STRATEGIC PLANNING AND ORGANIZATIONAL PERFORMANCE OF EQUITY BANK

BY:

AURELIO MURANGIRI KIRAMANA

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DECLARATION

This research project is my original work and has not been presented for examination to any other university.

SIGN: ------------------------------ DATE: ------------------------------

AURELIO MURANGIRI KIRAMANA

D61/72685/2014

This research project has been submitted for examination with my approval as a University Supervisor

SIGN: ------------------------------ DATE: ------------------------------

DR. RAYMOND MUSYOKA

LECTURER, SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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I dedicate this research paper to my family who have been my constant source of inspiration and without whose support and guidance this project would not have been a success

Abstract

Strategic planning is an important aspect in any organization. Most organizations understand the need to clearly define their vision, mission, objectives, targets for improvement, objectives, and the course of action necessary to achieve them. Over the years, good progress has been made to improve the rigor of strategic planning. There exists no one clear way as to how organizations ought to carry out strategic planning operations.

The focus of this study is to establish the impact of strategic management on the organizational performance of Equity Bank Kenya Limited. This study was conducted by utilizing a case study. The primary data was collected using an interview guide, while the secondary data was obtained from Equity Bank's financial reports and other publications.

It was established that Equity Bank adopts various strategic planning objectives, including the digitalization strategy, diversification strategy, market penetration strategy, and the product development strategy among others. Further, it was established that the bank reviews its strategic plans on its annual basis, and it has a director to oversee the formulation and implementation of strategy within the organization.

Additionally, the study established that the organizational performance at Equity Bank has been continuously increasing year after year. The organizational performance of the firm is measured using three indicators including the profitability, growth of the total asset base, and growth in customer deposits. The three indicators depict an increasing trend year after year. The study concludes that effective strategic planning positively affects the organizational performance of any firm. Recommendations for further studies are made to compare the performance of those firms that utilize strategic planning and those that do not utilize strategic planning in their operations.

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Organizations can be defined as complex systems that are adaptive in nature and use technologies and people to achieve specific goals, as well as objectives (Richard, Devinney, Yip & Johnson, 2009). The success of any organization to achieve its stipulated objectives is dependent on its ability to identify as well as respond to the environmental situation or factors within and without the firm.

The systems approach shall be the main focus of this research in trying to determine how Equity Bank has used strategic planning to ensure its success in a highly competitive banking environment. The systems approach is a set of independent objects, systems or parts working together in a manner that is interrelated to accomplish specific objectives or to react to the environmental factors affecting an organization (Barney, 1986). In the systems approach, each firm is made up of sub-systems which work together to achieve the final outcome of the firm as a whole. Thus, in this study it will be established how Equity bank's strategic planning activities interact with one another in relation to the Kenyan Banking environment and the overall impact on the firm's success.

The capability to identify as well as respond to various environmental forces affecting an organization can be achieved by using strategic planning which is an element of the systems approach theory (Barney, 1986). Thus, strategic planning can be defined as the process by which a firm defines its direction or strategy and makes resource allocation decisions in a bid to pursue its strategy and it is done in consistency with the operating environment in which a firm operates.

1.1.2 Strategic Planning

The term strategy emanates from the Greek noun "Strategos" which refers to "a general in the army" (Barney, 1986). From this noun, a Greek verb "Stratego" was coined and it means planning on the destruction of foes by properly utilizing the available resources (Barney, 1986). Generally, a strategy involves setting objectives, identifying the course of actions to achieve the objectives and finally mobilizing the necessary and available resources to execute the stipulated actions. Thus in other terms, strategy highlights how the objective will be met by utilizing the available resources. This means that strategy is involved with the identification of environmental factors influencing a firm's operations, identification and utilization of resources necessary for a firm to compete effectively, as well as identification of the expectations and values of the firm and its stakeholders.

Effective strategic planning integrates the formulation of vision and mission statement, carrying out situation analysis, as well as the formulation of strategy and choice of the best strategy. According to Shirley (1982), strategic decisions determine the relationship between the organization and its external environment, and it is dependent on all functional units of the firm which have direct influence on the operational and administrative activities that are essential for the well-being of the organization in the long run. According to Johnson and Scholes (2000), strategy can be described as the scope and direction of the firm in the long-run that is aimed at giving the firm a competitive advantage by configuring its resources with regard to the dynamics of the environment in a bid to satisfy the expectations of the stakeholders. According to the classical strategic management theory, the term strategy is defined as the process of deliberate planning, which is instigated by the top management on the basis of in-depth analysis of the industry with the aim of designing a cohesive strategy that ensures consistency within the organization. Porter (1985) defined strategy in terms of four key elements that include weaknesses, strengths, threats and opportunities that relate to both the external and internal environment of the firm.

On the other hand, planning can be described as deciding on what to do and how it ought to be done. It is a process involved in making simple day-to-day decisions by families and individuals, governments, as well as complex organizations. The process encompasses three distinct steps including choice of destination or objective, evaluation of available alternatives and choosing the best action plan among the alternatives. In the corporate environment, planning is a management function that is aimed at determining the firm's future objectives and identifying the best possible way to achieve them using the available resources.

Therefore, strategic planning can be defined as the process, by which long-term firm objectives are identified, plans to achieve the objective are developed and executed, and resources both financial and non-financial are provided and allocated in a bid to achieve the set objectives. Through strategic planning, the management is able to determine the desired outcomes and how they can be achieved. Strategic planning is long-term oriented with objectives and strategies spanning for a period of between 5 and 10 years. It is through this process that the firm's mission and vision are formulated and priorities in terms of operations and procedures to aid achieve the mission and vision is determined. The mission and vision of the firm need be realistic, attainable, and measurable in nature.

1.1.3 Organizational Performance

Richard et al. (2009) defined organization performance as the transformation of inputs to outputs meat to achieve a specific outcome. Thus, performance depicts the relationship between the realized output also regarded as efficiency and the effective cost. Performance many be measured in different ways but for the purposes of this study, performance shall be measured in terms of growth and profitability or sales performance. Sales performance can be defined as all the investment or activities undertaken in a firm in a specific period of time and it can be measured in terms of the total revenue accrued from sales of goods and services. Profitability of the firm is ascertained once the total expenses accrued during production are deducted from the total amount of sales made. Further, organizational performance can be defined as the actual output of the firm measured against the intended output which comprise of goals and objectives. Richard et al. (2009) stipulated that organizational performance comprises of three main aspects including product market performance, financial performance and shareholder return.

