial banks performance. This study therefore recommends that the shareholders of performance of commercial banks in Kenya should establish organizational structure and leadership structures that encourage improved performance. The study also recommended that the management of commercial banks in Kenya should establish an organizational culture and business environment that enhances commercial banks performance. The shareholders should also avail enough resources to facilitate the banks operations.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

For close to three decades, organizations have perceived that strategic leadership and strategy implementation are a critical factor for success of any organization (Rowe, 2001). Productivity and development of customer-employee's friendly environment enables the organization remain focused on their core business. Banking institutions operate in dynamic and competitive and competitive environments and as result, the markets continually become more complex which if not countered impacts negatively on profit performance of this particular organizations (Barte, 2012).

This is anchored in Institutional theory of strategic leadership and strategy implementation and Mintzberg 5 P's theory which provides a framework for defining the relationship between strategic leadership and strategy implementation vi-a-vis performance of a banking organization. The narratives of institutional theory involve elaborations on how processes and work best practices are established as a social behavior and authoritative guidelines in organizations (Okantey, 2012). Although institutional theory is typically associated with general management of organizations, banking scholars have agreed that strategic leadership is an intricate part of institutional theory framework because of the abilities of organizational leaders as principal lead in strategy implementation in organizations. Team leaders in a strategy implementation process play a critical role of resource mobilization, allocation, budgeting, controlling and guiding stakeholders including employees in the entire process. The overall theme of

strategic leadership is to achieve growth through inventiveness and proper planning to assist the individual organization in realizing their specific objectives and goals (Spears, 2012)

Through efficient strategies adopted by the banking industry from 2012 and consecutive years, banks in the country have demonstrated exemplary commitment of meeting and exceeding their customer expectation through effectively rendering services across their various categories of their customers. This was demonstrated by the rise of the institutions liquidity ratio up to 4.7 points from 37% in year 2011 to 41.7% in year 2012 which stood way beyond minimum requirements of 20%.

### **1.1.1 Strategic Leadership**

The interest of any business organization is output maximization through adoption of best decisions among different alternatives as a step towards achieving the firm's business targets. It's at this point that strategy plays the role of the means to achieving these targets. This therefore makes strategy a process of formulating and achieving objectives of a business organization (Huemann, 2010). Strategy acts as a pattern and the basis of the entire plan which business organizations choose as a measure to react towards target objectives through capacity utilization. Best strategies involve a series of actions and, allocation of time and resources all which are organized as a measure to achieve the final set objectives. The success of this coordination is what characterizes an organization as efficient and successful operationally. Integration of different functional areas in an organization in the process of strategy development and implementation is always considered as a contribution to achieving a complete structure. Organizations without

strategy are like a ship without a rudder or a tramp without defined destination. As a result, the future of such organizations are always dark and therefore high chances of failure (Pearce & Robinson, 2008).

Whenever strategies are adopted, they have to continuously be monitored and evaluated against the set objectives to maintain their relevance, objectivity and effectiveness in ensuring achieving of the set performance targets of the organization. Some of the five most critical steps in implementing an adopted strategy including mission and vision identification, analysis of the existing performance against the defined mission and vision as well as objectives of the business, development of clear strategic plans for achieving these objectives, execution of the adopted strategic plan, continuous monitoring and evaluation against objectives and finally adoption of strategic plan upon success (Schermerhon, 2010).

It is important for every institution to develop, adopt and implement a strategy for continuous growth and retaining of a market share in the ever changing and competitive business environment. This should be despite the various common challenges that arise against the same including resource mobilization, continuous technological changes, organizational culture challenges, policy challenges, as well as the challenge of strategic leadership. As much as a strategy may be transformative and rich in information, its poor implementation can lead failure to achieve the set targets in terms of objectives (Pearce and Robinson, 2008). It is crucial to engage a new programme that all strategy implementation leaders understand on its strengths, intention of its implementation and adoption and the particular areas within the organization in which they thrive better. It is

a responsibility of the particular organization to identify the common barriers against implementation of these strategies and mitigate their impact as a measure to ensure adoption of the new strategy remains a success. (Beer and Eisenstat, 2010).

Previous researchers have indicated that there has never been one unique approach to strategy leadership since team leaders are all interested on the final result in which a larger contribution to this outcome is determined by factors including those within and outside the organization. Such call for team leaders to mitigate these challenges emanating from the ever threatening environment in strategy implementation process with key interest in critical success factors. (Yang, et al, 2008).

### **1.1.2 Strategy Implementation**

New entrants in to a similar line of business playground increases the level of competition with each organization fighting to retain their market share. As a result, organizations continuously keep on generating a new set of business ideas every other time to ensure they remain relevant in the increasingly competitive market. This involves critical and innovative thinking as a measure to mitigate these competition threats and one of the strategies for the success of the organization (Easter by-Smith, 2013). Key facilitators for successful implementation of a strategy in an organization include Organizational structure which refers to the efficiency in which different functional areas are able to fully participate in the strategy implementation process, Organizational culture which involves different practices by the organization and which are felt as not in line with interest of strategy implementation, Leadership which plays the most integral part in the entire scheme of strategy implementation, provision of resources to facilitate a



smooth implementation process, continuous communication across the different functional areas and monitoring of the business environment to ensure intended strategic changes are in line with the market trends(Thorpe et al, 2008).

This study investigates the organizational leadership/management effects on the implementation of strategic plan in Kenyan commercial banks which is an important business aspect compared to instituting a management committee. Board members who are elected into the business are not professionals parse despite assumption of some of the most technical responsibilities (Mudibo, 2005).

Previous studies on business failures have attributed the same to poor management, which is identified as the main cause. Culture change and effective organizational leadership play an integral role as the only two key ingredients for facilitating successful implementation of the firm'sstrategies. Leadership ensures empowerment of human resources as a key factor to the success of a strategy by providing guidelines and provision of a reward system as a motivational basis the personnel team (J Lanier, 2013).

### **1.1.3 Organizational Performance**

Performance in organizations revolves around output or results which are a measure against strategically targeted goals to achieve as end result. Performance involves organizational areas including Financial performance, Product performance in the market, and shareholder return on investment (Richard et.al, 2009). The exercise of achieving organizational performance is usually an incorporation of all stakeholders and participants who include all sections and departments in the organization. In recent times

many organizations have turned to managing performance methods including balanced score card in which output is accounted for using different dimensions including financial performance, customer base, corporate social responsibility and employee loyalty and commitment towards achievement of strategic goals (Munir et.al, 2014).

#### **1.1.4. Commercial Banks in Kenya**

Kenya's banking sector is comprised of 52 banking institutions 43 of them being fully fledged commercial banks, one mortgage finance company and eight microfinance institutions (CBK Report, 2013). Market in this sector is dominated by some multinational banking institutions which include Standard Chartered Bank, Barclays Bank among others and Pan African Banks including Kenya Commercial bank, Cooperative bank of Kenya, Family bank and Equity bank. By Close of December 2012, the country had 1063 bank branches operating in different parts and 1974 Automatic Teller Machines spread across different parts of the country. Tremendous growth in the sector was also realized through provision of E-banking platforms which are to date a preferred mode of banking and therefore an alternative channel of rendering efficient services. Kenya's banking industry is regulated via acts defined by the central banks, a state body under the ministry of finance and planning charged with the mandate of controlling monetary policy including formulation and implementation of regulations to foster healthy financial trade within banking institutions in the country (Mucharia, 2013).

In the year 2012, the banking sector in Kenya reported an asset size of 2330.3 which was a 15% increase Y-o-Y while loans and advances remained the key components of the banks consolidated statement of financial position at 55.6%; an annual growth rate of

12.5% which turned out to be an immense contribution to the sector. Other key sectors that contributed to growth of the banking industry included personal / household, trade, manufacturing and real estate all totaling to 71% gross on loans leading to banks new opportunities to distribute credits in as a method of diversifications in other open opportunities. During the same trading period, the industry also registered non-performing loans to a ratio of 4.7% was approximated to be 89% of bad loans which were created by other economic players including in both commodity and service industries(Banks financial reporting 2012).

