

**STRATEGIC PLANNING, EXTERNAL ENVIRONMENT AND  
ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF KCB BANK  
KENYA LTD**

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## DECLARATION

I Elizabeth Muthoni Karanja, hereby declare that this research project entitled: **Strategic planning, external environment and organizational performance: Case study of KCB bank Kenya ltd** is my original work and has not been submitted for examination in any other university.

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## SUPERVISOR'S APPROVAL

This research project prepared by Karanja Elizabeth Muthoni with the topic; **Strategic planning, external environment and organizational performance: Case study of KCB bank Kenya ltd** has been submitted for examination with my approval as the University of Nairobi Supervisor.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>CSR:</b>	Corporate social responsibilities
<b>KPI:</b>	Key performance indicators
<b>CBK:</b>	Central bank of Kenya
<b>KBA:</b>	Kenya bankers association
<b>ATM:</b>	Automatic teller machine
<b>M-PESA:</b>	Mobile money
<b>ROE:</b>	Return on equity
<b>ROI:</b>	Return on investment
<b>ROS:</b>	Return on sales
<b>SWOT:</b>	Strength, weakness, opportunities and threats

## ABSTRACT

The objectives of this study are; to determine the influence that strategic planning has on organizational performance at KCB bank Kenya ltd and to establish the link between strategic planning, external environment and organizational performance. This was motivated by the fact that organizational performance has become a core item of study in the organization as a dependent variable. Despite attempts to demystify the core elements that influence organizational performance, none has been conclusive. This study was done to add onto the theory of the studies done on the same field so as to enable better results for organizations and what organizations should look at to maintain and improve their performance. The study was anchored on Contingency theory while the supporting theories were complexity theory as well as open system theory which takes a situational approach in how an organization is run and it indicates there is no best way to do it. It employed descriptive survey research design targeting 760 employees of KCB bank Kenya ltd where 10% of the population which is 76 staff members was sampled using purposive and convenience sampling methods to respond to the questionnaire which was the preferred data collection method. Descriptive data analysis method was used, correlation and regression were also employed to look at the extent of the relationship between the variables. The results clearly indicated external environment had an influence in the formulation of strategic plans and this in respective affected the organizational performance. It was also established that the involvement of staff members in all the processes is key to attaining good results. It was established that external environmental factors that cause turbulence and upheaval greatly affect organizational performance. Strategic planning forms the heart of an organization and the success of the plan is also dependent on various aspects of organizations like resources available, leaders and other factors. The study recommends that similar studies are replicated in other Kenyan banks or even in a different industry altogether.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Organizations survival in a turbulent environment is determined by how well they formulate strategies that will help them be competitive. Strategy links the organization to the environment and good strategies are informed by scanning the environment. According to Mason (2007) external environment is an intricate adaptive system that influences the strategic activities chosen. External environmental factors are beyond an organizations control and consequently influence their strategy formulation and implementation. This is key to ensure competitiveness in the industry. Strategic planning is a key component to strategic management which according to Wagner (2006) entails four steps that are environmental scanning, formulation of strategies, implementation and evaluation within a set budget leading to a set goal. However, the presence of a facilitative environment and culture is key for the transformation of strategic planning into results.

How conversant an organization is with the external environment determines how well it performs and survives. Karake (1997) says that the challenging task of keenly monitoring environmental factors and formulating and implementing operational policies for dealing with those conditions lies on the management. Empirical studies are of the proposition that an organizations survival mainly emanates from the organization's capability to attain and retain healthy balance amongst an assortment of varied forces more that it depends on one element.

This study is anchored on contingency theory and supported by open system theory and complexity theory. Contingency theory by Fielder (1967) emphasizes on leaders changing their leadership styles to match the current situation. This is key because the external business environment is ever-changing and an organization needs leaders who take a situational approach. Open system theory was developed by Bertalanffy (1969). The theory defines the concept of a system to be that all of them are an amalgamation of parts which are interdependent. Basically, in organizations, the system must interchange resources with the environment to survive. Complexity theory which emerged from systems theory in 1960 proposes that systems are constantly changing and unpredictable. In application, it tries to understand how various organizations adapt to the environment and how they cope with uncertain conditions.

The banking industry in Kenya has had to cope with the turbulent external environment and this study looks at how prepared KCB bank has been in terms of strategic planning. The strategies formulation whether long term or short term should be informed by the frequent changes in the environment not to adversely affect the organization's performance. Ansoff, Miller and Cardinal (2001) argues that regular environmental changes require that organizations adjust their actions constantly to ensure their success. There is a need for the formulation of policies centred on customers and on dealing with the evolving challenges for the firms to overcome the ever changing environments they operate in.

### **1.1.1 Strategic Planning**

Strategic planning is defined as the process through which logical criteria and thorough research is used in formulation, implementation and control strategy and

record organizational prospects (Higgins and Vincze, 1989; Mintzberg, 2009; Pearce and Robinson, 2009)

It is the process through which an organizations strategy is defined and decisions are made to allocate scarce resources to pursue the results desired of the strategy. It extends to the control processes that guide the implementation of the said strategies. This process became prominent during the 1960s and it remains an important feature of strategic management. Execution is carried out by strategic planners or strategists which entails researching from many parties and also other sources which include analysis of the relationship of the firm and its environment.

Berry (1997) argues, Strategic planning helps attain a bright outlook for an organization and it's the best channel to reach that endpoint. The strategy is simply setting goals and objectives and determining actions to attain the goals and use of the scarce resources to execute the actions. The executives are tasked with formulating a strategy. The strategy can be planned or emergent. A major importance of strategic planning is the endorsement of adaptive kind of thinking which is a way of attaining and retaining a stable environment placement. Ansoff, Miller and Cardinal (2001)

### **1.1.2 External Environment**

The environment is made up of variables that form the context within which the firm exists according to Hunger and Wheelen (2008). External environmental factors play an important part when the business strategy is being formulated and implemented. The external environment in which an organization operates on present opportunities that should be harnessed and threats that should be eluded. Another term used to refer

to the external environment is macroeconomic factors. These include (PESTEL) that is political factors, economic factors, social factors, and technological factors, environmental and legal factors. These are factors that any organization cannot ignore and can determine the survival of an organization. Radical or discontinuous changes in the environment challenge organizations the most and most times, organizations have to formulate with adaptive strategies to ensure the changes do not affect the performance of the organization.

The external environment is turbulent and it affects both profit-making and non-profit making organizations. A good example in Kenya is poor macroeconomic policies leading to high-interest rates, fluctuating currencies. Other factors like poor infrastructure are also a factor that hinders performance. Any effort to improve organization performance requires an in-depth comprehension of the forces outside the organization that can inhibit or improve its performance. Environmental uncertainty is caused by the disparity in the variables in the external environment (Pearce & Robinson, 2002). Organizations are environment serving and dependent (Jemison, 1981). No organization operates in a vacuum, they operate within an external environment which they constantly interact with. The external environment is independently given to the organization. The organization benefits from resources given by the environment (Pfeffer and Salancik, 2003).

Rapid environmental changes cause uncertainty in the business and therefore contributes to the strategic plan formulation Clark (1994) and Tan & Litschert (1994) conceptualized the external environment in two ways, one is external environment is a means for the provision of resources, while the second viewpoint is it's a source of

information. According to Audia, Locke and Smith (2000). The ultimate success of an organization takes place when there are a creation and maintenance of a match between strategy and the external environment and also between its internal environment and organization strategy (Grant, 2003). Sudden and extensive upheavals in an organizations environment tamper with the trajectories of an organization and overpower the adaptive capabilities of resilient organizations (Allen and Meyer, 1990).

The various external environment dimensions include dynamism, hostility, munificence and complexity. In reference to how random the external environment is due to frequent changes is what dynamism is. Hostility is in reference to the tough competition existing amongst organizations in similar or allied industries. Complexity is varied and important data that a firm requires to flourish in a turbulent environment. Environment munificence is the existence of opportunities or the accessibility of resources to take advantage of the prospects (Rosenbusch, Rauch, and Bausch, 2013).In summary business organizations leap from their existing surrounding and vice versa. The environment is changing rapidly with changes taking place in two scopes; the complexity and turbulence (Hamel & Prahalad, 1989).