Organizational performance is further shows how well a firm is doing in its path to achieve its goals, vision and mission. Assessment of organizational performance is critical aspect of strategic management; hence it is important for executives to evaluate and know the performance of their firms in a bid to determine the strategic changes, if any that ought to be made. Organizational performance is a key indicator for investors to determine whether to invest in an organization or not. It is also a key indicator to the management and other stakeholders that shows whether the firm is moving towards the intended direction or not (Richard et al., 2009).

1.1.4 Banking Industry in Kenya

The Kenyan banking industry comprises of at least 43 commercial banks, several representatives of foreign banks, at least eight microfinance institutions that accept deposits, at least two credit bureaus and several foreign exchange bureaus (Central Bank of Kenya, 2015). The banking industry in the country is governed by the Central Bank of Kenya Act, Banking Act, Companies Act, s well as other prudential guidelines that are provided by the Central Bank of Kenya (CBK). The CBK is responsible for the formulation and implementation of monetary policies, as well as ensuring solvency, liquidity and proper functionality of the system. The financial performance of banking institutions has been on the rise, an aspect that can be attributed for formulation, as well as implementation of good strategies by the management. According to the CBK, the net assets as of 2016 stood at Ksh. 2.9 trillion as compared to the previous year 2015 which stood at 2.7 trillion (Equity Bank, 2016). Loans and advances hit an all times high of 1.7 trillion and the deposit base clocked 2.0 trillion, while the profit prior to tax was estimated to be 35 billion in the year 2016 (Equity Bank, 2016).

In the year 2013, several policy changes took place within the Kenyan Banking industry (CBK, 2015). A review of the Banking Regulations of 2008 by the CBK resulted to revised Credit Reference Bureau Regulations of 2013 (Central Bank of Kenya, 2015). It is through this review that all microfinance institutions and commercial banks share all the negative and positive credit data via the licensed credit reference bureaus. Additionally, it is after the review that commercial banks were allowed to contract different retail entities in a bid to offer banking services such as agent banking. This led to an immense increase in banking transactions because more services were brought closer to the customers prompting them to use banking services more often. Additionally the deposit taking microfinance institutions (DTMs) are now regarded as Microfinance Banks (MFBs) and are also required by law to share both positive and negative information with the stipulated credit reference bureaus (Central Bank of Kenya, 2015).

Moreover, as a result of the revision of the regulations, more money transfer service providers have joined the industry due to relaxed barriers, and fairer costs of receiving and sending money. It is through the review of such regulations that the CBK has created a conducive environment that has enabled increased remittance flow via the formal channels of financial delivery, enhanced innovations, increased competition, as well as increased accessibility of financial remittance services and products to the people who earn minimal incomes.

1.1.5 Equity Bank Limited

Equity Bank began Equity Building Society (EBS) in the month of October, 1984 as a mortgage provider that financed majority of the Kenyan population that in the bracket of low income earners (Equity Bank, 2016). In its early days, EBS was operated as an informal family business with a board comprised of the co-founders and their friends. Despite having a well-stipulated mission, the firm went through significant trouble in its first decade because of its operational inadequacy. Over time, as the organization formalized its operations and implemented various aspects of strategic management with the aim of having regional coverage, the firm realized increased profitability and growth. By December, the year 2004 the company was registered as a commercial bank and listed in the Nairobi Stock Exchange market as a result of its immense growth over the years (Equity Bank, 2016).

1.1.6 Performance of Equity Bank

Today, Equity bank boosts of a client base of more than eight million customers making it the largest bank in Africa in terms of customer population. Half of the customer accounts in Equity are located in Kenya. Equity bank has depicted exemplary performance over the years. The company has seen growth in its assets as well as in its consumer base. In the year 2017, the firm's as assets grew by 14% to surpass the half trillion mark (Equity Bank Limited, 2017). Further, Equity's profit before tax was recorded at 13.3 billion shillings by June, the year 2017 (Equity Bank Limited, 2017). The increased profits were partly as a result of increased non-interest revenues, as well as its growing regional banking subsidiaries' contribution to the pre-tax profits. As a result, the bank outperformed the industry by registering a Return on Equity of 22.3%, as well as a Return on Asset of 3.8% despite the interest income reducing by 12%.

According to the Company's CEO, the bank's growth in assets is attributed to its diversified, transformative and innovative business model in the backdrop of a dynamic environment (Equity Bank Limited, 2017). By the end of the second quarter of the year 2017, Equity Group Holdings recorded a 14% net growth in assets from 444.4 billion the previous year to 504.9 billion (Equity Bank Limited, 2017). The bank deposits which are a major source of income for the bank went up from 320.8 billion shillings in June 2016 to 363.6 billion shillings in June 2017 (Equity Bank Limited, 2017). This is a growth that was recorded at a period when growth rate within the banking industry was almost flattening out. The increased deposits were occasioned by the growth of the bank's customer base to reach 11.7 million in the year 2017 (Equity Bank Limited, 2017). The increase in the bank's customer base can be attributed to a keen focus by the organization in the adoption of alternative delivery channels including the agency banking model, internet banking Eazzy banking suit, as well as mobile banking services.

1.2 Research problem

Business success is attributed to various factors and strategic planning is one them. The difference in performance exhibited by different organizations is strongly believed to be as a result of different strategies pursued by each of the organizations. Equity bank has exhibited growth and outstanding performance over the years; hence, it is of essence to ascertain whether there exists any relationship between the bank's performance and the strategic planning decisions and strategies adopted by the firm.

Equity Bank Limited is ranked as East Africa's leading bank in terms of growth, assets and profitability. The bank reinforced its position as the leading retail bank in Kenya and in East Africa after it won the prestigious Best Retail Bank in East Africa during the fourth East Africa Banking Awards in the year 2017. The bank has 266 branches across East Africa and out of these, 177 branches are located in Kenya hence making it the largest bank both in Kenya's and in East Africa's banking industry. Equity bank is among the two banks in Kenya that have been categorized in the Tier 1 capital category together with Kenya Commercial Bank (KCB). Equity was ranked second in the country, number 21 in the continent and 806 in the world with $740 million in Tier 1 capital while KCB was ranked number 1 in Kenya, number 18 in Africa and number 721 globally with $929 million in Tier 1 capital. The immense capital base and success enjoyed by Equity Bank has made it a market leader in the Kenyan Banking industry.