Core capital and total capital to risk weighted assets ratio of the sector in year 2012 remained at 20% and 23% in 2012 which was way above the minimum requirements of 8% to 12% which are the standards regulated by CBK. The sector also realized a positive growth on the side of customer deposits earning a 14.8% which was partially a contribution by various business growth strategies key being mobile banking services which is an efficient mode for small and medium enterprise players. Banking industry encouraging achievement in the successive periods of year 2011, 2012 and 2013 can better be attributed to adoption of more favorable strategies including proper leadership, which in turn lead to increased deposits. As such, the industry reported a decline in gross loans and advances to deposit ration by up to 2.1 % between year 2011 and 2012 reaching 77.9%. There was also a pretax profit growth of 20.6% in the period resulting to Sh.107.9 billion of the sector. Much of this high profits were contributed by some of the major banks in the industry including Standard Chartered bank, Cooperative bank of Kenya, KCB and Equity bank all accounting for 64% of the total achieved profits. High performance in the banking sector in the recent years has brought these

institutions in the lead on matters associated with identification of key economic drivers competing ahead of similar institutions in the east African neighboring countries. Some of the strategies behind the success of these institutions include heavy capital investment in ICT Expansion through diversification, Invention of new products as well as introduction of religion affiliated banking products (Source: CBK).

## **1.2 Research Problem**

The success of a strategy depends on how well the implementation process is undertaken. Strategy execution entails utilization of the firm's resources to achieve successful implementation of a strategy. A chosen strategy is implemented successfully through proper leadership, enough resources, continuous communication and frequent monitoring and evaluation to ensure implementation is in line with projected expectations. (Yip & Johnson, 2009). Leadership play a role of ensuring efficiency through provision of the necessary skills for the most minimal errors that may result to repeat work. Proper Leadership also serves as a motivational basis to personnel for effective results. (Sambu, 2006).

Majority of research findings indicate poor business performance as an attribute of poor management as the main cause. Part of the contribution to this underperformance is also has an element of ineffective organizational leadership and the challenge of organizational culture. Thus failure of the leadership to preach the vision and inspire the team in adopting the mission and norms of the company adversely affects the execution of strategy. Previous studies in the subject have emphasized more on the strategic implementation on a varied factor while also taking account on all members all

commercial banks and other financial institutions. While leadership could be a sufficient ingredient for successful implementation of a strategy, the situation still remains unclear. This study therefore seeks to answer the following question; what is the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya? What is the impact of Strategic Leadership on Strategy Implementation? What is the impact of strategic leadership and strategy on organizational performance?

### **1.3. Research Objectives**

The research objective was to determine the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya. The study was guided by the following specific objectives:

- i. To determine the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.
- ii. To determine the impact of strategic leadership and strategy implementation.
- iii. To identify the impact of strategic leadership and strategy on organizational performance.

### **1.4 Value of the Study**

Final research outcome was instrumental to various business groups in the industry including those working in banking institutions mandated with developing strategies and long term plans for their institutions. This literature was of benefit to their work. This study also be useful to other academicians and scholars as they analyze and identify further areas of further study.

Managers in different banks have the opportunity to appreciate the role of strategic leadership in their institutions and give the same a broad perspective in future for the benefit of their organization. This assisted them in looking for more business openings to improve and retain their competitive edge. Customers in these institutions in return benefit from a range of products vailed to them for choices. Shareholders of these banking institutions who are investors also got to know the various alternative measurers the management of their investments are utilizing in ensuring maximum output from their investment. This enabled the same investors in making sound decisions on investing further after seeing return on investment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter gives a summary of theoretical views on strategic leadership and strategy implementation with the objectives of gaining more insights on the area of study including what has been concluded by other researchers about the same. It begins with different theories in the nature of strategic leadership and strategy implementation challenges involved in the process of overseeing success of a strategic plan and also a review of empirical studies on this area.

#### **2.2 Theoretical Foundation**

The section addresses theoretical background of the research area which is the basis of conducting the study. The chapter contains a broad review of literature related to the issues and variables under study. Theories that have been put forward to explain strategic leadership and strategy implementation in organizations include; institutional theory and Mitzberg's 5 P's theory.

##### **2.2.1 Institutional Theory**

Institutional Theory has its origin from the work of North (1991). This theory is formed on the fact that institutional environment can strongly affect the growth of formal structures in an institution. Institution theory states that organizations survive in an institutional environment which defines and de-limits its social reality. Pressures emanating from the larger business environment increase demand for the most fit

strategies for the success of the organization. For example, firms in accounting business handle themselves as professional partnerships and are actively involved common social responsibilities including contributing immensely and in certain ways for support of education in higher institutions of learning, professional advisories on tax policies and accounting on key government projects with a serious critic on ethical deviations of whatever nature on the same. Using such structures and practices elicits social approval and stakeholders and the general public build confidence that it's one of the best practices of assisting the organizations. All this was defined by Mayer and Rowan as pressures of social expectation arising from the institutional environment. In this case, professional institutions are incorporated including agencies of state, important interest groups and the media.

Some industries are more tightly constrained by social expectations of appropriate organizational conduct. For example, in many societies specialists are expected not to pursue blindly efficiency and profit: there is an expectation of patient care. Similarly, law and accounting firms are expected to temper commercial pursuits with consideration for the public good. In other industries, such as restaurants or the transport industry, economic factors appear paramount. Nevertheless, institutionalists point out the following that all organizations exist within a context of institutional rules with every strategy for success including general operations and marketing in the organization which institutional theory believes that is an outcome of social construct. Institutional theory describes further that all organizations are set up within the context of social expectations, which advocate for 'acceptable' actions and all managers through their different professions and training are enabled to have a broad understanding of



opportunities. These demands lead to development of company strategic plan. Therefore, this study employs institution theory to describe how the pressure originating from business environment has triggered development and implementation of strategic plan in Kenyan commercial banks.

### **2.2.2 Mintzberg 5 p's Theory**

Mintzberg (1987) came up with an explicit recognition of the definition of a strategy in what he later described as five (5) P's of strategy. He further discussed that it's really a challenge to get strategy right and thus came up with this 5P's strategy as an approach to developing a strategy which included Strategy as plan in that planning is one of the aspects accepted in management as the first priority including in the process of developing and incorporating a business strategy and therefore one of the approaches adopted involving brainstorming options including methods on how to deliver them. Mintzberg felt that at this level, the one aspect of planning wasn't yet enough and therefore he came up with other four P's. He discussed strategy as a ploy as getting better of competitors by plotting to dissuade them. Strategy as a pattern describing strategy as in a way emerging from past organizational behavior. Mintzberg emphasized that a consistent and successful way of doing business can later be adopted as the same entities' strategy. Position became another way of defining strategy describing specifically how an organization's management decides to explore and fit between themselves and the environment to ensure they develop a sustainable competitive advantage Strategy as perspective may be described as behavior patterns can emerge strategy and so thinking patterns may shape organization's perspective including all the matters it can be able to much better. Organizational management and shareholders share the element of

perspective through their intentions and actions which remains their bond of unity in a working environment by common behavior and thoughts.

### **2.3 Strategic Leadership and Organizational Performance**

Strategic leadership is the potential to express strategic vision for an organization including persuasion of stakeholders to contribute to the same vision through utilization of the same strategy. This involves the influencing participants towards executing organizational change. (Hitt et al., 2007). The ability by managers to motivate their staff towards successful implementation of a strategy includes describing to them of the intent to adopt a new strategy through having a vision for the organization by persuasive and motivational engagements to encourage on board all the key individuals required for the success of the process. This ensures that key managers in the organization have with them the vision and utilize the same in motivating by utilizing the strategy in managing their employees.

Strategic leadership involves the potential to advice and attract organizational stakeholders in adopting and implementing change for the success of the organization. Through different and informed leadership approaches, an organization is able to automatically define influence their vision and growth and therefore a definition of its success or failure. It's a requirement for managers who oversee the success of a strategy to have and retain the necessary skills and information for success in this exercise of change implementation of new strategies may appear ambiguous in the initial stages and therefore management of the same requires strategic leaders for total ownership, provision of direction and closer working relationship with their groups

towards implementation of this change. (Ireland & Hokinson, 2012). One important aspect of strategic leadership is that from its beginning, it is geared towards strategic productivity and developing an environment in which participants are able to tell of the organizational needs through their skills as related to their key assignments in the project. Managers as strategic leaders are mandated with encouraging participants in their organizations in to stick to the laid down ideas and procedures as they utilize reward methods and other incentive systems to continuously motivate their employees for improved productivity, quality output and therefore continuous growth and performance of the organization. The task of strategic leadership entails abilities to invent, perceive and define a plan to assist participants and stakeholders towards realization of objectives and goals (Kaplan & Norton, 2004).