Political factors-It is basically the extent to which there is government intervention in the economy. Government policies, political instability, foreign trade policies, labour laws, trade restrictions, tax policy. The above clearly stipulates that political factors have an impact on organizational performance. It is therefore important for organizations to project and adjust their strategies depending on the current situation. Economic factors- entails economic growth, exchange rates, inflation, interest rates,

level of disposable income of customers and businesses form part of the economic factors that have a huge impact on how businesses perform.

Social factors-This is all about shared beliefs and attitudes of the surrounding people. This entails population growth, health consciousness, education levels, age distribution, and career attitudes. They have a direct effect on business because they mostly determine the drivers of buyers. Technological factors-a key factor that determines how organization cope with competition by embracing new advancements, Technological factors range from means of communicating, ways of marketing and distribution. Automation and research and development. Environmental factors-Factors dependent on the immediate environment. Things like climate, geographical location, global changes in climate, corporate sustainability responsibility (CSR) which is becoming very important. Recycling procedures and waste disposal are also key environmental factors. Legal factors-entails health and welfare of goods, advertising standards, consumer rights and law, merchandise labelling and safety, equal opportunities. In order for organizations to trade successfully, they need to what is regarded legal especially when entering new markets.

### **1.1.3 Organization Performance**

Organizational performance is the extent to which organizational objectives and goals are met. It is as a result of looking at actual results obtained in comparison with the intended goals and objectives. It is an output achieved when an organization formulates and implements a good strategy successfully which in returns enables customers to receive products and services of greater value than what they are willing to pay for (Barney, 1986).



Good understanding and interpretation of the environment enables an organization to survive and thrive in a particular industry. This is key to obtain a competitive advantage over the competitor. The match between organizations and their environment is the most significant indicator of an organizational survival and performance (Boyd and Fulk, 1996). An organization stability impacts organizational performance. The performance of an organization is a regular subject in strategic management field study. However, establishing a direct link between external environmental factors and performance of a firm may be difficult. Organizational theorists highlight that organizations have to adjust to match the external environment if they are to continue being successful (Duncan 1972 A). Key performance indicators (KPI's) are used to monitor the organization's success. Organizational performance is arguably the variable that is most widely researched. It is an attention variable for scholars interested with any part of executive although it is still ambiguous and unclearly explained (Rodgers and Wright, 1998).

Armstrong (1982) states that there is no right way of managing organizational performance, the approach must depend on the background of the organization that is its culture, structure, technology, stakeholders and the personnel involved. Eisenhardt & Sull (2001) states that any strategy to be implemented in a turbulent environment should be dynamic and disciplined, managers should come up with s rules which will help team members cope with potential threats and opportunities coming rapidly without reference to their senior managers. Venkatraman& Ramanujam (1986) advocate on multi-dimensional view of aspects affecting organizational performance. Karger and Parnell (1996) also emphasized that the pointers of performance are multi-dimensional meaning although finances are a factor, a firm's ability to adjust to

variation that happen in its surrounding also plays a role. A convincing model representing firm performance must emulate a multifaceted paradigm that involves more than one criteria. The interpretation of performance is dependent on the individual responsible for performance evaluation (Lebans & Euske 2006: p. 71)

#### **1.1.4 Banking Industry in Kenya**

Financial institutions within Kenya have become very competitive and this has necessitated the need for them to survey both their internal and external environments. The biggest challenge is usually formulating strategies and implementing them. It is also important for them to keep reviewing their strategies to match the environment. There are 45 commercial banks in Kenya with most of the small to medium sized being locally owned while other banks are foreign-owned. The Companies Act, CBK issued guidelines, the CBK Act, and the Banking Act. The lifting of the exchange controls in 1995 saw the liberalization of the banking industry. The Central bank of Kenya is versed with the role of policy making and ensure proper implementation of the policies. The reinforcement of a reputable and professional banking scene by KBA has been in an attempt to provide support to Kenyans, who entrust KBAs member banks with their hard earned money. In the current past that is from the year 2016 to present day, banks have had to cope with challenges brought about by the emergent changes in the environment. KCB bank Kenya Ltd is one of the biggest financial institutions in Kenya by asset base and branches.

#### **1.1.5 KCB Bank Kenya Ltd**

KCB is the Eastern Africa's largest and oldest bank which started operating as a branch of National Bank of India in Zanzibar in 1896. Its operations were extended to

Nairobi in 1904. After independence the Kenyan government gained bulk shareholding and rebranded to Kenya Commercial bank (KCB).1972 the bank acquired Savings and Loan k Ltd which was the biggest mortgage lender. In 1988 20% of its shares were sold off by the government which were bought by 120,000 new shareholders. The year 1997 they entered Tanzanian market which currently has 11 branches. In 2003 they rebranded to KCB bank Ltd which was followed closely to venturing in the South Sudan market in 2006 currently has 20 branches.2007 they entered Ugandan market, 2008 they entered Rwanda opening 14 branches which are operational to date. In 2011 KCB recorded 15.1 billion trading profit which came out as the most Profitable in Eastern Africa. In 2012 they ventured into Burundi market. KCB M-PESA was then launched as a mobile-based account and was not limited to KCB customers only but any M-PESA user. KCB group plc started overseeing all KCB regional units which include KCB bank and all its branches within the eastern African market and also KCB insurance Agency, KCB capital, Foundation and all associated companies. In Kenya, KCB has 192 Branches across its 47 counties which can be easily located.

## **1.2 Research Problem**

Studies argue of an inconsistent link between strategic planning and organizational performance. (Dusenbury, 2000; Hendrick, 2003) concluded that strategic planning positively influences organizational performance. On the other hand, Poister (2005) found out that strategic planning has no effect on the efficiency or effectiveness of an organization. An organization operates within an external environment that presents it with opportunities and threats.

The environmental factors hugely impact the success of the banking industry and therefore firms cannot ignore them. How well they understand the environment they exist in determines their survival and their competitive advantage. Understanding the external environment amongst other aspects affecting organizational performance is imperative when formulating strategies and policies for an organization. Organizations are increasingly embracing strategic planning in anticipation that it would convert to improved performance, Awuor (2014). This research seeks to scrutinize connection between strategic planning, external environment and organization performance. In the banking industry in Kenya, there have been turbulent environmental changes that have adversely affected the performance of KCB bank. Changes in technology where we have seen the use of intelligent and cardless ATM's where one can even deposit cash without queuing in the bank halls.

The introduction of a bank agency even in rural areas, KCB M-PESA which is available to all M-PESA users. Political factors like an extended electioneering period in 2017 affected the performance of banks due to the insecurity that came with it, interruption of normal business operation among other things. The economy of Kenya has been deteriorating due to the high taxes imposed by the government leading to a lack of disposable income for customers thus affecting the reserves of the banks respectively. Exchange rate where the Kenya shilling has lost its value to the dollar is also another factor that has affected the banks and consequently affected their service delivery to customers with foreign currency accounts. The interest cap on loans which was introduced in 2016 was a major blow to the bank as it affected their profit margins and the banks were forced to diversify in terms of the products offered to

push through in the competitive industry. It is therefore paramount to look at how the banking industry can cope with unpredictable external environmental changes.

This study seeks to carry out research to find out the effects of business external forces on the organizational performance in the banking industry, with a keen focus on KCB bank. Several other studies on the same topic exist. Mutoria (2009) studied the practices of multi-dimensional strategic planning and firm performance. Arasa (2002) researched on strategic planning, the participation of employees, and firm performance being a study carried out in the insurance company based in Kenya. Onganyo (2012) also researched on employee outlook of how influential strategic planning has been on organization performance at the foreign affairs ministry in Kenya. No study has been done on the link between strategic planning, external environment and the performance of organization's targeting the banking industry in Kenya and that created a research gap.

This study seeks to bring insight to these research questions; what is the relationship between strategic planning and organizational performance? What is the relationship between strategic planning, external environment and organizational performance?