Various studies have been conducted to ascertain the various impacts of strategic planning on organizations and more so in regard to banking institutions but none has been conducted with a specific focus to determine the impact of strategic performance on the performance of Equity Bank. For example, Kiptugen (2003) conducted a study on effective strategic responses by the Kenya Commercial Bank to a dynamic competitive environment and established that the bank responded to the dynamic environment by marketing, restructuring, culture change, as well as embracing information technology.

Other studies that have been conducted on the banking industry in Kenya have laid their emphasis on strategic choices and competitive advantage. For example, Oluoch (2013) conducted a study to establish the core competencies and the choice of competitive strategies at Equity Bank Limited in Kenya. The findings ascertained that core competencies provide critical techniques and skills in building the choice of competitive strategies and competitiveness of the firm.

To the best of the researcher's knowledge, none of the studies conducted before has concentrated on establishing the impact of strategic planning on organizational performance within the Kenyan banking industry with Equity Bank being the main organization under focus. Therefore, it would be of interest to find how strategic planning affects financial institutions, and in this case the main focus will be to establish whether strategic planning has had any contribution to the splendid performance witnessed at Equity Bank Limited over the years. This research will seek to answer the question of whether there is any relationship between Equity Bank's good performance and the application of strategic planning?

1.3 Research objectives

This study has got various research objectives, which vary from general to specific as depicted below

a) General Objective

To determine the extent to which strategic planning has an impact on the performance of Equity Bank Limited in Kenya.

b) Specific Objectives

i. To determine the business strategies adopted by Equity Bank over the years

ii. To determine how strategic planning has influenced profitability of Equity Bank

iii. To determine how strategic planning has influenced customer satisfaction at the bank

iv. To determine how strategic planning has influenced branch expansion and total asset base of the bank

1.4 Value of the study

The findings of this study will be of essence to various stakeholders within and without the banking industry including banking institutions including equity bank and others, various researchers and scholars among others. Policy makers within the banking sector will find the research findings useful as it can be used for benchmarking purposes. The research would further be of importance to members of the banking industry since it would aid to new ideas and strategies on how to compete, survive and be successful within the industry.

The research would also be helpful to Equity Bank Limited as it would help the organization establish which strategies have helped it achieve its accrued success, and in the process realize any gaps in the existing strategies and discover ways to improve them so as gain increased competitive advantage over their competitors in the industry. Additionally, this research will be of importance to scholars and researchers because it will add to the existing body of knowledge and provide more insight and room for further research by scholars. The research further act as a point of reference in future studies by other scholars and researchers. Therefore, it is evident that this study is of great significance to the banking industry, and more so to Equity Bank Limited, as well as to the current and future scholars and researchers.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter entails a review of the theoretical foundation of this study, literature on strategic planning and its impact on organizational performance. The chapter will take a closer look on literature regarding the impact of strategic planning on the performance of organizations within the Kenyan banking sector, and more so within Equity Bank Limited.

2.2 Theoretical Foundation of the Study

Organizations conduct their business in environments whereby they tend to influence their external environments, while at the same time they are influenced by changes within their external environment (Armstrong, 1996). Organizations and their external environments can be termed as open systems which tend to influence one another over time. The open system theory can be described as a modern theory for change management which enables organizations to create and design innovative, resilient and healthy structures within themselves in a bid to cope with the environment that is unpredictable and fast changing (Luthans, 2002).

The open system is inclined to explaining behavior and occurrences by relating them with various interrelating group of activities that are interrelated in nature (Luthans, 2002). The open system model is quite different from the conventional models which are centered upon departments, individuals, units and structures separate them from whole (Mintzberg and Quinn, 1996). The conventional models do not recognize the interdependence between individuals, groups, processes or structures that enable the organization to function properly unlike the open system model which does recognize the interrelationship between and among different aspects of the firm to ensure efficiency and effectiveness of the firm as a whole (Luthans, 2002). In management, the systems approach takes into account the total efficiency and organization of the firm, thus resulting to greater efficiency, effectiveness and success in the long-run (Armstrong, 1996). Therefore, using the systems approach, this research will seek to establish how different strategies adopted by equity bank as part of its strategic planning process have worked together to positively influence the overall performance of the firm in the long-run period.

2.3 The Process of Strategic Planning

According to Thompson and Strickland (2003), strategic planning can be defined as the systematic process by which a firm seeks to ensure commitment among its stakeholders to be able to realize its priorities that are critical for the attainment of the mission and vision while still responding to the changes in the environment in which it operates. Strategic planning processes ought to be designed in such a way that they fit the needs of the specific organization. For any strategic planning model to be successful, it must include the mission, vision, objectives, environmental analysis, strategic analysis, as well as choice (Armstrong, 1996). The first step in strategic planning is to identify the mission and vision of the firm. The process of strategic management is aimed at establishing goals and objectives for the firm and ensuring a set of relationships between the environment and the firm is maintained. In so doing, the strategic management enables the firm to pursue goals and objectives that are in consistency with its capabilities and also to efficiently respond to the dynamic external environment (Ansoff & McDonnell, 1998).

Different views have been advanced by different scholars in regard to strategic planning. The two main views in regard to strategic planning include the emergent view and the deliberate view. According to Ansoff and McDonnel (1998), the deliberate strategic planning view depicts strategy as planned or intended leading to its realization, while on the other hand emergent strategy is one that was realized without being planned for. An emergent strategy emanates from the fact that the planned or intended strategies were not implemented or no strategies were planned at all (Mintzberg and Quinn, 1996). The deliberate approach to strategic management is efficient, top-down, mechanistic and rigid in nature as compared to the emergent approach which is flexible, empowering and informal in nature (Armstrong, 1996). However, according to Armstrong (1996), the emergent approach is criticized for being overly reactive to the external opportunities and threats. Thus, it is essential to note that most realized strategies by most firms ought to be a combination of both the deliberate and emergent strategies (Armstrong, 1996).