#### **2.4 Strategy implementation and Organizational performance**

Implementing a strategy involves performing certain organized activities according to a plan in order to achieve an overall goal. In business context, this involves developing and then executing new plans to help increase output as well as build strong public perception and confidence (Hitt et al., 2007). Implementation of a strategy is regarded as critical to a company's success in that it is the level the definition of the organizations success direction is achieved including defining those to be involved in the exercise, when the implementation was initiated, and the methods to be utilized in reaching the desired objectives as defined in the strategic plan. (Kaplan & Norton, 2004).

Implementing a strategy begins after environmental evaluation and analysis (SWOT) including identification of the key strategic issues and goals. This involves alignment of initiatives after which is the key step for the entire process. Thereafter, a strategic value measurement tool may be created to analyze all new initiatives and ensure they are in line with the objectives of the overall strategy. These initiatives may be analyzed against their strategic contributions in the entire process. During the implementation process, budgets and performance must be aligned by decentralization of capital budgets with the aim of achieving enough allocation in every section for achievement of the final strategic initiatives. recommended allocation of special budgets for strategy initiatives (Stratex) alongside (capex) and operating (opex) budgets. As a measure to protect these projects against unforeseen diversion of resources (Kaplan & Norton, 2004). Questions may arise on the existing organizational structure on the effective implementation method for the most meaningful and efficient method to achieve the final outcome of the strategy implementation exercise. It is therefore identified as important to develop and continuously update the organization's structure to avoid forcing a new strategy in to an old structure hence the entire process reaching a deadlock (Hitt et al., 2007).

## **2.5 Strategic Leadership, Strategy Implementation and organizational Performance**

Strategic leadership in an institution involves performance involves a number of factors and steps for its success. The success of these strategies cannot be realized if either of the considerations is left out (Awino et al., 2012). The size and type of an organizational structure is a key factor that determines the effectiveness of Successful strategy implementation. An organization has to create different functional areas and ensure that each functional area has its own allocated resources to have the ability to fulfill the

operational needs of the strategy implementation exercise. Before the implementation of a new strategy in an organization, leaders must ensure that the organizational structure is in line with the adopted strategy and in case, does not fit well, then necessary adjustment of the structure should be conducted (Pearce and Robison, 2004). Some of the indications that an organizational structure is inefficient for strategy implementation include too many bureaucracies and therefore time consuming for orders to be taken and attended, Unnecessary meetings attended by too many participants from the various sections, endless interdepartmental conflicts, a long and unnecessary chain of command and a lot more of unachieved targeted objectives. Plans to adjust an organizational structure in line with a developed strategy ensures its implementation is a success (Schaap, 2006).

Organizational leadership involves transforming an organization into a successful entity. Successful strategy implementation need proper guideline which can only be provided by skilled leadership. Unskilled leadership may hinder the implementation of a strategy or even terminate the implementation process in the middle. Managers and participants in a strategy implementation must be trained to have the necessary skills and qualifications to ensure smooth coordination and transition into adoption of the new strategy (Peace and Robinson, 2008). Leadership in a strategy implementation process inspires and motivates participants to working as a team towards accomplishing the set objectives. Effective leadership involves managing people and processes to ensure to align both with the adopted strategy. Skilled managers as strategy implementation leaders ensures that there is always a clear understanding on the implications of adoption of the new strategy in the organization and also effective communication to all stake holders to get a smooth buy in of the idea (Hitt Et al, 2007).

Resource allocation is a task involving decisions on where scarce resources can be used effectively in supporting implementation of a strategy. RA resource can be defined as any production factor i.e. something used to produce goods and services and this may include manpower, machinery, property, tools and equipment, technology and natural resources and financial resources (David, 2009).Resource allocation starts at the level of strategic planning when the strategy implementation leaders formulates the targets of implementing the strategy. The task of allocating the available resources includes budgeting of these resources and logistical management of the same which involves transfer of the resources required to where they need to be in order to achieve the set objectives (Murage, 2016).

For success of a strategy implementation process in an organization to be achieved, the process must be done in line with organizational culture which includes shared practices within an organization setting the necessary foundations for strategy adoption. This calls for establishment of clearly defined processes and practices to fully support the adopted strategy within some reasonable time (Hendry and Kiel, 2002). Organizational culture involves leadership by managers on resource management and culture change. Strategic leaders must effectively deal with the challenge of organization's culture change to ensure the strategy implementation task remains a success as per the initial outlay (Andreas, 2004).Top leadership in a strategy implementation process is tasked with the challenge of ensuring cultural alignment to achieve the various strategic changes as defined in their objectives in the initial stages. The task of organizational culture change is usually a complex one because of the heavy connection with held values by employees and which is part of the contribution to resistance to change (Thompson and Strickland,

2008). A healthy business environment that embraces good business practices and has the necessary ability in terms of skills and resources to tackle common environmental challenges is deemed to survive even in implementing a new strategy within its set up (Volberda, 1996). Different business organizations compete in uncertain and dynamic environments which are commonly affected by environmental threats such as globalization, continuous technological advances, increasing legal procedures, privatization and the ever increasing competition which may threaten existence of a business if a new strategy is not developed to counter the challenge. Such dynamic environment remains a key challenge to implementing a strategy and presence of significant challenges in the environment may render unviable the implementation of a strategy in any organization. Common environmental strategy implementation problems in Kenya include prolonged schedule than initially planned, Environmental, poor planning, competing priorities, failure by strategy implementation leaders and poor coordination of the entire assignment (Easter by-smith, 2013).

## **2.6 Summary of Empirical Studies and Knowledge Gaps**

The content of this literature review in the previous page has included some of the studies carried out in the relationship between strategic leadership and strategy implementation in commercial banks in Kenya and performance. All these studies have come up with mixed results with some advocating for a relationship on all the variables while others have not identified any close relationship of these variables. Different studies by different researchers have given different findings and knowledge gaps that this study seeks to address.

**Table 2.1 Summary of Empirical Studies and knowledge**

<b>Study</b>	<b>Focus</b>	<b>Methodology</b>	<b>Findings</b>	<b>Research gaps</b>	<b>Current study focus</b>
Gekonge 2012	Aligning organizational goals, structures and strategy	The researcher used descriptive survey research design	Study established that aligning goals, structures and strategy increases the level of output	The study never demonstrated how to relate leadership and strategy implementation to increase output	This study used integrative model in examining the influence of strategic leadership in implementing a strategy to achieve increase business output.
Muthoni,2013	Communication and training as important in strategic leadership & implementation.	The study used qualitative content analysis (case study – Commercial bank of Africa)	Study advised that communication and training are the key factors in achieving strategy implementation and output	Study did not elaborate other factors that may be incorporated with communication and training for effective strategic goal achievement. Study also never discussed challenges involved in the same.	This study incorporates all factors that are a challenge against strategy implementation. This include ways of mitigating the same for success of strategy implementation.
Munyoki et al, 2013	Adoption of E-Commerce as a strategy to performance of commercial banks.	Study was carried out using a cross sectional survey to acquire information on commercial banks performance.	Study indicated that E-Commerce is the only strategy to employ in a competitive business environment for a major output.	There was no elaboration on what other strategies can be incorporated with E-commerce to achieve output. Study never covered commercial banks operating in Kenya	This study discuss incorporation of different channels to achieve successful strategy implementation.



Aduda et al, 2014	The relationship between agency banking and improved performance as an outcome in commercial banks in Kenya	The study used secondary data sources to collect information.	Study found a strong relationship between banks revenue achieved through agents and financial performance of the institution.	The study did not discuss other challenges that may affect performance.  There was no study on challenges on agency banking.	This study discuss agency banking as one among many strategies adopted by commercial banks for their success.
Murage, 2016	Involvement of all staff members in developing and adopting a strategy	Study used descriptive survey and focused on National bank of Kenya	Study concluded that all staff members must be involved in strategy development and adoption.	Study did not compare profitability in banking institutions with leadership	This study is prepared to discuss how increasing profitability can be achieved through proper strategic leadership

Source: Researcher (2017)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter discussed the suggested research design for the study, target population, sampling approaches and methods of data collection and analysis.