### **1.3 Research Objectives**

The objectives of the study are; (1) To establish the influence that strategic planning has on organizational performance in KCB bank Kenya ltd. (2) To establish the effect of strategic planning and external environment on organizational performance.

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

In theory, the study should help support existing theories by coming up with a new dimension in which they should be viewed thus increasing knowledge. The study will form a foundation for additional research. Research findings can nullify or support a hypothesis thus increasing knowledge. In the academic world, the study is useful in increasing knowledge and theory formulation. The study or research can be used by academicians, researchers, executives and also students to form part of the secondary source of information in their studies. That way we are able to bridge a research gap which would consequently trigger further research. Authors can also use the findings as a reference when writing books, journals and other research papers in the academic areas.

In practice, this study will help managers and executive align the organization's vision and mission with the turbulent environment to survive. It key for the executives to take a keen interest in all the business environmental factors when formulating strategies. They should be informed and match the current organization environment. Management should be able to predict the future of an organization in order to come up with the right trajectory to a successful future.

The study is useful in policy making in that when an organization scans the external environment it is going to assist formulate and implement good policies. These policies will help the organization improve its performance even in turbulent environments. The study will help in the Kenyan banking industry by emphasizing the importance of scanning the external environment so that firms are able to align themselves to the external forces and hence record good performance as the end result. Policies that an organization makes are key determinants of their success or

failure. Good policies are informed by various aspects which include the external environment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Chapter two reviews the theoretical foundations that guide the study. It entails detailed discussion of the theoretical foundation, empirical literature, research gaps and the conceptual framework.

#### **2.2 Theoretical Foundation of the Study**

Theoretical foundation evaluation is a collection of existing theories and models from literature which reinforce the conceptual framework and consequently inform the problem statement (Mugenda & Mugenda, 2003). These are analytical tools used to further understanding, enlightening, and making predictions on the topic in question. A theory is a collection of principles framed to expound on a cluster of truths or phenomena and these facts have been tested repeatedly and consequently accepted and can be used for making a prognosis about natural phenomena. This study is guided by several theories contingency theory as the anchoring theory and open system theory and complexity theory as supportive theories.

##### **2.2.1 Contingency theory**

This organizational theory says there is no good way of organizing an organization, steering a company, or making critical decisions. The process is contingent (dependent) upon both internal and the external factors. Contingency theorist's state that the structure of organizations matches their operating environment. Fiedler, (1967) argued that the contextual variables facing an organization to inform the structural and management styles embraced. Contingency theories correlate to the



way organizational structure balances to match with the internal factors like work ethics and also the external surrounding. Contingency refers to one thing depending on another or that one trait depending on another characteristic (Ansoff & McDonnell, 2010). According to Lynch (2003), to form a bridge between internal resource management and customer relations, competitors, social and economic environment as well as suppliers, an organization can use its corporate strategy. Both the organization and its external environment impact and influence each other in a major manner. Contingency theory is valuable in the identification of significant variables and state under which there is productive planning (Schendel & Hofer, 1979). Contingency theory in this study supports various aspects of strategic planning with the narration that plans should be done continuously and should be informed by the situation the organization is at. All strategic plan should be formulated by situational leaders chosen diligently. The plan should be informed by the surrounding environment and should be formulated to match the environment Child (1972). Contingency theory indicates there is no best way to run an organization and its best to always look at the environment where there is mutual exchange of resources to the success and survival of the organization.

### **2.2.2 Open System theory**

Open systems theory which was developed by Bertalanffy (1969) a biologist applied in all disciplines. It is simply the concept that institutions and organizations are greatly influenced by the environment. Competing organizations also form part of the external environment. Open systems theory denotes that the environment can provide key resources that can sustain the organization which respectively bring s about the survival of the organization. It is part of theories of organizations which is an

advancement of other theories like human relations viewpoint by Elton Mayo and administrative theory by Henri Fayol. These former theories looked at organizations as self-sustaining entities. Open systems theories include Contingency theorists, Institutional theorists and resource dependency theorists. Organizations and institutions are environments serving, meaning they can hardly regulate their own behaviour and are subjective partly to external factors (Ansoff & McDonnell, 1990).

### **2.2.3 Complexity theory**

It grew from systems theory in the 1960s. It is used to study uncertainty and non-linearity. It has emphasizes on interactions and feedback loops that help in improving a system. It is of the opinion that organizations are adaptive in that individual and collective behaviour transform and self-organize in correspondence with events surrounding it. This theory describes the external environment as extremely complex because of the uncontrollable and unpredictable factors. The external environment comprises of various characteristics that should be analysed in details. In complex theories there is a behaviour that is complex and generally depends on the influence of the various components and whereby behaviour is dictated by certain simple rules (Gleick, 1988; Kauffman, 1993; Campbell, Mc cloy and Oppier 1993).

### **2.3 Strategic planning and organizational performance**

The degree to which strategic planning impacts the performance of an organization forms a good measure of strategic planning's success which in turn affects the rate at which it survives. Strategic planning constitutes a number of fundamental processes projected to make or influence a state to acquire favourable results. Strategic planning seeks to endorse adaptive thinking, that is, the procedure of attaining and retaining a

stable environment positioning (Ansoff, Miller & Cardinal 2001). Other studies by manufacturing organizations have pointed out that strategic planning precedes greater financial performance, which is indicated in terms of generally accepted financial methods. However other studies by (Armstrong, 1982; Greenley, 1986; Mintzberg & Quinn, 1991) contradict the impression that: strategic planning translate to greater performance.

Findings by (Schwenk and Shrader, 1993) have resounding proof indicating that there exists a direct relationship between strategic planning and better financial performance. The studies brought out factors in charge of past research inconsistencies (e.g., faults in methodology, non-robust statistical procedures) and this provides further evidence for their findings. The banking industry has diversified to new markets in recent years. In return, there is an increased demand for banks to give better services to their customers. Banks have had to become keen on their specialization in the market and their financial rules. The management staff in banks are increasingly concentrating further on their external and internal surroundings, emphasizing on the procedures used to set goals and objectives and assessing alternate strategies more attentively (Robinson & Pearce, 1984; Thompson, Strickland and Gamble, 2007; Armstrong, 1982).

The incremental engagement of bank managers in these processes points to the fact that they recognise, knowingly or intuitively a link between strategic planning and an improvement in financial performance (Wheelen and Hunger, 2008; Chandler, 1962) tested the relationship, with favourable results that the amount of strategic planning a firm undertakes positively impacts its financial performance. Strategic planning

impact is defined by the importance placed on each element of the strategic planning process. Organizations undertaking an active strategic planning approach record better performance than those undertaking a reactive type of strategic planning approach. These findings establish the importance and the need of adopting a formal, proactive strategic planning procedure in a firm, whether big or small (Akinyele, 2007).

David (2005) also maintains that organizations report improved performance as soon as they effectively adopt strategic planning. Executing all the steps in the strategic planning procedure facilitates the realization of organizational effectiveness and consequently improved performance. Strategic planning fails due to problems that organizations come across at the implementation stage which is key to influencing performance. Bryson (2004) says that strategic planning helps in providing the direction so staff members are aware of the results expected by the organization and where to exert their efforts. A strategic plan outlines the output to be assessed to show performance, while performance assessment gives feedback against the goal set (Dusenbury, 2000). Thompson, Strickland and Gamble (2007) indicate that the significance of good strategy formulation is to maintain a firm market position and a firm that is successful in terms of performance in spite of unexpected events, stiff competition and struggles.

#### **2.4 Strategic planning, external environment and organization performance**

A mounting body of knowledge is amassing and contends that the intervening determining factor of firm performance is a dependent link between environment and strategy. Child (1972), Aldrich (1979), have offered conceptual models emphasizing

on the significance of strategic choice in shaping performance in relation to surrounding elements and organization capabilities. Aldrich (1979) came up with a counter conceptual argument stating that strategic choices that impact performance are mainly inhibited by societal demands. According to him final firm performance is as a result of the discerning forces of the surrounding environment. Child (1972) conducted a study of the external environment, magnitude of the organization, technology, and performance for a number of British firms discovered that chief executive officers formulate objectives and also plan beforehand rather than just reacting to the surrounding forces or performance attained.