2.4 Strategy Formulation

This is the process through which firms chose the most appropriate course of action to help it achieve its pre-determined objectives and goals that help it achieve its vision in the long-run. The strategy formulation process comprises of six main steps which include setting the firms objectives, evaluating the environment in which the firm operates, setting quantitative targets, identifying contributions to be made by each department, performance analysis and finally choosing the best suited strategy.

There are three main levels or aspects of strategy formulation and each has a different focus. The three main levels of strategy include the corporate level strategy, competitive strategies and functional strategies. The corporate level strategies are concerned with the larger perspective of the firm, and involve decisions relating to its direction and scope. The components of corporate level strategy include the directional or growth strategy (deals with growth objectives of the firm), portfolio strategy (deals with the portfolio lines of business that the firm will be involved with) and the parenting strategy (deals with resource allocation and management across the portfolio). Competitive strategy is the second level of a firm's strategy and it is concerned with the ways in which the firm can compete successfully in the business lines in which it engages. The main aim of this level of strategy is to improve the competitive advantage of the firm. For a firm's competitive strategy to be successful, it has to build distinctive and uniquely strong competencies in a single or several areas and use them to maintain a competitive advantage over the rivals. Distinctive competencies in a firm may include better manufacturing skills and technology, superior product features and technology, superior distribution and sales capabilities, as well as greater convenience and better customer service among others. The third level of strategy formulation in a firm is made up of the functional strategies. Functional strategies are associated with the short-term undertakings that each functional area is expected to carry out in pursuit of the long-term, broader business level and corporate level strategies. All these aspects ought to be adhered to in the policy formulation process in a bid to ensure the success of the process.

2.5 Strategy Implementation

This is the process through which strategies are turned into actions in a bid to accomplish various strategic goals and objectives. This is an important process because failure to implement the strategy in an efficient and effective manner results to implementation failure which means that the set objectives ought not to be achieved. Strategy implementation involves various basic activities and they include establishment of milestones or annual objectives, formulation of various policies to aid in strategy execution, resource allocation, actual performance of activities and tasks, as well as leading and controlling the way activities are carried out at different levels of the firm. Strategy implementation is a stage that calls for the participation of the whole organization. There are various factors which support the implementation of a strategy within an organization and they include people, structures, resources, systems and culture.

2.6 Strategy Evaluation and Control

This is the final phase of strategic management. Strategic evaluation operates at two levels which include operational level and the strategic level. At the operational level, the main concern is the consistency of the strategy with the business environment in which the firm operates. On the other hand, the operational level relates to the effort directed towards assessing how well a firm is pursuing a specific strategy. The main purpose of strategic evaluation and control is to evaluate how effective a specific strategy is towards achieving a specific objective and ensuring that the strategy stays on course in relation to the firm's objectives by taking corrective measures whenever necessary. Strategic control takes different forms which include premise control, strategic watch, implementation control, as well as special alert control. The strategy control process entails four main steps which include setting up standards, measuring performance of the strategy, comparing the expected performance with actual performance, as well as establishing and implementing the necessary corrective measures.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the various methods used by the researcher in this study. The chapter includes the data collection process, which the researcher uses to acquire both the primary and secondary data. The chapter further includes a discussion of the research design adopted for the study, as well as the data analysis techniques applied.

3.2 Research Design

This is a systematic plan used in studying a scientific problem (Yin, 2003). A research design is of importance when carrying out a study because it ensures that the acquired evidence helps the researcher to clearly answer the question under investigation as unambiguously as possible.

The research design for this study was a case study. A case study is a quantitative or qualitative analysis of a particular single unit (Mugenda & Mugenda, 1999). A case study ought to be considered as a research design when the main intention of a study is to ascertain "why" or "how" (Mugenda & Mugenda, 1999). The adoption of this research design provides the researcher with practical knowledge rather than theoretical knowledge and it is less restrictive as compared to other methods. Additionally, this research design has been utilized successfully by other scholars in similar studies in the past hence making it appropriate for this study.

3.3 Population

A population is a complete group of items or individuals that share one or more characteristics that are common and from which data can be collected and analyzed (Mugenda & Mugenda, 1999). For the purposes of this study, the target population was comprised the 36 branches of Equity Bank in Nairobi region (Equity Bank Limited, 2017).

Five branch managers were drawn from these branches participated in this study. The branch managers were the only employees from the branches level who participated in this study because they are responsible for implementing strategies adopted by the firm at the branch level.

3.4 Sample Design

This is the framework that serves as the basis for selecting the survey sample for the study (Saunders, Lewis & Thornhill, 2007). A sample is a representative selection or sub-group of a specific population that is tested to acquire information or statistical data for the entire population (Mugenda & Mugenda, 1999). Sampling helps reduce both cost and time needed to complete the study. Additionally, when data is collected from fewer people or items it means that more detailed information can be acquired.

For purposes of this study, simple random sampling was used in the selection of samples from the population. Simple random sampling gives members of the identified population an equal chance of being selected a respondent for the study (Saunders, Lewis & Thornhill, 2007). A sample size of 5 respondents was selected comprising of branch managers from five branches in Nairobi. The branch managers are the key people involved in the implementation of the bank's policies at the branch level. By using respondents located in Nairobi, this saved on both time and resources required to successfully complete this study. Further, Nairobi is considered to be the Main Market for Equity Bank Limited as it is the home for its largest customer base meaning that it is more representative that any other region in the country.

3.5 Data Collection

Data collection is the process by which information is gathered and measured regarding samples of interest from the sample population in a systematic manner in a bid to test the hypothesis, evaluate outcomes and also answer the research question(s) (Kawulich, 2004). Data collection methods may be categorized as primary or secondary in nature (Saunders, Lewis & Thornhill, 2007). For the purposes of this study, the primary data was collected using an interview guide, whereas the secondary data was acquired by conducting a review on the existing literature. The formulated interview questions focused on the respondent's understanding of strategic planning and its impact on the profitability, customer growth, and branch expansion of Equity Bank Kenya Limited. The secondary data was acquired from the bank's annual reports and publications.