#### **3.2. Research Design**

A descriptive research design was used to describe reason behind the choice associated with a subject population and identify current status of the population sample with respect to common variables. The aim is to determine the current status of that population with respect to one or more variables. A descriptive research determines and reports the way things are. The design is chosen because the researchers do not purpose to manipulate variables but to describe things as they were at the time of the study (Kothari, 2008). Also, the design is considered appropriate because it assisted in collecting original quantifiable data which is used to describe the population under study.

#### **3.3. Population**

The target population of the study was the 43 commercial banks in Kenya as per the grouping of the different tiers by the central bank of Kenya and Cyttonn Investment report 2016. The researcher used purposive sampling procedure based on performance approach by getting 100% of both tier one and tier two banks in the industry as sample. The sample size included three members of staff in every bank who consisted of branch manager,

finance and or human resource and various heads of section who may be thought to have reliable information that may assist in this exercise.

### **3.4 Data Collection**

The study sought to determine the relationship between strategic leadership and strategy implementation on performance of financial institutions. Questionnaires were issued to the sampled respondents and were filled during some prearranged sessions. Questionnaires have both open and close-ended questions for collection of primary data. Arrangements for interviews also are made to administer the same. Immediately after, the questionnaires were collected for analysis. The researcher preferred to use questionnaires because each respondent was able to complete them without struggle and the cost of administering questionnaire is cheaper and quicker compared to other methods and also is far reaching to the larger audience (Bryman, 2008; Cohen et al., 2007).

### **3.5 Data Analysis**

Descriptive statistics was used for summarizing variables obtained from questionnaires. Relationship between strategic leadership and strategy implementation and performance in banking institutions was demonstrated using regression analysis. After analysis, the final output of the data was interpreted using other tools including frequencies, percentages, mean scores and standard deviation as a measurer to enhance explanation.

The following analytical model was used to establish

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where:

Y – Bank Performance (the dependent variable)

X<sub>1</sub>- Organizational Structure, X<sub>2</sub>- Leadership

X<sub>3</sub>- Organizational Culture, X<sub>4</sub>- Resources

X<sub>5</sub>- Environment, - Error term estimate

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents the analysis, findings and discussions of data collected in relation to the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya. The primary data was collected from branch managers, finance managers, human resource managers and heads of sections using semi-structured questionnaires. The researcher used descriptive statistics techniques such as percentages, frequencies means and standard deviations to analyse the data collected. The study findings were then presented using tables and figures. In order to establish the effect of organizational structure, leadership, organizational culture, resources and environment on the performance of commercial banks in relation to strategy implementation, regression analysis was carried out using Statistical Package for Social Sciences (SPSS).

#### **4.2 Response Rate**

The researcher administered a total of 43 semi-structured questionnaires to the top level managers of commercial banks in Kenya. The study managed to receive a total of 37 duly filled questionnaires. The 37 filled questionnaires represented 86.05% response rate. This was considered as an adequate representative sample. which the researcher considered an adequate representative. Clarke, Edwards and Kwan (2002) in their study recommended a response rate of more than 80%.

**Table 4.1: Response Rate**

<b>Response Rate</b>	<b>Frequency</b>	<b>Percentage</b>
Filled	37	86.05
Not Filled	6	13.95
<b>Total</b>	<b>43</b>	<b>100.00</b>

**Source: Field Data (2017)**

### 4.3 Reliability Test

The researcher further carried out reliability test to check the internal consistency of the questionnaire. A Cronbach's Alpha co-efficient of 0.7 or more was used as a threshold for an internally consistent study questionnaire. The reliability test results are as tabulated in Table 4.2.

**Table 4.2: Reliability Test**

	Cronbach's Alpha	Cronbach's Alpha Standardized Items	N of Items
Organizational Structure	.742	.739	4
Leadership	.746	.747	5
organizational culture	.754	.757	5
Resources	.736	.789	5
Environment	.747	.796	5
Strategy implementation	.792	.832	12
Bank performance	.789	.784	9
<b>Overall</b>	<b>.759</b>	<b>.781</b>	<b>45</b>

**Source: Filed Data (2017)**

The reliability findings recorded an overall Cronbach's Alpha co-efficient of 0.759. Organizational structure, leadership, organizational culture, resources, environment, strategy implementation and bank performance recorded Cronbach's Alpha co-efficient

of 0.742, 0.746, 0.754, 0.736, 0.747, 0.792 and 0.789 respectively. All the Cronbach's Alpha co-efficient that greater than 0.7. This indicates that the research instrument for this study internally consistent and could be relied on in determining the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.

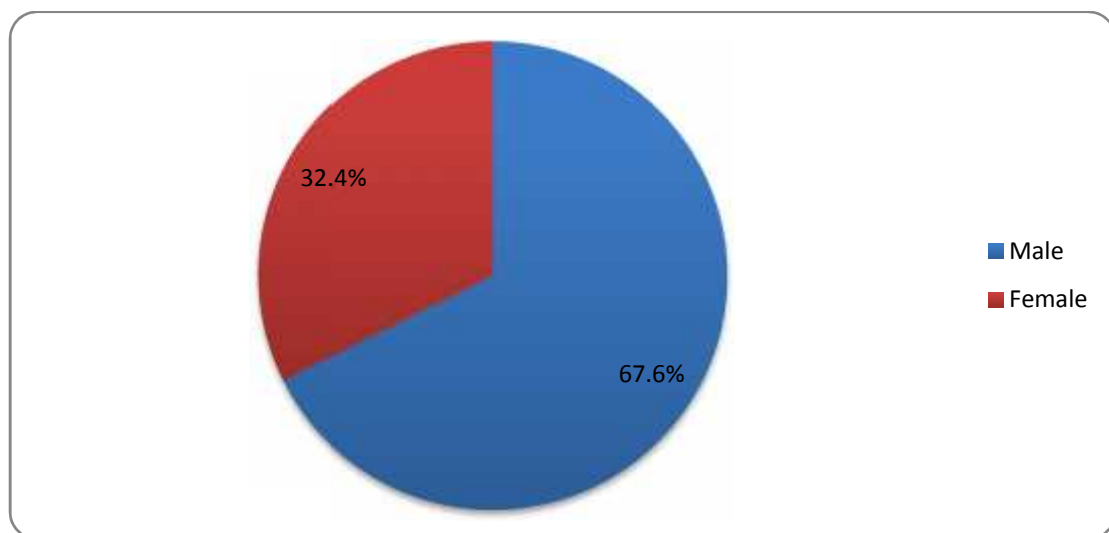
#### 4.4 Demographic Information

On demographic information, the study sought to obtain the respondents' general information. The parameters discussed include gender, age, education, job position and work experience. The findings of the study are as discussed.

##### 4.4.1 Gender of Respondents

The study sought to establish the extent to which different genders participate in the management of commercial banks in Kenya. The study findings are depicted in Figure 4.4.1.

**Figure 4.1: Distribution by Gender**



Source: Research Findings (2017)

The above results reveals that majority (67.8%) of the respondents from commercial banks were of male gender while 32.4% were of the female gender. This is a clear indication that that the distribution of questionnaires was not done in a biased manner. The results further reveal presence of gender parity among commercial banks top leadership positions.

#### 4.4.2 Age Bracket

The study further sought to establish the gender details of the respondents among commercial banks in Kenya. The results of the study are as tabulated in Table 4.3.