He opposes that strategic planning is the determining factor of a company performance. In the agreement, Verbrugge, Schick, and Thygerson( 1975) stated that the performance of various institutions like the savings and loan organizations rely a lot on strategic planning than they do on the environmental forces. Jauch, Osbom, and Glueck (1980) researched the organizational performance for Fortune 500 firms. Their findings were that various strategic engagements like mergers and downsizing are impacted by environmental aspects and that frequent environmental upheavals affect financial performance. Lenz (1980) in his study of firms in the banking industry concluded that "neither environment nor can strategy independently is adequate to explain changes in performance. Organizations exist and evolve together with the existing environment and so it's hard to separate them (Brooks & Weatherston, 1997).

Porter (2008) is of the notion that for an organization to record good performance and be effective and efficient it has to come up with clear policies and strategies by identifying the important elements which will make it achieve competitive advantage.

Machuki and Aosa (2011) says that the external environment is unpredictable, which affects the organizational performance and hence one should be able to analyse the environment before coming up with appropriate strategies. External environment affects the strength of strategic planning, organizations should make a substantial environmental scrutiny, and this can be done by use of the SWOT framework which looks at the internal factors that are strengths, weaknesses, together with the external forces which are opportunities and threats of an organization. Osborn and Hunt (1974) made an observation of minimal consensus on the need for firms to adapt to shifts in the immediate environmental factors so as to be effective.

Strategy forms a link between the firm and the existing surrounding and it must in line with objectives, values, resources, external environment, structure and system (Ansoff & Mc Donnell 1990). The influence the environment has on an organization performance has been the centre of interest in strategy (Porter, 1987). Organizations must constantly scan and analyse the environment for indicators of future surprises. It is also important to react to frequent changes in organization structure and dynamics. Both organization and environment infiltrate each other both intellectually and relationship wise meaning in mind of participants and in the ways it steers links between each other. Business and organizations relationship is mutual, the environment applies pressure on business operations, while operations influence various facets of its environment. Businesses operations rely on its environment for the provision of its input and absorption of its output. Strategic planning processes, environmental factor, and performance link is puzzling as well. There exists minimal deposition to validate the deduction of a single factor (environment or strategic planning) being a superior influencer of firm performance exceeding other. Lenz's

(1980) concluded that none of the two factors is substantial to explain inconsistencies in performance.

## 2.5 Summary of Empirical Review and Knowledge Gaps

Study	Methodology	Main findings	Research gaps
Influence of the external environment on the performance of publicly quoted companies in Kenya. Machuki and Aosa (2011)	Cross-sectional survey	External environmental factors were among the factors that affect corporate performance. Thorough understanding of changes in the external environment.	The assumption that the relationship between the variables was linear which leaves the possibility of a Non-linear relationship
Firm-level factors, industry environment, competitive strategy and performance of large manufacturing firms in Kenya. Kariuki (2015)	cross-sectional survey	Organizational structure, culture and resources had a combined effect on performance	The study had limitations in that any change in various variables was not tracked or observed over time as with longitudinal studies
The relationship between strategic planning and organizational performance in NGO's. Ongonge(2013)	Case study	A significant relationship between strategic planning and strategy implementation	The study did not look at environmental factors which form part of the strategy formulation.

Impact of external business environment on organizational performance. Akpovirono (2018)	Survey research	The external business environment affects the organizational performance and businesses should understand and match their strategies.	The study was limited to frozen companies in Nigeria and the sample used was small.
Impact of business environment on organizational performance in Nigeria. Erumegbe (2015)	Survey research method	There is a relationship between business and the environment	The sample size was small and limited to union bank of Nigeria
An assessment of the impact of the environmental upheavals on commercial banks performance and their effective responses. Awuor (2014)	Descriptive research design	46% of the Eco-bank performance was associated with economic variables and other factors like changes in customer taste and legal factors like government regulations	How specific changes in the industry itself affects performance. Look at internal environment influence on performance

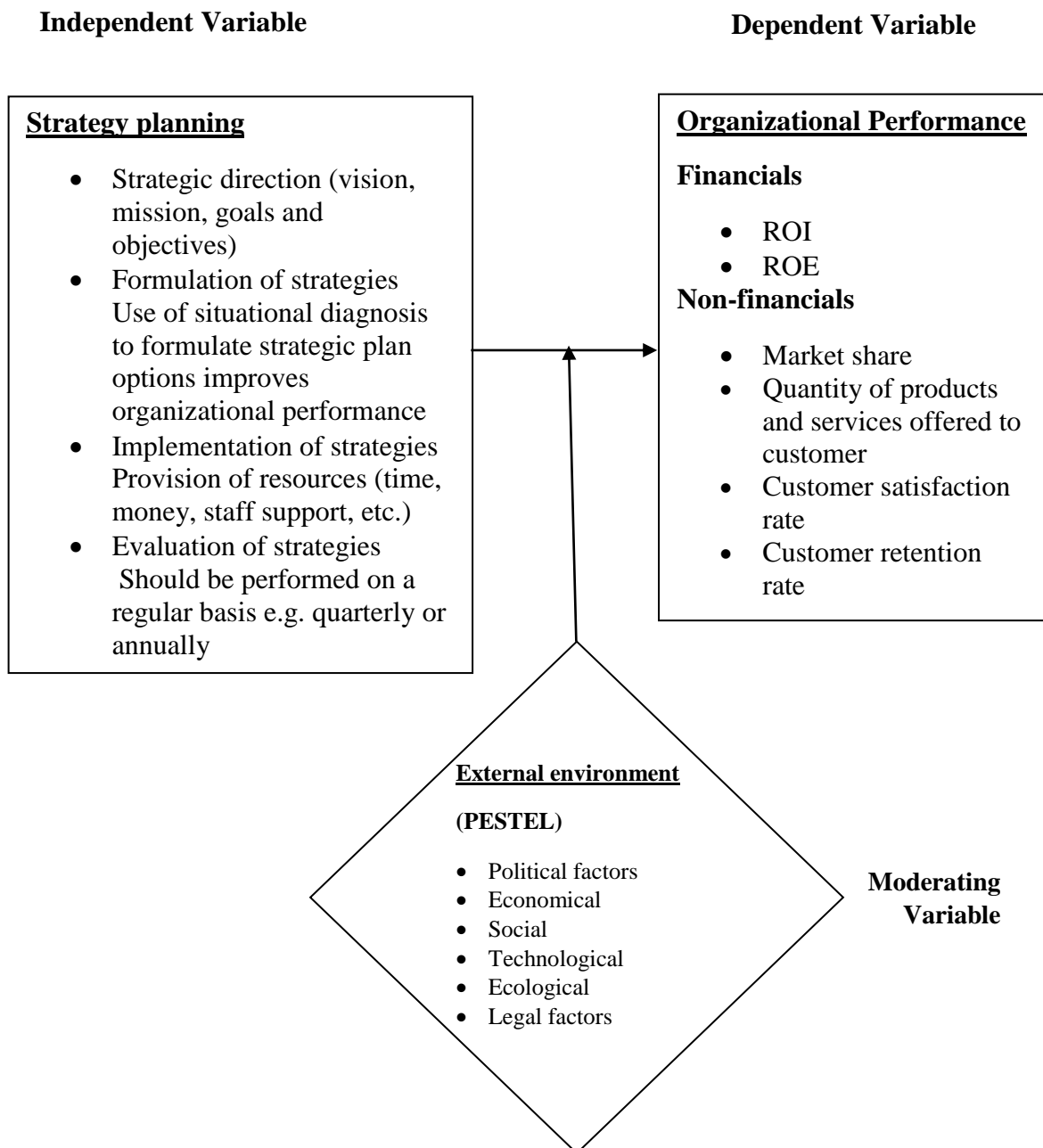


## 2.6 The Conceptual framework

The existence of knowledge gaps led to development of the conceptual model in Figure 2.1 This helps in filling gaps that exist in the relationship of the three variables.