The respondents included five branches within Nairobi City County. The decision to use branch managers from Nairobi City County was due to their role in the formulation and implementation of strategy within their respective branches. Further, these are the same people who oversee the implementation of the strategies adopted by the company within their branches. The access to the respondents was easy bearing in mind that they were all located in the same locality.

3.6 Data Analysis

This study used content analysis, which is a systematic description of the composition of materials or objects of the study (Mugenda & Mugenda, 1999). This data analysis method is advantageous to the researcher as it allows for both qualitative and quantitative analysis and provides clear way of analyzing interactions between and among variables because it is based on facts.

Additionally, different scholars including Gatome (2012) and Saye (2012) have also successfully utilized the method. The completed interview guides were scrutinized for completeness, omissions, consistency, and errors before being coded. The data was organized using themes and summarization, and the data patterns linked.

CHAPTER 4: DATA ANALYSIS, RESULTS, AND DISCUSSION

4.1 Introduction

In this chapter, the results of the data analyzed are presented and the findings discussed. Figures of profitability, customer population, and branch growth are discussed. Further, the strategic planning initiatives, as well as the benefits accrued by the bank as result of strategic planning are provided.

4.2 Demographic Analysis of the Respondents

The data was collected from five branch managers working in different branched of Equity bank located within Nairobi. The response rate was 100%. Out of the five respondents two (40%) were female, and three (60%) were male.

Three out of the five respondents had worked with Equity bank for more than five years, while the other two had worked with Equity Bank for three years. All the respondents had held their current positions for at least three years. All the respondents had been involved in the process of formulation, implementation, and monitoring of strategy within the bank, and more specifically within their branches.

4.3 Strategic Planning and Organizational Performance of Equity Bank

In this section, a discussion of the data is presented under the following subheadings: Strategic planning initiatives, profitability of Equity Bank, growth of deposits, as well as branch expansion and asset growth.

4.3.1 Strategic planning Initiatives at Equity Bank

The bank's outstanding performance within the banking industry has been sustained by proper execution of strategic planning initiatives. These initiatives have continued to strengthen the bank's unique business model through partnerships, innovation, as well as enhanced use of technology and automation for better customer experience.

According to the existing literature and the responses from the respondents in regard to equity bank, it is eminent that the firm subscribes to strategic planning in its operations. Various aspects of strategic planning are evident in the firm's operations right from the formulation of the company's vision and mission statements, which are meant to provide direction to the organization. The mission of Equity Bank is “To offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders” (Equity Bank Limited, 2017). On the other hand, the vision of Equity Bank is “To be the champion of the socio-economic prosperity of the people of Africa” (Equity Bank Limited, 2017). This is a clear indication that Equity Bank understands the basics of strategic planning and on its part implements the tenets of strategic planning in its operations right from the establishment of its vision and mission statements, which guide the firm on its destination and helps it to stay in the intended root path.

In addition to the firm's mission and vision statements, the company subscribes to other tenets of strategic planning including growth strategies, diversification strategies, product development, market development and market penetration strategies among others (Equity Bank Limited, 2017). The diversification strategy involves investing in services and businesses outside the core competencies of the firm or the industry (Thompson &

Strickland, 2003). Equity bank has been using the diversification strategy in several instances; first, equity bank was incorporated as a building society meant to offer mortgage to customers, but later the company, using the diversification strategy indulged itself in mainstream banking operations after registering itself as a bank. Further, the company through its subsidiary Finserve Africa Limited using Airtel Kenya network as its carrier began offering voice call services in Kenya and beyond as from the year 2014 (Equity Bank Limited, 2017). This shows that diversification is one of Equity Bank’s strategic planning options in a bid for the bank to achieve its long-term objectives.

Further, Equity bank adopts market development as part of its strategic plan (Equity Bank Limited, 2017). Equity Bank has been able implement this by developing various products including M-banking and agency services to try reach the customers in the most remote areas. Moreover, the firm has been able to expand its operations to other countries including Uganda, Rwanda, Tanzania and Southern Sudan among others (Equity Bank Limited, 2017). Equity Bank has also adopted the market penetration strategy in its operations over the years (Equity Bank Limited, 2017). Equity has been compelled to run several advertisements and also to employ more marketing agents each year as a way of trying to improve on their sales in the competitive banking environment of the countries in which it operates. These and many other strategies adopted by equity shows that the firm subscribes to the principles of strategic planning in its operations.

In collaboration with development partners e.g. KFW Group and China Development Bank, the bank has scaled up support to SMEs in the country by offering comprehensive business advisory and creative solutions to support their growth and development. The bank in the year 2013 launched Equity Business Club to support businesses and entrepreneurs across East Africa. To revamp the product offering to this segment, the bank opened seven supreme branches and recruited and trained additional relationship managers and officers. Other initiatives that have supported the bank's exemplary performance brand visibility through community partnerships and corporate social responsibility programs such as The Wings to Fly Scholarship Programme.

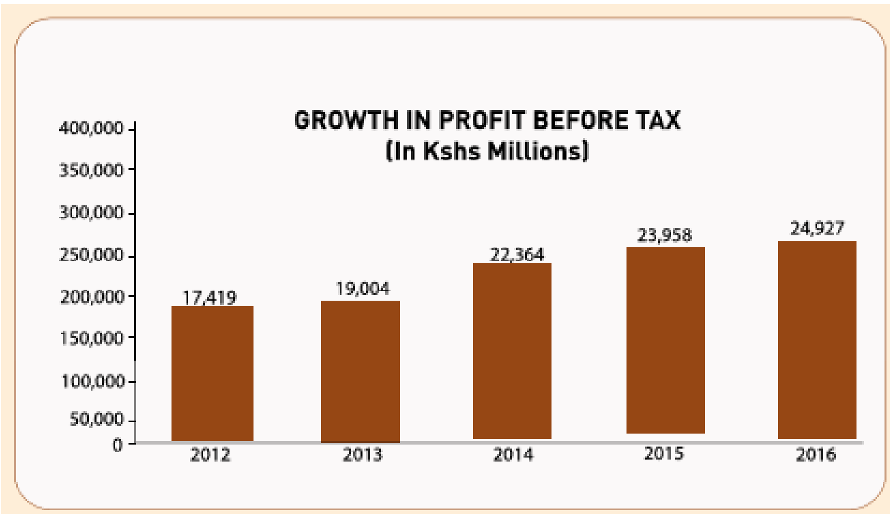
4.3.2 Benefits of Strategic Planning at Equity Bank Kenya Limited

Several benefits accrued by Equity Bank Kenya Limited were attributed to the use of strategic planning by the bank. Most of these benefits are organizational growth indicators for the bank and they include sustained profitability levels, increased customer numbers, branch expansion and growth in total assets, growth in customer deposits, brand visibility and the installation of an effective process that enables the firm to continuously reassess, confront change, and grow within an agreed-upon framework among others.