**Table 4.3: Age Bracket**

<b>Age Bracket</b>	<b>Frequency</b>	<b>Percent</b>
Between 45-54yrs	14	37.8
Between 35-44yrs	13	35.1
Between 25-34yrs	5	13.5
Above 55yrs.	4	10.8
Between 18-24yrs	1	2.7
<b>Total</b>	<b>37</b>	<b>100.0</b>

**Source: Research Data (2017)**

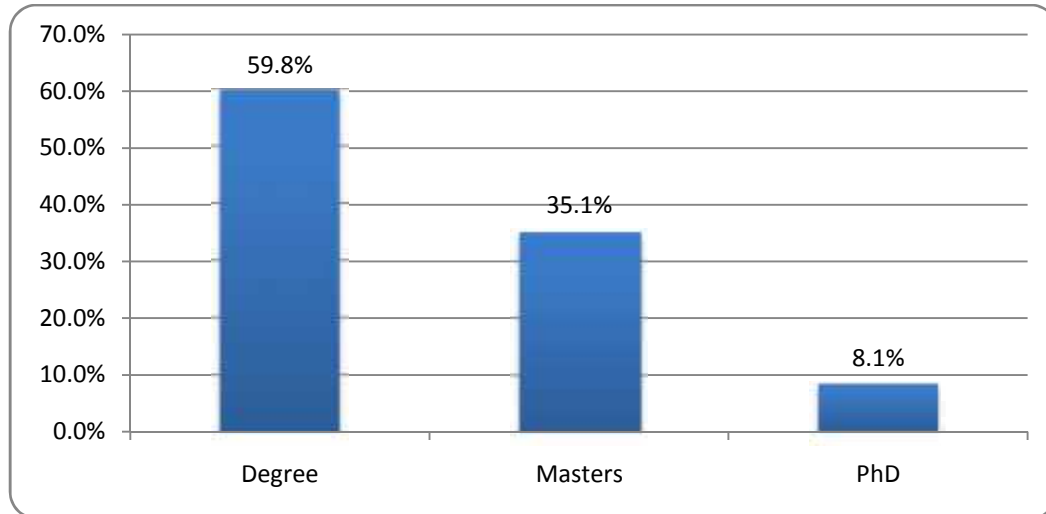
The results reveals that most (37.8%) of the respondents were aged between 45-54 years followed by 35.1% of the respondents who were aged between 35-44 years. Those aged between 25-34 years accounted for 13.5% of the respondents. Only 2.7% were aged between 14-24 years. This is a clear indication that majority of the respondents were mature enough to understand the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.



#### 4.4.3 Level of Education

The respondents were further requested to indicate their level of education. The results of the study are as tabulated in Figure 4.2.

**Figure 4.2: Level of Education**



**Source: Field Data (2017)**

Figure 4.2 above reveals that majority (59.8%) of the respondents had a degree level of education followed by 35.1% of the respondents who had a masters level of education. Those with a PhD level of education accounted for 8.1% of the respondents. None of the respondents had a diploma level of education. This indicates that majority of the respondents were educated well enough to understand the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.

#### 4.4.4 Job Position Held

The study further sought to establish the job positions held by the respondents. The results of the study are as tabulated in Table 4.5.

**Table 4.5: Job Position Held**

<b>Position</b>	<b>Frequency</b>	<b>Percent</b>
Finance Managers	14	37.8
Branch Managers	7	18.9
Credit Manager	7	18.9
Human Resource Managers	6	16.2
Teller	3	8.1
<b>Total</b>	<b>37</b>	<b>100.0</b>

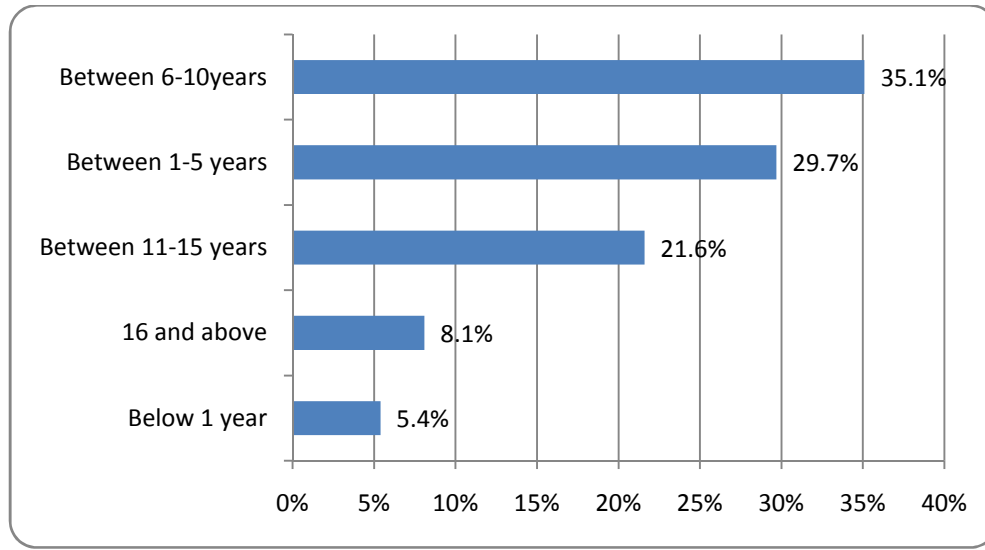
**Source: Field Data (2017)**

Table 4.5 results indicate that most (37.8%) of the respondents were finance managers followed by Branch Managers and Credit Manager at 18.9% and then human resource managers at 16.2%. Only 8.1% of the respondents were tellers. These findings indicate that the respondents held senior positions that allowed them to understand the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.

#### **4.4.5 Work Experience**

The study further looked at the working experience of the respondents. The findings are as shown in figure 4.3.

**Figure 4.3: Work Experience**



**Source: Field Data (2017)**

The findings indicate that most (35.1%) of the respondents had a working experience of between 6-10 years followed by 29.7% who had a working experience of between 1-5 years and then 21.6% of the respondents who had a working experience of between 11-15 years. Only 5.4% of the respondents had a working experience of less than one year in their current job positions in their respective commercial banks. This shows that the respondents had adequate working experience to understand the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya.

#### **4.5 Strategic Leadership**

In this section, the study sought to know the extent to which various issues (organizational structure, leadership, organizational culture, resources and environment) influences strategy implementation which in turn affects commercial banks performance. The respondents were requested to indicate the extent to which they agreed or disagreed on various statements. The statements were rated on a Likert scale of 1-5 where: 5=Very

Great Extent, 4=Great Extent, 3= Moderate Extent, 2 Little Extent and 1=No Extent. The recorded mean scores were interpreted as follows:

**Table 4.6: Interpretation Scale**

<b>Scale</b>	<b>Interpretation</b>
1.00 - 1.49	No Extent
1.50 - 2.49	Little Extent
2.50 - 3.49	Moderate Extent
3.50 - 4.49	Great Extent
4.50 - 5.00	Very Great Extent

**Source: Field Data (2017)**

#### **4.5.1 Organizational Structure**

The study sought to determine the effect of organizational structure on strategy implementation and performance among commercial banks in Kenya. The results are shown in Table 4.7.

**Table 4.7: Organizational Structure**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Communication Effectiveness	4.70	0.463
Employee Motivation	4.27	0.652
Team players	3.76	0.683
Performance	3.57	0.728
Employee confidentiality	3.35	0.716
<b>Aggregate Mean</b>	<b>3.93</b>	<b>0.648</b>

**Source: Field Data (2017)**

An aggregate mean of ( $M=3.93$ ,  $SD= 0.648$ ) was recorded implying that organizational structure affects strategy implementation and performance among commercial banks in Kenya to a great extent. Communication effectiveness was the most rated aspect of

organizational structure with a mean ( $M=4.70$ ,  $SD= 0.463$ ) followed by employee motivation with a mean ( $M=4.27$ ,  $SD= 0.652$ ). Team players and performance had mean scores of ( $M=3.76$ ,  $SD= 0.683$  and ( $M=3.57$ ,  $SD= 0.728$ ) respectively. This indicates all these variables influences strategy implementation to a great extent. Only Employee confidentiality was found to influence strategy implementation to a moderate extent ( $M=3.35$ ,  $SD= 0.716$ ).

#### 4.5.2 Leadership

The study sought to determine the effect of leadership on strategy implementation and performance among commercial banks in Kenya. The results are as shown in Table 4.5.2.