Strategic planning is the predictor variable while organizational performance is the dependent variable. The external environment is the moderating variable. Dependent variables represent the outcome while independent variables are factors that try to explain inconsistencies in the dependent variable.

**Figure 2.1 Conceptual model**



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Research methodology chapter looks at the research design, the targeted population while narrowing down to the selection of a sample, methods and processes to be used in data collection and techniques used in analysis of collected data.

#### **3.1 Research Design**

A research design is the general research approach or procedure embraced for a particular study (Cooper and Schindler 2003). It forms the heart of planning which is key in research. This is a systematic plan used to study a problem in question (Yin 2014). Descriptive survey which is a research design is adopted for this study. The design is preferred because it incorporates both qualitative and quantitative data. It is well structured to examine a range of units and subunits in and within an organization Kothari (2004). Descriptive design helps in better understanding of the research framework as well as the enactment method. This design allows an in-depth comprehension of the correlation between strategic planning, external environment and organization performance at KCB bank Kenya Ltd. This research design method has been effectively utilized by other scholars in related studies in the past hence making it appropriate for this study.

#### **3.2 Population**

This is the total collection of elements with common observable traits with whose findings interpretation or conclusions can be made. Population targeted for this study

is KCB bank Kenya Ltd staff and the headcount was 760 staff members. This population was best suited to respond to the questions because they are in one way or another involved in the strategy formulation, implementation or evaluation process.

### **3.3 Sampling design**

The sampling frame was obtained from mainly head of departments, managers and assistant managers at KCB bank Kenya Ltd. Specifically at KENCOM house which is the headquarters of the operations of KCB bank Kenya Ltd. Sampling technique used for this study is purposive sampling together with convenience to enable target the right audience for the objectives. A sample size of 76 respondents was settled at being 10% of the population under study. These comprised of compliance and IT department, credit department, Human resource department, Operations department and strategy department.

### **3.4 Data Collection**

This entailed a systematic and orderly way of gathering data on the research objective. Data can be gathered from both primary and secondary data sources. Secondary data from books, journals, newspapers, banks annual reports and previous research papers submitted by other students. Primary data is collected using a questionnaire, interviews, schedules and available records (Saunders, Lewis & Thornhill, 2007). This specific study relied on primary data collected by administering a questionnaire. Respondents were targeted as the primary source of data.

The questionnaire allows the collection of data over a large sample (Kombo and Tromp 2006). This method is known to save time and minimise chances of bias as it's

in written format. The questionnaire targeted senior staff involved in the process of formulation and evaluation of strategic plan within KCB bank Kenya Ltd. The questionnaire will be emailed to respondents, a follow-up call to assist respondents in areas that may need further elaboration or clarification. The respondents included heads of departments and managers in senior positions.

### **3.5 Data Analysis**

This involved examining the collected information and making deductions (Kombo & Tromp, 2006). This research used descriptive statistics and Content analysis as the preferred data analysis method. Descriptive statistics is a method used in the collection, organization and data analysis. It employs the use of frequency charts, graphs and pie charts to tabulate mean, frequencies, standard deviation and percentages. Correlation and regression are used to show the link between both dependent and independent variables. Content analysis involves studying written documentation and survey response data and making objective inferences on the strategic management practices.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS, AND DISCUSSION

#### 4.1 Introduction

This chapter is a presentation of the results and discussion in detail. The aim of this study was to look at the influence of strategic planning and external environment on the performance of KCB bank Kenya Ltd. The target was to interview senior managers from various departments at KCB Kencom House in Nairobi County in Nairobi Central Business District.

#### 4.2 Response Rate

**Table 4.1: Response Rate**

	<b>Sample Size</b>	<b>Responses</b>	<b>Response Rate</b>
Compliance &IT Department	20	14	70.00%
Credit Department	15	12	80.00%
Human Resource Department	17	13	76.47%
Operations Department	11	8	72.72%
Strategy Department	13	9	69.23%
<b>Total</b>	<b>76</b>	<b>56</b>	<b>73.68%</b>

**Source: field data 2018**

Table 4.1 indicates a total of 76 questionnaires were administered to the senior officers of each department of KCB bank Kenya ltd during the year 2017/2018. While 56 of them completed and returned the questionnaires, 20 of them either failed to complete the questionnaire or failed to return. This translates to a response rate of 73.68 % shown in Table 4.1. Gall and Borg (2006) asserts that any response rate that

is over 60% of the targeted audience is sufficient for a study. Therefore, the response rate of 73.68 % was considered adequate to generalise findings of this study.

### 4.3 Data Validity

Mugenda and Mugenda (2003) stated that a pilot test is key to ascertain the validity of a study. The pilot test was carried out using questionnaires administered to senior managers of KCB bank Kenya ltd. This constituted 10% of the 76 target population (10% of 76) = 8 was selected using simple random sampling. The pilot is administered to pretest data collection tool to test validity and reliability.

### 4.4 Descriptive Statistics

#### 4.4.1 Strategic planning on Organizational Performance

Strategic planning and organizational performance was measured by use of a 3-point Likert-type scale with (3) point indicating yes, (2) indicating Not sure and (1) indicating No. Output was presented in percentages (see Appendix II) and then transformed into mean, standard deviation and coefficient of variation as presented in Table 4.2.

Table 4.2: Factors of strategic planning on Organizational Performance

<b>Factor</b>	<b>Total</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>The coefficient of Variation (%)</b>
a. Does your organization have a strategy/corporate plan?	56	2.5	1.4	56.00
b. Does your organization provide resources set apart for strategic planning?	56	2.6	1.5	57.69

c. Does your organization have a written vision and mission statement?	56	2.7	1.3	48.15
d. Does your firm occasionally gather and analyze information on the market and the surroundings that affect the performance.	56	2.8	1.4	50.00
e. Do your management and higher-level staff participate in setting goals and objectives?	56	2.6	1.2	46.15
f. Do your management and higher-level staff participate in setting goals and objectives?	56	2.1	1.0	47.62
g. Does your organization monitor the industry as a whole to look at competitors and any important changes that may affect business	56	2.3	1.0	43.48
h. Does your organization have a monitoring and evaluation system to track performance?	56	2.5	1.6	64.00
i. Does your organization have written goals (short or long term)?	56	2.3	1.7	73.91
j. Are the written goals quantified with measurable targets	56	2.0	1.5	75.00
k. Does your institution follow a distinct established procedures during the strategic planning procedures?	56	2.2	1.7	72.27

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<b>Average</b>	<b>56</b>	<b>2.418</b>	<b>1.391</b>
<b>57.661</b>			

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**Source: field study 2018**

Table 4.2 illustrates that the mean ranged from 1 to 5 and the higher the mean the more effective a lending mechanism was rated and vice versa. Standard deviation, on

the other hand, was used to show the degree of unanimity/dispersal of responses by the respondents on a particular factor ranging from zero (no dispersal at all) to 2.8 (highest dispersal). To determine the prevalence of each factor, the coefficient of variation (CV) was computed by dividing the standard deviation by mean. CV is specifically valuable when one wants to compare outcomes from two distinct surveys or tests that have different measures or values. This is key because the standard deviation is understood in the context of the mean of the collected data. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

As depicted in Table 4.2: the written goals are quantified with measurable targets (CV= 75.00%), followed closely by the organization have written goals (short or long term)? (CV= 73.91%), this was followed by the institution follows a clear set of procedures during the strategic planning process (CV= 72.27%), it was followed at a close range by the organization has a monitoring and evaluation system to track performance (CV= 64.00%), followed later was the organization provide resources earmarked for strategic planning (CV= 57.69%) at a close range followed was the organization have a strategy/corporate plan(CV= 56.00%) followed later was does your organization occasionally collect and examine data about the market and other surrounding factors that impact the business (CV= 50.00%) followed later was does your organization have a written vision and mission statement (CV= 48.15%) this was followed by Do your management and higher-level staff participate in setting goals and objectives? (CV= 47.62%) followed later was do your management and higher-level staff participate in setting goals and objectives (CV= 46.15%). And the least was does your organization evaluate the sector in terms of new competition and ideas, new technologies, trends, labour practices (CV=43.48%). On average the coefficient of



variation was found to be 56.500 per cent. This implies that strategic planning indeed has an effect on organizational performance (CV= 57.661%)

#### 4.4.2 External Environment

The external environment influence on organizational performance was measured using a 5-point Likert-type scale with (1) point indicating strongly disagree while (5) point indicated strongly agree. Output was presented in percentages (see Appendix II) and then transformed into mean, standard deviation and coefficient of variation as presented.