Despite the benefits that accrue to the bank as a result of strategic planning, the bank faces one challenge major challenge in its strategic planning process. Being a market leader, Equity Bank Kenya Limited has continuously been confronted with the problem of poaching on its employees by other financial organizations with the aim of attaining a similar performance to that of the bank. In most instances, such employees are executive members, heads of departments, or branch managers who are imperative in the strategy execution process.

4.3.3 Profitability at Equity Bank Kenya Limited

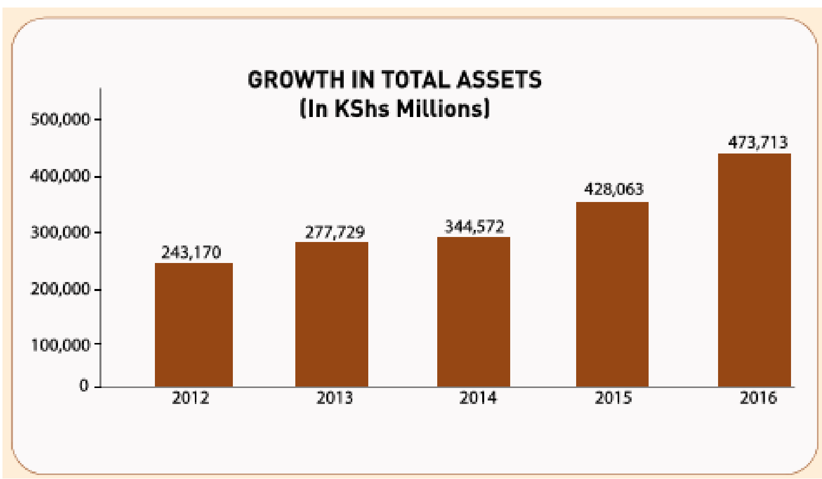
The profitability of Equity Bank has been growing year after year. The average growth rate per year between the year 2012 and 2016 has been 30.41%. Profits realized by the bank from the year 2012 to 2016 are depicted in the bar graph below.



According to the bar graph above, which was retrieved from Equity Bank's financial statements shows that the profit before tax in the year 2012 was 17,419 billion shillings. It is evident that the profit has progressively increasing year after year. In the year 2013, the profit increased to 19,004 billion shillings. Further, the profits grew to 22,364 billion shillings in the year 2014. The upward trend of the firm's profits continued clocking 23,958 billion shillings and 24,947 billion shillings in the years 2015 and 2016 respectively. This shows that the company is enjoying increasing profitability year after year. The increasing profitability of the company is attributed to its strategic model and strategies, which include growth strategies, diversification strategies, product development, and market development among others.

4.3.4 Growth of total Assets and branch expansion at Equity Bank

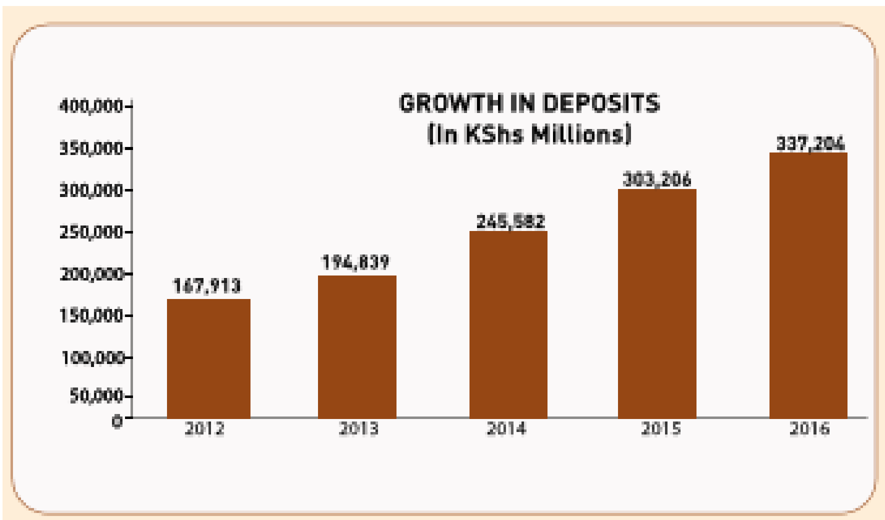
The total assets of equity bank have been growing year after year. The assets of the firm have grown by 49.23% between the year 2012 and the year 2016. The bar graph below depicts the growth of Equity Bank's total assets from the year 2012 to 2016.



According to the bar graph above, it is evident that the firm's assets have grown from 243,170 billion Kenya shillings in the year 2012 to 473,713 billion shillings in the year 2016. This shows that the assets have almost doubled within a period of five years. The firm's asset base grew to 277,729 billion shillings in the year 2013, before growing to 344,572 billion shillings in the year 2014. In the year 2015, the firm's asset base grew to 428,063 billion shillings. The continuous growth in the firm's assets is attributable to the different strategies adopted by the company including the diversification, market development, product development, and growth strategies. These strategies have led to increase in the number of branches from a total of 78 in the year 2007 to more than 200 branches within six countries in Africa including Kenya, DRC, Uganda, Tanzania, Rwanda, and South Sudan.

4.3.5 Growth in Customer Deposits

Its customer numbers ranks Equity bank as the largest commercial bank in the African Continent. The bank boosts of in excess of 9.2 million customers in the six countries in which it operates. This explains the huge sums of customer deposits attributed to the back as shown in the bar graph below.