**Table 4.8: Leadership**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Planning and coordination of resource allocation	4.92	0.277
Conflict resolution	4.68	0.475
Evaluating performance	4.57	0.555
Communication	4.54	0.505
Monitoring utilization efficiency	4.54	0.558
<b>Aggregate Mean</b>	<b>4.65</b>	<b>0.474</b>

**Source: Field Data (2017)**

The aggregate mean of ( $M=4.65$ ,  $SD= 0.474$ ) indicates that the leadership affects strategy implementation and performance among commercial banks in Kenya to a very great extent. The most rate statements were Planning and coordination of resource allocation and conflict resolution with mean scores of ( $M=4.92$ ,  $SD= 0.277$ ) and ( $M=4.68$ ,  $SD= 0.475$ ) respectively followed by Evaluating performance and Communication with mean scores of ( $M=4.57$ ,  $SD= 0.555$ ) and ( $M=4.54$ ,  $SD= 0.505$ ) respectively. Monitoring

utilization efficiency was the least rated with a mean score of ( $M=4.54$ ,  $SD= 0.558$ ). this indicates that all the statements influenced strategy implementation and performance among commercial banks in Kenya to a very great extent. The standard deviations recorded indicated the level variations among. This study recorded low levels of standard deviations implying minimal variations in respondents in relation to the given statements.

### 4.5.3 Organizational Culture

Further, the study sought to determine the effect of organizational culture on strategy implementation and performance among commercial banks in Kenya. The results are as shown in Table 4.9.

**Table 4.9: Organizational Culture**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Goals and objective	4.62	0.492
Provision of Quality products	4.46	0.505
Creating Employee-customer relationship	4.30	0.740
Customer input in decision making	3.89	1.100
Promotes freedom in decision making	3.62	0.794
<b>Aggregate Mean</b>	<b>4.18</b>	<b>0.726</b>

**Source: Field Data (2017)**

The respondents agreed that organizational culture influences strategy implementation and performance among commercial banks in Kenya to a great extent as evidenced by an aggregate mean of ( $M=4.18$ ,  $SD= 0.726$ ). The study also found out that the culture of goals and objective influences goals and objective strategy implementation and performance to a very great extent as shown by a mean score of ( $M=4.62$ ,  $SD= 0.492$ ). Provision of Quality products and Creating Employee-customer relationship recorded means cores of ( $M=4.46$ ,  $SD= 0.505$ ) and ( $M=4.30$ ,  $SD= 0.740$ ) respectively implying

they influence strategy implementation and performance to a great extent. The least rated was the statement that organizational culture promotes freedom in decision making with a score of ( $M=3.62$ ,  $SD= 0.726$ ) implying it also influences strategy implementation and performance among commercial banks in Kenya to a great extent. The respondents had minimal differences in opinions as indicated by low standard deviations.

#### 4.5.4 Resources

The study also sought to establish the influence of resources on strategy implementation and performance among commercial banks in Kenya. The results are as shown in Table 4.5.4.

**Table 4.10: Resources**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Facilitates growth and Customer satisfaction	4.97	0.164
Promotes innovation	4.54	0.505
Reduces the paper work in Commercial banks services	4.03	0.957
Enables accuracy banking services	3.78	1.109
Promotes uniformity across functional areas leading to standard operating procedures	3.76	0.548
<b>Aggregate Mean</b>	<b>4.22</b>	<b>0.657</b>

**Source: Field Data (2017)**

An aggregate mean of ( $M=4.22$ ,  $SD= 0.657$ ) was recorded implying that resources influence strategy implementation and performance among commercial banks in Kenya to a great extent. The statement that resources facilitates growth and customer satisfaction with a mean score of ( $M=4.97$ ,  $SD= 0.164$ ) followed by the statement that resources promotes innovation with a mean score of ( $M=4.54$ ,  $SD= 0.505$ ) were the most rated indicating they influence strategy implementation and performance among commercial

banks in Kenya to a very great extent. The least rated was that resources promotes uniformity across functional areas leading to standard operating procedures with a mean score of ( $M=3.76$ ,  $SD= 0.548$ ) indicating it influences strategy implementation and performance among commercial banks in Kenya to a great extent.

#### 4.5.5 Environment

Lastly, sought to establish the influence of resources on strategy implementation and performance among commercial banks in Kenya. The results are as shown in Table 4.11.

**Table 4.11: Environment**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Ensuring quick alignment with technological changes	4.27	0.450
Standardization of procedures	4.14	0.536
Promotes growth in the business activities	4.03	0.957
Promotes conducive business platform	3.68	0.852
Protects banks against unhealthy competition	3.62	0.893
<b>Aggregate Mean</b>	<b>3.95</b>	<b>0.738</b>

**Source: Field Data (2017)**

An aggregate mean of ( $M=3.95$ ,  $SD= 0.738$ ) was recorded implying that environment influence strategy implementation and performance among commercial banks in Kenya to a great extent. Ensuring quick alignment with technological changes and Standardization of procedures were the most rated statements with mean score of ( $M=4.14$ ,  $SD= 0.536$ ) and ( $M=4.03$ ,  $SD= 0.957$ ) implying they influence strategy implementation and performance among commercial banks in Kenya to a great extent. The least rated were Promotes conducive business platform and protects banks against unhealthy competition with mean score of ( $M=3.68$ ,  $SD= 0.852$ ) and ( $M=3.62$ ,  $SD=$



0.893). This indicates that they also influence strategy implementation and performance among commercial banks in Kenya to a great extent.

#### 4.6 Strategy Implementation

The study further sought to know the extent to which strategic leadership, strategy implementation and performance apply to commercial banks in Kenya. The recorded mean scores were interpreted using the following scale: 1.00 - 1.49 = Not implemented at all; 1.50 - 2.49 = Lowly Implemented; 2.50 - 3.49 = Moderately Implemented; 3.50 - 4.49 = Highly Implemented; 4.50 - 5.00 = Very High Implemented as shown in Table 4.12.

**Table 4.12: Strategy Implementation**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Commitment from top management to strategy implementation	4.84	0.374
Fraud	4.76	0.435
Prolonged Bank services procedures	4.54	0.605
Inefficiency by senior management in releasing resources	4.46	0.730
Rapid change in technology	4.38	1.037
Unfavorable government Regulations	4.08	0.759
Inadequate budgetary allocation for Implementation needs	4.08	0.547
Lack of qualified banking professionals	3.92	0.759
Poor planning	3.89	0.737
Unethical practices by banking staff	3.86	0.948
Organization culture and desire to maintain the status quo	3.78	1.004
Interference of implementation process by employees	3.70	0.740
<b>Aggregate Mean</b>	<b>4.19</b>	<b>0.723</b>

**Source: Field Data (2017)**

The study found out that strategy implementation applies among commercial banks to a great extent as evidenced by the aggregate mean of (M=4.19, SD= 0.723). Commitment from top management to strategy implementation, Fraud and Prolonged Bank services procedures were very highly implemented with mean scores of (M=4.84, SD= 0.374),

(M=4.76, SD= 0.435) and (M=4.54, SD= 0.605) respectively. Organization culture and desire to maintain the status quo and Interference of implementation process by employees were the least rated with mean scores of (M=3.78, SD= 1.004) and (M=3.70, SD= 0.740) respectively. This shows that the two are highly implemented.

#### **4.7 Bank Performance**

Lastly, the study sought to know if there is a positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya. The recorded mean scores were interpreted using the following scale: 1.00 - 1.49 = No relationship at all; 1.50 - 2.49 = Low relationship; 2.50 - 3.49 = Moderate relationship; 3.50 - 4.49 = high relationship; 4.50 - 5.00 = very high relationship. The results are as shown in Table 4.13.

**Table 4.13: Bank Performance**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Earnings per share	4.97	0.164
Value of non-performing loans	4.89	0.315
Innovations and learning	4.65	0.484
Operating quality and efficiency	4.51	0.507
Market Share	4.49	0.768
Enhancement of customer relationship	4.46	0.605
Product development and growth	4.30	0.661
Internal business processes	4.19	0.616
Return on investment	4.16	0.442
<b>Aggregate Mean</b>	<b>4.51</b>	<b>0.507</b>

**Source: Field Data (2017)**

The study found out that there was a high level of positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya. Earnings per share, value of non-performing loans and innovations and learning were the most rated parameters of bank performance with mean scores of (M=4.97, SD= 0.164), (M=4.89, SD= 0.315) and (M=4.65, SD= 0.484) respectively. Operating quality and efficiency was also highly rated with a mean score of (M=4.51, SD= 0.507). Their rating indicates that they were positively and very highly related to strategic leadership, strategy implementation and performance among commercial banks in Kenya. Internal business processes and Return on investment with mean scores of (M=4.19, SD= 0.616) and (M=4.16, SD= 0.442) were the least rated but the scores indicated that they were highly related to strategic leadership, strategy implementation and performance among commercial banks in Kenya.