**Table 4.3: External Environment on organizational performance**

Factor	Total	Mean	Standard Deviation	The coefficient of Variation (%)
a) Environmental factors (political, economic, social, technology, environment and legal) affect performance	56	2.7	1.8	66.67
b) Strategic planning being an activity conducted on a regular basis, e.g., annually improves organizational performance.	56	2.5	1.6	64.00
c) Use of situational diagnosis to formulate strategic plan options improves organizational performance	56	2.6	1.4	53.85
d) Identification of key threats and opportunities during market analysis improves organizational performance	56	2.9	1.5	51.72
e) Periodically gathering and analyzing information on the market and other elements of business improves organizational performance	56	2.5	1.3	52.00

f) Provision of resources set apart for strategic planning improves organizational performance	56	2.1	1.5	71.43
g) Comparison with other industry players improves organizational performance	56	2.3	1.2	52.17
h) Strategy is mostly tuned by the external environmental aspects	56	2.4	1.1	45.83
i) Competition forms part of the external environment	56	2.0	1.3	65.00
j) The banking industry is known to have a turbulent environment	56	2.2	1.2	54.55
k) Resource commitment is guided by environmental variable	56	2.3	1.0	43.48
l) Service delivery uniqueness is driven by external environment	56	2.4	1.7	70.83
m) Market place price competitiveness is determined by the external environment	56	2.7	1.4	51.85
n) Access to knowledge and core information on the sector, markets, and other elements improve organizational performance.	56	2.8	1.3	46.43
o) Systematically measuring actual performance vs. goals set improves organizational performance	56	2.6	1.5	57.69

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<b>Average</b>	<b>56</b>	<b>1.927</b>	<b>1.387</b>	<b>56.500</b>
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**Source: field data 2018**

Table 4.3 illustrates that the mean ranged from 1 to 5 and the higher the mean the more effective a lending mechanism was rated and vice versa. Standard deviation, on the other hand, was used to show the degree of unanimity/dispersal of responses by the respondents on a particular factor ranging from zero (no dispersal at all) to 2.9

(highest dispersal). To determine the prevalence of each factor, the coefficient of variation (CV) was computed by division of the standard deviation by mean. Coefficient of variation is useful when one wants to compare outcomes of two distinct surveys that have distinct measures or values. The lower the value of the coefficient of variation, the more accurate the estimate and thus the more prevalent a variable is.

From Table 4.3, the most influencing external environment was Provision of resources set apart specifically for strategic planning improves organizational performance (CV = 71.43%), followed by Service delivery uniqueness is driven by external environment (CV = 70.83%) followed by Environmental factors (political, economic, social, technology, environment and legal) affect performance (66.67%). competition makes part of environment (CV = 65.00%). Strategic planning came out as a prioritized activity, carried out regularly e.g., annually improves organizational performance (CV = 64.00%) followed at a distance was systematically measuring actual performance vs. goals set improves organizational performance (CV = 57.69%), The banking industry has a dynamic environment that is hard to deal with (CV=54.55% followed closely was comparison of the organization's performance and operational traits with those of opponents improves organizational performance (CV=52.17%) followed closely by Periodically gathering and analyzing data which impact the business improves organizational performance (52.00%). Followed closely was marketplace price competitiveness is determined by the external environment (51.85%). Followed later was identification of key threats & opportunities during market analysis improves organizational performance (CV=51.72%) followed later was having information about the industry, markets, and other factors improves organizational performance (CV=46.43%) followed later was Strategy is guided by the external environment aspects (CV=45.83%) and the least was said to be Resource

commitment is guided by environmental variable (CV=43.48%). On average the coefficient of variation was found to be 56.500 per cent. This implies that the external environment indeed has an effect on strategic planning.

#### 4.4.3 Organizational Performance

The organizational performance was measured using a 5-point Likert-type scale with (1) point indicating very Low while (5) points indicated Very high. Output was presented in percentages (see Appendix II) and then transformed into mean, standard deviation and coefficient of variation as presented in Table 4.4

**Table 4.4: Organizational Performance**

<b>Factor</b>	<b>Total</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Coefficient of Variation (%)</b>
Delivery of service to customers	56	1.3	0.9	81.82
Quality of products and services offered to customers	56	1.7	1.1	64.71
Customer satisfaction rate	56	1.8	1.3	72.22
Market share	56	1.4	1.2	85.72
Customer retention rate	56	1.6	1.4	87.50
<b>Average</b>	<b>56</b>	<b>1.56</b>	<b>1.18</b>	<b>78.394</b>

**Source: field data 2018**

Table 4.4 depicts a mean range of 1 to 5 and the higher the mean the more effective a factor on socio-economic empowerment of women was rated and vice versa. Standard deviation, on the other hand, was used to show the degree of unanimity/dispersal of responses by the respondents on a particular factor ranging from zero (no dispersal at

all) to 1.7 (highest dispersal). To determine the prevalence of each factor, the coefficient of variation (CV) was computed by dividing the standard deviation by mean. CV is useful when one wants to compare outcomes from two distinct surveys that have different measures or values. This is key because standard deviation is understood in the context of the mean of the data. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

From the findings of Table 4.4: customer retention was the highest measure of organizational performance (CV= 87.50%), followed closely by market share (CV=85.72%), followed later was delivery of service to customers (CV= 81.82%), followed at a distance was Customer satisfaction rate (CV=72.22%) and the least was the quality of products and services offered to customers (CV=64.71%).

**Table 4.5: Organizational performance and Strategic planning**

<b>Factor</b>	<b>Total</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Coefficient of Variation (%)</b>
KCB bank ltd strategy achieves direction and control?	56	1.5	1.1	73.33
Bank strategy achieves sustainable competitive advantage?	56	1.6	1.2	75.00
Bank strategy achieve organizations-environment match?	56	1.9	1.3	68.42
Bank strategy achieves				

efficiency in the allocation of resources?	56	1.7	1.2	70.59
Bank strategy achieves improved innovation and creativity.	56	1.4	1.2	85.71
<b>Average</b>	<b>56</b>	<b>1.62</b>	<b>1.2</b>	<b>74.61</b>

**Source: field data 2018**

Table 4.5 illustrates a mean range of 1 to 5 and the higher the mean the more effective a factor on socio-economic empowerment of women was rated and vice versa. Standard deviation, on the other hand, was used to show the degree of unanimity/dispersal of responses by the respondents on a particular factor ranging from zero (no dispersal at all) to 1.9 (highest dispersal).

From the findings, Bank strategy achieves improved innovation and creativity was the highest in relation to organizational performance and strategic planning at (CV=85.71%) followed closely was Bank strategy achieves sustainable competitive advantage (CV= 75.00%), this was followed at a close range by KCB bank ltd strategy achieves direction and control (CV= 73.33%) a close range by bank strategy achieves efficiency in allocation of resources (CV= 70.59%). And the least was bank strategy achieve organizations-environment match (CV= 68.42%)

## **4.5 Correlation Analysis**

### **4.5.1 Correlation Analysis**

To show variable relationships i used Pearson correlation coefficient (r). This assisted to show the link between all the variables under study.