According to the figure above, it is evident that the bank's deposits have been growing year after year. The deposits have grown by around 51.2% between the year 2012 and the year 2016. The total deposits in the year 2012 stood at 167,913 billion shillings, while in the year 2016 the total deposits had clocked 337,204 billion shillings. The bank exhibited a continuous upward trend in its customer deposits with the years 2013 and 2014 recording 194,839 billion shillings and 245,582 billion shillings respectively. The total deposits grew further to clock 303,206 billion shillings in the year 2015. The increasing trend of the firm's deposits is an indicator of its growing customer base.

4.4 Discussion of the Findings

Several pieces of information were deduced from the data collected from both the primary and the secondary sources. First, it was observed that the respondents in the study had a good understanding of strategic management, its benefits, as well as the challenges. Secondly, the respondents were able to interlink strategic planning and the level of performance. The respondents mentioned different companies including Toyota, Coca-Cola, and Microsoft as some of the firms that have continued to enjoy high organizational performance as a result of implementing effective strategic planning tools. These companies are further mentioned in Fortune 500 Companies to be among the most profitable companies globally.

Further, the respondents were able to mention companies such as Safaricom Limited, KCB Limited, East African Breweries, and British-American Insurance Company as some of the firms that have profited immensely from the application of strategic planning their operations. The suggestions were corroborated by evidence acquired from other studies; for example Anele, Oloko, Kathambi, Mitulu and Kiara (2014) established that Safaricom Limited had implemented effective marketing strategies to grow its market share and improve its profitability. Further, Wangechi (2005) established that East African Breweries Limited had utilized financial analysis tools and marketing research as its core strategies to sustain its profitability in the East African region.

David (2011) stipulated that a successful strategic planning process ought to begin with the development of a vision and mission, establishment of long-term objectives, coming up with long-term objectives, selection of strategies that complement the objectives, actual implementation of strategies and measurement of the performance. The respondents cited these attributes and acknowledged that Equity Bank Kenya was actually using strategic planning. The respondents noted that Equity Bank has a vision and mission, which form the backbone of its strategic planning. Further, they noted that the bank had a director in charge of strategy within the bank. Additionally, the respondents stated that formulation and review of the bank's strategy was an annual event that brought together directors heads of departments, as well as branch managers to discuss and evaluate progress, and teams have been put in place to implement various strategic initiatives.

Moreover, the respondents affirmed that equity bank utilizes various strategies in its operations including growth strategies, diversification strategies, product development, market development, digitalization, and market penetration. The respondents further identified some of the strategic initiatives adopted by Equity Bank to include global partnerships e.g. Equity Bank partnerships with PayPal, MasterCard and Visa, setting up and operating a mobile virtual network operator (MVNO), adoption of the mobile banking through Equitel, agency banking e.g. equity agent outlets, and Internet banking e.g. EazzyBanking. Further, the bank has globalized its operations through branch expansion, whereby it has opened branches in other countries such as Uganda, South Sudan, Rwanda, Tanzania, and the Democratic Republic of Congo. The respondents also stated that the bank fortifies its brand strength through social impact investments. For example, the company in partnership with The MasterCard Foundation offers scholarships to gifted but financially challenged students in Kenya every year through a program formally known as "Wings to Fly" and currently known as "Equity Leaders Program". This has helped in strengthening its overall brand image.

Gup and Whitehead (2011) stipulated that communication of strategic plans is not just about connecting with metrics including profits, customer growth and asset base among others. Rather, it is about inspiring and informing employees of the strategic plan and making sure that they commit to continuously achieving the plan. At Equity Bank, the respondents affirmed that strategic plans were communicated to the employees first by the chief executive officer (CEO) and later by the executive directors through the department heads and branch managers. This is usually done at the commencement of a project or at the beginning of the year. Such communication is aimed at providing clarity and ensuring that everyone was working towards a common goal.

The respondents attributed the sustained good organizational performance depicted by Equity Bank to proper formulation and execution of strategic plans. According to Bahova and Knapkova (2010), formulation of strategies is always easier than their implementation. However, execution of the strategies adopted is critical to success because it encompasses a logical set of interconnected activities that enable a firm to come up with a strategy and make it function.

An analysis of the responses by the respondents and the firm's performance as depicted in the financial statements indicate that there is a strong relationship between the organizational performance of Equity Bank and the strategic planning undertakings by the bank. According to the responses by the respondents, it is evident that Equity Bank adopts strategic planning in its operations and it is evident from the vision and the mission statements, as well as the various strategies adopted by the company. The firm strives to ensure that these strategies are implemented effectively as stipulated by the respondents. As stipulated by Bahova and Knapkova (2010), proper implementation of strategic planning initiatives within a firm leads to successful performance of the firm. Hence, according to the information provided by the respondents, Equity Bank can be said to effectively implement its strategic planning initiatives. The splendid organizational performance displayed by Equity Bank can be attributed to the implementation of strategic planning initiatives at the bank. The organizational performance of Equity Bank is depicted by various metrics, and some of them are provided above. According to the three metrics used to measure the performance of equity bank including profitability, growth of deposits, as well as asset growth and branch expansion, it is evident that Equity Bank has exhibited outstanding performance characterized by the continuous growth of the mentioned variables as depicted in bar graphs 1, 2 and 3 above.

The continuous growth of the bank's deposits can be attributed to the continued growth of its customer base. The growth of the customer base is as a result of the various strategies adopted by the bank to reach a higher number of potential clients. Some of these strategies include the digitalization strategy, diversification strategy, product development, market development, and market penetration, which the respondents mentioned to be part of the bank's strategic planning initiatives. By introducing more products such as mobile banking, internet banking, and agency banking the bank has been able to reach more clients. Further, by expanding its reach by opening new branches within and without the Kenyan boarders through its market development strategy, the bank has further been able to reach more clients. This has led to the bank being named as the largest bank in Africa on the basis of its 9.2 million customers. As a result, the bank has been able to post sustained increment in profits, total asset base and customer deposits as depicted in bar graphs 1, 2, and 3. Therefore, it is evident that strategic planning has immensely contributed to the excellent organizational performance depicted by Equity Bank Kenya Limited.

CHAPTER 5: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of the study is presented and a conclusion made. Recommendations for policy, practice, as well as theory are also made and challenges encountered during the study discussed. Lastly, the suggestions for further research are provided in this section.