#### **4.8 Multiple Regression Analysis**

In this section, the study sought to establish the effect of organizational structure, leadership, organizational culture, resources and environment on the performance of commercial banks in relation to strategy implementation. Regression analysis was conducted using SPSS Version 23. The results regression findings are discussed below.

##### **4.8.1 Model Summary**

The study sought to establish the effect of organizational structure, leadership, organizational culture, resources and environment on the performance of commercial banks in relation to strategy implementation. The results are as shown in the Tables 4.14.

**Table 4.14 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.730 <sup>a</sup>	.533	.458	.23127
a. Predictors: (Constant), Environment, Resources, Organizational Structure, Organizational Culture, Leadership				

**Source: Field Data (2017).**

The study found out that there is strong relationship ( $R= 0.723$ ) between organizational structure, leadership, organizational culture, resources, environment and performance of commercial banks in Kenya. The adjusted R-Square value of study was 0.458 which implies that organizational structure, leadership, organizational culture, resources and environment accounts for 45.8% of the total variance in commercial banks performance.

#### **4.8.2 Analysis of Variance**

Analysis of Variance (ANOVA) was carried out to test the regression model's goodness of fit. ANOVA recorded a significance level of 0.3% which implies that the analytical model has goodness of fit and therefore reliable in establishing the effect of organizational structure, leadership, organizational culture, resources, environment and performance of commercial banks in Kenya. The results are as shown in Table 4.15.

**Table 4.15 Analysis of Variance (ANOVA<sup>a</sup>)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.875	5	.175	4.730	.003 <sup>b</sup>
	Residual	1.158	31	.037		
	Total	2.033	36			
a. Dependent Variable: Bank Performance						
b. Predictors: (Constant), Environment, Resources, Organizational Structure, Organizational Culture, Leadership						

**Source: Field Data (2017)**

#### 4.8.3 Coefficients of Determination

At 95% confidence level regression coefficients revealed that organizational structure; leadership, organizational culture, resources and environment have a combined positive effect on the performance of commercial banks in Kenya. The results are as shown in Table 4.16.

**Table 4.16: Coefficients of Determination**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.835	0.233		16.459	.000
	Organizational Structure	.191	.033	.121	5.788	.000
	Leadership	.211	.074	.189	2.851	.008
	Organizational Culture	.262	.083	.226	3.157	.004
	Resources	.236	.054	.042	4.370	.000
	Environment	.225	.015	.361	3.462	.002
a. Dependent Variable: Bank Performance						

**Source: Field Data (2017).**

The findings reveals that Organizational Structure ( $t= 5.788$ ,  $p= 0.000$ ), Leadership ( $t= 2.851$ ,  $p= 0.008$ ), Organizational Culture ( $t= 3.157$ ,  $p= 0.004$ ), Resources ( $t= 4.370$ ,  $p= 0.000$ ) and Environment ( $t= 3.3462$ ,  $p= 0.002$ ) produced statistically significant values (high t-values,  $p < 0.05$ ). This indicates that organizational structure, leadership, organizational culture, resources and environment have a positive and statistically significant effect on the performance of commercial banks.

The equation for the regression model is expressed as:

$$Y = 3.835 + 0.191X_1 + 0.211X_2 + 0.262X_3 + 0.236X_4 + 0.225X_5$$

Where:

Y – Bank Performance (the dependent variable)

X<sub>1</sub>- Organizational Structure

X<sub>2</sub>- Leadership

X<sub>3</sub>- Organizational Culture

X<sub>4</sub>- Resources

X<sub>5</sub>- Environment

Constant = 3.835 shows that if all there was no organizational structure; leadership, organizational culture, resources and environment, bank performance would be at just 3.835. A unit increase in organizational structure; leadership, organizational culture, resources and environment would lead to improvement in bank performance by 0.191, 0.211, 0.262, 0.236 and 0.225 respectively. For the purpose of estimating the regression equation, the researcher estimated the stochastic error term of the model was zero.

#### **4.9 Discussion of the Results**

The study found out that that banks key objectives is to increase their output by ensuring reliable and most efficient strategies and systems. As discussed in Institutional theory, Banks develop strategies which endeavour efficiency and effectiveness in the competitive business and in an environment that is business friendly which defines and de-limits its social reality. Pressures emanating from the larger business environment increase demand for the most fit strategies for the success of the organization. For example, banking institutions handle themselves as professional partnerships and are actively involved common social responsibilities including contributing immensely and in certain ways for support of education in higher institutions of learning, professional advisories on viable investments and facilitating financing on key public projects with a serious critic on ethical deviations of whatever nature on the same. Using such structures and practices elicits social approval and stakeholders and the general public build confidence that it's one of the best practices of assisting the organizations. All this was defined by Mayer and Rowan as pressures of social expectation arising from the institutional environment. In this case, professional institutions are incorporated including agencies of state, important interest groups and the media.

The study also revealed that banks utilize Mintzberg theory which includes 5P's strategy (Mintzberg, 1997) as an approach to developing a strategy which includes Strategy as plan in that planning is one of the aspects accepted in management as the first priority including in the process of developing and incorporating a business strategy and therefore one of the approaches adopted involving brainstorming options including methods on

how to deliver them. Banks also device secretive strategy measures to ensure their businesses remain successful against those of competitors.

This is one of the key reasons that these institutions are reluctant in filling business questionnaires whenever they feel threatened by such. Mintzberg noted that banking institutions must involve the aspect of planning as a priority in achieving the key objectives and outlines of strategic plans of these institutions. This study has also concluded that planning before strategy implementation contributes to a great extent on realizing the true outcome of the chosen strategy and therefore realization of the key objectives to achieve by these institutions. Position became another way of defining strategy describing specifically how an organization's management decides to explore and fit between themselves and the environment to ensure they develop a sustainable competitive advantage.

These study revealed that Banking institutions in Kenya know how to develop and implement strategies that make them remain competitive enough in the business environment. Competitive strategies assist these institutions in earning and maintaining a competitive share in the market. Strategy as perspective may be described as behavior patterns can emerge strategy and so thinking patterns may shape organization's perspective including all the matters it can be able to much better. The study found out that banking Organizations management and shareholders share the element of perspective through their intentions and actions which remains their bond of unity in a working environment by common behavior and thoughts.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents a summary, conclusion and recommendations of the study where the objective was to determine the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya. The chapter also presents recommendations for practice and policy as well as suggestions for further research.

#### **5.2 Summary of Findings**

The objective of the study was to determine the impact of strategic leadership and strategy implementation on performance of commercial banks in Kenya. The data collected from the branch managers, finance managers, human resource managers and heads of sections of commercial banks was analysed using descriptive statistics such as frequencies, percentages, means and standard deviations. The findings were presented using tables and figures. In order to establish the effect of organizational structure, leadership, organizational culture, resources and environment on the performance of commercial banks in relation to strategy implementation, regression analysis was carried out using Statistical Package for Social Sciences (SPSS).

The study established that leadership affects strategy implementation and performance among commercial banks in Kenya to a very great extent. Organizational structure, organizational culture, resources and environment affect strategy implementation and performance among commercial banks in Kenya to a great extent. On the extent to which

strategic leadership, strategy implementation and performance apply to commercial banks in Kenya, the study found out that strategy implementation applies among commercial banks to a great extent. On whether there is a positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya , the study found out that there was a high level of positive relationship between, Strategic leadership, strategy implementation and performance among commercial banks in Kenya.

The study found out that there is strong relationship ( $R= 0.723$ ) between organizational structure, leadership, organizational culture, resources, environment and performance of commercial banks in Kenya. The adjusted R-Square value of study was 0.458 which implies that organizational structure, leadership, organizational culture, resources and environment accounts for 45.8% of the total variance in commercial banks performance. At 95% confidence level regression coefficients revealed that organizational structure; leadership, organizational culture, resources and environment have a combined positive and statistically significant effect on the performance of commercial banks in Kenya.