**Table 4.6: Correlation matrix (external Environment)**

		<b>External Environment</b>	<b>Involvement</b>	<b>Consistency</b>	<b>Adaptability</b>	<b>Mission</b>
Pearson Correlation(r)	E	1.000	0.573	0.525	0.538	0.586
	Involvement	0.573	1.000	0.551	0.687	0.726
	Consistency	0.525	0.551	1.000	0.667	0.606
	Adaptability	0.538	0.687	0.667	1.000	0.719
P-value (1-tailed)	External environment		0.000	0.000	0.000	0.000
	Involvement	0.000		0.000	0.000	0.000
	Consistency	0.000	0.000		0.000	0.000
	Adaptability	0.000	0.000	0.000		0.000
	Mission	0.000	0.000	0.000	0.000	
N	External environment	237	237	237	237	237
	Involvement	237	237	237	237	237
	Consistency	237	237	237	237	237
	Adaptability	237	237	237	237	237
	Mission	237	237	237	237	237

**Source: field data 2018**

## 4.6 Regression Analysis and Hypothesis testing

### Regression Analysis

Table 4.6, through regression analysis, the Coefficient of determination (R square) was used to show the degree to which any change in dependent variable affected the independent variables.

**Table 4.7: Coefficient of determination of organizational performance of KCB bank Kenya ltd**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.639	0.408	0.398	0.369
A	Predictors: (Constant), Involvement, consistency, adaptability			

**Source: field data 2018**

Table 4.7 illustrates how the hypothesis that denotes: There is no link between the external environment and KCB bank Kenya performance in Kenya was tested.

To test the hypothesis, the researcher used bivariate t-test, which gave a calculated t-score of 3.815 with  $p - \text{value} = 0.000$ . Since computed  $p\text{-value} = 0.000 < 0.05$ , we then deduce that there is a significant correlation between external environment and organizational performance.

## 4.7 Discussion of Results

Strategic planning, external environment and organizational performance are key variables in the study of strategic management .This section is a discussion of the results from the data collected from various departments in KCB bank Kenya ltd.

**Objective one:** To establish the influence of strategic planning on organizational performance at KCB bank Kenya ltd. The study found out that indeed there is a relationship between strategic planning and organizational performance and this was



in agreement with Greenly (1986), he concluded that strategic planning has significant advantages and values that translate into continuous improvement of the organization performance. This means it is a vessel that enables continuous improved performance in organizations. Strategic planning can be looked at in content or as a process. When looking at it in content it relates to the various constituents of the strategic plan which differ from organization to organization. The findings showed similarities with the contingent theory, open system theory and complexity theory. Strategic planning, external environment and performance all form part of a system that is interdependent of each other. According to Contingent theory a system there is no right way of running an organization and it's all dependent on the situation at hand. Contingent leaders should lead an organization to the right direction and this seen by the unpredictability of the external environment which is an aspect in formulation of strategies. Strategic planning is a key component in organizational performance and so is external environment.

In regards to the influence of strategic planning on organizational performance in my study I found that there is a relationship as many respondents termed strategic planning as key to reaching one's goal. In line with this findings (Ongonge, 2013) in his study on the link between strategic planning and organizational performance a study that focused in NGO's found significant correlation between the two variables. A similar study was done by Kariuki (2015) and the conclusion was there was indeed a significant positive link between strategic planning and organizational performance. When we look at the international scene (Erumegbe, 2015) carried out a similar study in Nigeria on the link between business environment and organizational performance and findings clearly indicated a relationship between the two variables. A similar

study conducted by (Akpovirono, 2018) in Nigeria indicated an impact of the external environment on organizational performance.

Strategic leadership is important to ensure that situational leaders are appointed and they are able to forecast on the expected changes in the environment. Some of the strategic issues and objectives that KCB have are to ensure excellent customer experience and this help them grow their customer base. Improving their agency and digital platforms and this will improve their revenue. Management of their emerging risks like non-performing loans. It was evident that strategy is a key aspect in gaining a competitive edge and also have improved performance either financial or non-financial.

Review of the strategic planning practices is done regularly. The respondents were unanimous in their response that review or evaluation of the strategic plan is a continuous process. Intranet is used to reach all employees in case there is an emergent change in a plan. This mostly occurs when a new product is introduced and training is first done to introduce employees to the new product. The sales team is then taught how to cross sell the new product. Other changes like change in policy and change in working hours in order to reach more customers is communicated through the intranet or through departmental heads

Changes in the strategic plan can either be proactive or reactive. Respondents mentioned that the bank tries to proactively formulate strategies so that no emergent changes disrupt the normal working of the bank. However, they noted that evaluation done can render reactive changes. This is in reaction to some unexpected occurrences in the day to day running of the business. It was clear that any changes or addition to

the formal plan has to be evaluated by the board before communication to the employee. Some of those changes were short-term measures to help the bank cope with emergent occurrences.

Other factors like economic factors, social-cultural, technological, environmental and legal factors also play a key role in the formulation of the strategic plan. According to all the respondents it was clear that strategic planning is definitely a key aspect in improving the organization performance. It is important to note that it might not be the only determinant of good/improved performance but it was evident that it plays a big role in ensuring that KCB bank ltd gradually improves its performance and gains a competitive advantage.

**Objective two:** To establish the relationship between strategic planning, external environment and organizational performance. The study found out that indeed there is both positive and negative correlations between the three variables. It was paramount that KCB bank Kenya ltd needs to set goals and targets in order to counter the negative impacts of the external environment. The findings are in line with Robinson and Pearce (1984) who found out that in organizations the formality of the planning process and the strategic decision process used were not congruent. The concerns include; assessing risk through environmental scanning; formulating goals and targets to be achieved in the competitive environment; selecting distinctive competences in order to gain a competitive advantage; determining authority relationships among the firm's departments; deploying financial physical resources to carry out firm strategies; and monitoring and controlling implementation.

The study further found out that environmental scanning/ external environmental scanning was done intensively, analysis of the social political environment of Kenya. . Thompson, Strickland and Gamble (2007) postulate that the purposive goal of formulating good strategies is to earn a big market share and ensure good performance even in the event of inevitable challenges. The research was also in line with other studies done before touching on influence of strategic planning, external environment and organizational performance even in other industries. Complex nature of the external environment affected performance. The PESTEL factors are studied in prior studies to show their influence on performance (Kondo 2014, Armstrong 1994). Machuki and Aosa 2011 were also of the opinion that external environment is among the factors that affect corporate performance. Political environment evidently seemed to be a big challenge for normal operations of the bank which was also similar to a study done by (Nkirote 2004).

According to the respondents, different factors affect performance at different times and it was hard for them to classify the factors on the extent of the effects .Most respondents were unanimous about the fact that political climate especially whenever there is an election year is a great challenge to meeting their objectives. However because election years and sometimes months are made public, it helps the bank formulate ways to reduce the negative impact of the political turbulence. In Kenya specifically, the electioneering period in 2017 was pro-longed and this affected the normal operations of the bank. Some branches across the country were marred with violence and they were forced to be closed.

Technological factors also emerged to have a positive effect on the banking industry where banks have moved from the traditional state of banking halls to banking apps and other digital platforms. Technological inventions have gone ahead to even help in queue management in banking halls. A few challenges including money laundering cases, impersonations and theft are the negative effects. Economic factors like interest rate are also an issue that has led to banks rethinking their strategy. Other aspects of the economic environment are whether people have surplus to spend and also their willingness to do so. An interest cap of 14% on loans was enforced in 2016 and this shook the industry but banks have restructured to involve products that were not core businesses like insurance.

Environmental factors are also key to planning as organizations should be able to look at current trends and try match them. KCB bank in Kenya embraces current trends and tries to use them to their advantage. The organization is environmental friendly and has done a lot of activities to give back to the community. The respondents mentioned that they have recently adopted a reduced paper use where they want to minimize issuing of paper statement and this evident because most branches had recently stopped using slips at the banking halls. Other factors like legal factors ensure that KCB bank Kenya follows the laws and regulations set up. This includes employment law, health safety, data protection, copyright, patent, consumer protection and e-commerce. The bank has complied with all including CBK regulations which is the governing body.