5.2 Summary

Strategic planning has its origin within the Greek mythology, and it refers to the process of formulating long-term organizational objectives, developing, and executing plans to achieve the objectives. Further, it provides and allocates both the non-financial and financial resources required to achieve the stipulated objectives. Equity Bank Limited is a commercial bank in Kenya, and it is the largest bank in African in terms of customer base. The bank operates in different countries including Kenya, Tanzania, Uganda, Rwanda, South Sudan, and The Democratic Republic of Congo (DRC).

The objective of the study was to establish the relationship between the organizational performance of equity bank and strategic planning. This is to say that the research aimed at establishing the impact of strategic planning on the organizational performance of equity bank. To establish the relationship between the two variables, research used profitability, total asset growth, and growth of deposits as the main indicators of performance at Equity Bank of Kenya. The research utilized both the primary and secondary data. The primary data was collected from five respondents using an interview guide, while the secondary data was obtained from the bank's financial reports and other publications. Content analysis was the key method used to analyze the data.

According to the analysis, there were two key findings from the study. First, it was evident that Equity Bank utilized strategic planning in its operations. The fact that the bank has a director who is in charge of formulation and execution of strategy, together with teams tasked with the implementation of different strategic initiatives is adequate evidence to show that the bank subscribes to strategic planning in its operations. Further, it was eminent that there existed several strategic planning initiatives including regional expansion, global partnerships, brand visibility initiatives, digitalization initiatives e.g. mobile banking and internet banking, as well as the rollout of agency and merchant banking. Secondly, as a result of effective execution of the above mentioned strategic initiatives, Equity Bank has maintained an upward trend in terms of total asset growth, customer deposits and profitability. The average growth rate per year between 2012 and 2016 for total asset growth, customer deposits, and profitability being 49.23%, 51.2% and 30.41% respectively. The three performance indicators continued to increase year after year for five years, from 2012 to 2016.

5.3 Conclusion

Findings from the research ascertained the observations by Aaker (2012) in regard to strategic planning and organizational performance. They stipulated that firms, which adopt and implement strategic planning in their operations generate higher revenue and tend to be more successful as compared to those that do not. Since the year 2012 and even in the earlier years, Equity Bank has continuously posted improved performance in terms of profits, customer deposits, and asset growth, which depict a flourishing organizational performance. The respondents attributed the astounding performance of the bank to efficient formulation and implementation of strategic plans within the bank. Strategic planning has enabled the bank to shift successfully from a building society into a commercial bank, to expand market share through the expansion of its branch network, improving the brand visibility, improving customer experience, as well as adopting and making use of new technology to grow revenue and manage costs.

5.4 Recommendations for Policy, Practice, and Theory

After the review of the literature and findings of this research, there are various recommendations that are proposed. First, after the realization of the benefits of strategic planning, it is recommended that all organizations adopt strategic planning in their operations. This means that both small and large organizations, profit making and non-profit making organizations including churches, schools, clubs, partnerships, and sole proprietorships among others need to adopt strategic planning in their operations.

Secondly, it is recommended that strategic planning should not only be applied in the private sector but also within the public sector, which involves government operations. Thus, the Kenyan government should borrow from the findings of this research to inculcate a strategic planning culture within government institutions including hospitals, ministries, security forces, and learning institutions among others. If that happens, then there would be no doubt that the government would reap immense benefits, among them the realization of the Vision 2030.

Further, it is recommended that Equity Bank continues adopting and implementing effective strategic planning initiatives within the organization to ensure sustained success. This can be done by being vigilant to the dynamic business environment and trying to come up with strategic planning initiatives that are customized for different situations. This shall ensure that the bank continues in its trend of successful business performance in the future, just as it has been in the past.

5.5 Limitations of the Study

The key challenge of this study was the availability of the respondents. As the respondents were branch managers in charge of their business units, which meant that they had business meetings with different stakeholders including employees and customers, it was quite difficult finding an appropriate time for the interview.

Additionally, some of the respondents chose to withhold some of the information, which they considered sensitive and risky in case their competitors got to access it. This is because of the cutthroat competition witnessed within the banking industry, and more so among the top players including Equity Bank Limited, Standard Chartered Bank Kenya Limited, and KCB Limited among others.

5.6 Suggestions for Further Research

Despite the findings of this study being informative, still other unexplored areas could be explored in future studies. Some of the areas that need further exploration include the comparison of the performance of those organizations that have adopted strategic planning and those that have not adopted it. This will help shed more light on the benefits that accrue to a firm if it adopts strategic planning unlike when it does not.

Additionally, it is recommended that further studies be conducted on the strategic implementation process at Equity bank to provide a deeper insight as to how the bank goes about the implementation of its strategic plans to warrant such immense success. Being this was a case study on just one bank; the data gathered might differ from other financial institutions in the industry bearing in mind that each firm tries to differentiate itself in a bid to gain a competitive advantage over the others, hence the importance of conducting a study on the banking industry.

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APPENDIX

Appendix 1: Interview Guide

STRATEGIC PLANNING AT EQUITY BANK

SECTION A: GENERAL INFORMATION

1. Department…………………………………………………………………………..

2. How long have you worked in the organization?…………………………………….

3. What position do you hold in the organization………………………………………

SECTION B: STRATEGIC PLANNING

4. What is the strategic planning process at Equity Bank Limited and who are the people involved in the process?

5. Describe the strategies adopted by Equity bank in the following area

a) Organizational structure

b) Financial

c) Product

d) Customer care

e) Technology

f) Product

g) Any other (Kindly specify)

6. Does the bank conduct a review of its strategies? If yes, who is involved in the review process and after how long is it conducted?

7. Are the strategic planning initiatives adopted by Equity Bank Limited proactive or reactive in nature? Explain.

8. What factors impact Equity Bank's corporate strategic planning, and to what extent is the influence?

9. What strategic initiatives have been adopted by Equity Bank Limited, and how have they influenced the performance of the bank?

10. What are some of the challenges that occur in strategic planning are posed by the following forms of organizational environment?

a) Political Instability

b) Government intervention

c) State of business relations

d) Inflation level

11. What are the challenges facing the implementation of strategic planning initiatives at Equity Bank Limited?