### **5.3 Conclusion**

The study concludes that leadership affects strategy implementation and performance among commercial banks in Kenya to a very great extent while organizational structure, organizational culture, resources and environment affects strategy implementation and performance among commercial banks in Kenya to a great extent. On the extent to which strategic leadership, strategy implementation and performance apply to commercial banks in Kenya, the study concludes that strategy implementation applies among commercial

banks to a great extent. On whether there is a positive relationship between, strategic leadership, strategy implementation and performance among commercial banks in Kenya , the study concludes that there was a high level of positive relationship between, strategic leadership, strategy implementation and performance among commercial banks in Kenya.

The study also concludes that there is strong relationship ( $R= 0.723$ ) between organizational structure, leadership, organizational culture, resources, environment and performance of commercial banks in Kenya. Further, the study concludes that organizational structure, leadership, organizational culture, resources and environment have a positive and statistically significant effect on the performance of commercial banks in Kenya and accounts for 45.8% of the total variance in commercial banks performance.

#### **5.4 Policy Recommendations**

The study found out that organizational structure and leadership, resources, and affects performance of commercial banks in Kenya in a positive and significant manner. This study therefore recommends that the shareholders of performance of commercial banks in Kenya should establish organizational structure and leadership structures that encourage improved performance. The study also established that organizational culture, resources and environment affects bank performance positively and in a significant manner. The study recommends that the management of commercial banks in Kenya should establish an organizational culture and business environment that enhances commercial banks

performance. The shareholders should also avail enough resources to facilitate the banks operations.

### **5.5 Limitations of the Study**

Bank information is confidential and proprietary and this explains why most of the banks were hesitant in filling out the questionnaires. The researcher handled the problem by assuring the banks that the collected information would be used for academic purpose only and further be treated with utmost confidentiality. The respondents were senior managers among the commercial banks. This implies that they had tight work schedules which delayed the data collection process. The researcher gave them ample time to fill in the questionnaires. However, some failed to answer the questions. Further, the researcher had no direct control on the accuracy of the answers given by the respondents. The researcher tackled this limitation by seeking clarification from the respondents about any issues that were not clear.

### **5.6 Suggestions for Future Studies**

The study found out that organizational structure, leadership, organizational culture, resources and environment accounts for 45.8% of the total variance in commercial banks performance. This implies that there are other key factors that affect commercial banks performance. A future study should aim at establishing those other key factors. Further, a similar study should be replicated among non-financial institutions. This helps the researchers to draw adequate conclusion in regard to strategic leadership, strategy implementation and performance among non-financial institutions in Kenya.

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## APPENDICES

### APPENDIX 1. INTRODUCTION LETTER

University of Nairobi  
P.O BOX 30197 – 00100  
Nairobi

Dear Respondent,

**RE: LETTER OF INTRODUCTION (D61/80246/2015)**

I am Onesmus Mwema, a MBA student at the university of Nairobi School of Business. I am carrying out a study on “**Strategic Leadership and Strategy Implementation in Commercial Banks in Kenya**” and your banking firm has been included for this study. This is to therefore request you for your support and time for a response to the attached questionnaire which is part of facilitation to accomplish my research objectives.

I wish to confirm that the provided questionnaires are strictly for academic research and not be used in other anyway. Highest confidentiality was observed in the entire exercise on the information provided and not be used in any other way than in research work.

Yours faithfully,

Onesmus Mwema  
**D61/80246/2015**





## **APPENDIX 11: STUDY QUESTIONNAIRE**

### **STRATEGIC LEADERSHIP AND STRATEGY IMPLEMENTATION IN COMMERCIAL BANKS IN KENYA.**

#### **SECTION A: Bio Data**

1. Gender

Male

Female

2. Age Brackets

Between 18-24yrs

Between 25-34yrs

Between 35-44yrs

Between 45-54yrs

Above 55yrs.

3. Highest Education Level Attained

Certificate

Diploma

Degree

Masters

PhD

4. Present Position at your establishment

Manager

Senior Officer

Officer

Supervisor

Teller

5. Work Experience

Below 1 year

Between 1-5 years

Between 6-10years

Between 11-15 years

16 and above

### SECTION B: Strategic Leadership

6. In a scale of 1-5 Indicate to what extent the following issues under **Organizational Structure** affect Strategic Leadership & Strategy implementation in your organization where 5=very great extent, 4=great extent, 3= moderate extent, 2 little extent and 1=no extent

	5	4	3	2	1
Communication Effectiveness					
Performance					
Employee Motivation					
Team players					
Employee confidentiality					

7. Kindly indicate your level of agreement with below statement on the role of Leadership in Strategy implementation in commercial banks.

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Planning and coordination of resource allocation in the organization					
Monitoring utilization efficiency					
Conflict resolution					
Communication					
Evaluating performance					

8. Indicate the effectiveness of **organizational culture** in strategic leadership and strategy implementation in the performance your banking organization. Use the scale of

1-5 where 5= most effective, 4=effective, 3= neutral, 2= less effective and 1= not effective.

	5	4	3	2	1
Promotes freedom in decision making					
Provision of Quality products					
Customer input in decision making					
Creating Employee-customer relationship					
Goals and objective					

9. Indicate the extent to which you agree with the following statement pertaining **Resources** on Strategic leadership and strategy implementation in commercial banks.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Enables accuracy banking services					
Reduces the paper work in Commercial banks services					
Facilitates growth and Customer satisfaction					
Promotes uniformity across functional areas leading to standard operating procedures					
Promotes innovation					

10. To what extent does **Environment** influence strategic leadership and strategy implementation in commercial banks (using a scale of 1-5 where 5=very great extent, 4=great extent, 3=neutral, 2= less extent and 1=no extent).

Statement	5	4	3	2	1
Promotes conducive business platform					
Promotes growth in the business activities					

Standardization of procedures					
Protects banks against unhealthy competition					
Ensuring quick alignment with technological changes					

**Section C: Strategy implementation**

11. To what extent does strategic Leadership, Strategy implementation and performance apply to your organization. 5=very high implemented, 4= highly Implemented, 3= Moderately Implemented, 2= Lowly Implemented 1= Not implemented at all

Statement	5	4	3	2	1
commitment from top management to strategy implementation					
Interference of implementation process by employees					
Fraud					
Lack of qualified banking professionals					
Inadequate budgetary allocation for Implementation needs					
Organization culture and desire to maintain the status quo					
Inefficiency by senior management in facilitating implementation through releasing resources					
Unethical practices by banking staff					
Unfavorable government Regulations					
Prolonged Bank services procedures					
Rapid change in technology					
Poor planning					
Others. please specify:					

**Section D: Performance**

In the below table, please indicate if there is a positive relationship between, Strategic leadership, strategy implementation and performance in your organization. 5=very high relationship, 4= highrelationship, 3= Moderate relationship, 2= Lowrelationship 1= No relationship at all.

Statement	5	4	3	2	1
Return on investment					
Earnings per share					
Product development and growth					
Market Share					
Value of non-performing loans					
Enhancement of customer relationship					
Operating quality and efficiency					
Internal business processes					
Innovations and learning					

**Thanks for your time**

### **APPENDIX III:LIST OF COMMERCIAL BANKS IN KENYA**

1. National Bank of Kenya (NBK)
2. Bank of Africa Ltd
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. Stanbic Bank Limited
7. Citibank N.A.
8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Co-operative Bank of Kenya
11. Credit Bank Limited
12. Development Bank of Kenya
13. Diamond Trust Bank Kenya
14. Dubai Bank Limited
15. Eco bank Kenya
16. Equatorial Commercial Bank
17. Equity Bank Limited
18. Family Bank Ltd
19. Fidelity Commercial Bank
20. Fina Bank Limited
21. First community bank
22. Giro Commercial Bank
23. Guaranty Trust Bank Kenya.
24. Guardian Bank
25. Gulf African bank
26. Habib AG Zurich
27. Habib Bank Limited
28. Housing Finance Co. of Kenya.
29. I&M Bank
30. Jamii bora Bank
31. Kenya Commercial Bank Ltd
32. Middle East Bank of Kenya
33. Africa Banking Corporation
34. National Industrial Credit Bank
35. Oriental Commercial Bank
36. Paramount-Universal Bank
37. Prime Bank Limited
38. Sidian Bank.
39. Stan Chart Bank Ltd
40. Transnational Bank Limited
41. United Bank of Africa (K) Ltd
42. Victoria Commercial Bank
43. SBM Bank Kenya LTD