Social cultural factors have also played part in positioning of their products to the market. People's preferences, groups, religion and other factors inform strategy to enter new markets. KCB does a background check of the community before expanding into unknown markets. Other factors regarded as external factors by respondents included competition and consumer tastes and preferences. The bank keeps vigilant of the competition and uses certain strategies to cope with the competition. Strategies like product differentiation, cost leadership and also focus which have been used by KCB bank Kenya ltd at different times to cope with competition.

Activities like scanning, monitoring, forecasting and assessing the environment are continuous processes carried out by the bank. The respondents stated that these processes are key to formulating competitive strategies for KCB bank ltd. This shows that external environment play a big role in strategic planning practices and consequently affects the organizational performance.

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter is a representation of summary of the study, conclusions, recommendations and limitations. It gives suggestions for further study. The scope of the conclusions herein is in line with the study objectives which are: to determine the influence of strategic planning on organizational performance and to establish the relationship between strategic planning, external environment and organizational performance at KCB bank Kenya ltd.

#### **5.2 Summary of the study**

This study in line with the objectives observed that KCB bank Kenya LTD has worked hard to inculcate a culture in all their employees. All respondents seemed to have a crystal understanding of the banks vision, mission and values and they all seemed eager to help achieve the short and long term goals as per the set out strategic plans. It also came out that strategic planning is communicated to all employees as they are on boarded. The board and the directors sit and strategize and the outcome is then communicated to managers whose responsibility is to then communicate that to their departmental employees. These managers are also responsible for seeing through the implementation of set out plans to the end.

The banking industry in Kenya is the most diverse in East Africa and KCB bank of Kenya came out as one of the best and largest banking institutions in the region. According to the respondents, this was enabled by the strategic plans they put in place to help them grow and achieve their targets. It was clearly stated that their strategic

plans do not solely rely on reactive actions but also on proactive precautions taken to cushion the bank against environmental, political, and technological factors

The respondents were in agreement that the banking sector is cut throat which is evidenced by sporadic changes in technology that would render a late adopter obsolete. That said, the respondents agreed that strategic planning was a key component of their growth and profitability strategies. It is through strategic planning that KCB bank Kenya Ltd has been able to grow its product offering as well as hastily adopt new technologies and techniques that place the institution at the forefront with innovative and people focused offers. By repackaging their services as part of their strategic plans, KCB bank Kenya Ltd has been able to satisfy customer needs, retain, and even grow their market share.

The study also brought out the fact that KCB bank of Kenya perceives strategic change as an ongoing process. The bank has strategic plans spanning between 3 months to 5 years and beyond with a clear vision of where they want to drive their business and what they need to do to achieve those goals. From the findings of this study, it was also evident that KCB was keen on recruiting the best talent to help them strategize and achieve their set goals. All of those involved in strategic planning had studied as much as they could with some holding multiple degrees and all holding at least one master's degree. Other than that, most of them are registered with different professional bodies that recognize achievement and adherence to best practice



It also came out that technology plays a key role in communicating strategic plans to all staff so they can communally pursue a similar goal, making it easier to achieve their targets. KCB bank Kenya Ltd uses intranet to communicate to all staff immediately policies, regulations, and plans are agreed upon. A strategy that ensures goals are clear, understood, and that they are worked towards by all employees. Although directors have the final say, KCB has an open door policy that gives employees the freedom to voice their opinion and contribute to strategic plans aimed at improving their services and growing their market share

This study also shows that KCB bank Kenya Ltd have been proactive to responding to environmental factors that would otherwise hinder their operations. One such measure is by adopting mobile banking which during the recent electioneering period in 2017, most branches had to remain closed for prolonged periods as a security measure. However, because of planning ahead, KCB was able to extend banking services to their customer base through mobile banking. They also have numerous KCB agencies around the country which facilitated banking when branches were not operation. Another environmental measure that has seen KCB bank of Kenya employ strategic planning measures is the capping of interest rates by the government. This meant that banks could no longer rely on loans as their major way of earning revenue. With that realization in mind, KCB was fast to include other products in their sales process such as insurance that were initially not their core business.

### **5.3 Conclusion of the study**

The findings presented and deliberated in this project paper vividly disclose that strategic planning and external environment seems to be among some of the factors

that impact organizational performance. External environment can either bring forward opportunities or threats hence a thorough study, scrutiny and comprehension of these factors is required for all organizations. The results gives perspective on the complex state of the effects of strategic planning, external environment and numerous pointers of performance. The study is conclusive of the fact that there is a variance between the outcomes and methods to measuring strategic planning effectiveness and organization performance, this confirms the event that identifying the appropriate tactic to evaluating the relationship between strategic planning and organization performance must be carried out carefully. In this study, the investigation done with the objective of establishing the relationship between strategic planning, external environment and organizational performance indicates that the practices in the banking sector and probable reason as a fundamental driver to organization performance to the best of the author's knowledge.

The case of KCB bank Kenya Ltd is good analysis and an instructive case demonstrated as a bridgehead to understanding how strategic planning processes and organizational performance are related. The study found that the organization had a significantly close link with strategic planning and organizational performance. This is clear through appropriate and intensive use of strategic planning tools. The high level of engagement with stakeholders, the management, the Board and employee participation in the entire process which translates to strategic planning effectiveness, ownership of the strategies, accountability and implementation and ultimate organization performance.

Strategic planning is an essential practice for all businesses to forecast and effectively plan for success in both short term and long term goals. The plan should be as a result of consultations with all employees as well as stakeholders related to the organization. External environmental factors should be occasionally and continuously scanned to enable formulation as well as evaluation of the plans efficiency. Bank managers have mastered a way of taking the long term goal and coming up with short terms goals that lead to the same end goal. At KCB Bank Kenya ltd strategic planning practices impact the performance positively and this in return puts the organization in a good position in the industry. The bank has been rated among the tier 1 banks together with other top performing banks in Kenya. In 2018 KCB bank Kenya ltd is listed second behind Equity bank in terms of asset base. In this regard, the findings offer support for the propositions of open system and contingency theories that organizations are open systems thus there is exchange of resources between and within an industry (Ludwig, 1973). Customer satisfaction can therefore, only be attained if a bank has the right products and if their service delivery is effective to enable them acquire a bigger market share. KCB bank Kenya ltd has set apart resources to enable the planning process and this has impacted the organizational performance positively.

#### **5.4 Recommendations of the study**

1. KCB bank Kenya ltd strategies have presented a wide variety of opportunities for the organization to operate at the edge of its competence and to learn from its experience. Enhancing its capacity for organizational learning is critical to meeting the challenges that can be expected in the future. KCB bank Kenya ltd should optimize on its huge investment in reviews and reflection, and use

outcomes and results for operational improvement or changing strategic priorities.

2. The study further recommended that all evaluation and other criteria need to be linked to results which is the end goal as opposed to only implementation and formulation. Continuous training should be provided to ensure stakeholders clearly understand KCB bank Kenya ltd processes. While strategies are long term, annual planning be done on confirmed. KCB bank Kenya ltd needs to take advantage of its pervasive presence on the ground and in the communities it works with to make its national level work more evidence-based.
3. The study recommended that KCB bank Kenya ltd should be aware that delivering its ambitious strategies presents a major challenge. The organizational structures, ways of working and behaviors must continually reinforce organization goals. KCB bank's legitimacy and ultimate influence depends on being accountable for all that it does. In order to succeed, KCB bank Kenya ltd is committed to be accountable to partners and all the stakeholders involved. The organization should be receptive and sensitive in relation to the turbulence and ever changing and complex environment in which its work in while working towards its strategies; be outward-looking, accommodating new ideas and relationships; remain committed to generating alternatives. At the center of its approach there are bank governing principles that all departments of the organizations have a shared goal and mission and they all work together to the betterment of the organization and community.

### **5.5 Limitations of the study**

Several limitations were faced during the research. One such factor was the schedule of the respondents. The difficulty encountered was of securing face to face and even phone interviews with the respondents. As it required the response of upper management of KCB bank Kenya ltd, a big number of them were either too busy to spare the time while others were travelling and could not be reached for long periods.

Secondly, the data that the study sought to gather was sensitive. That said, some of the respondents were uncomfortable answering most of the queries as they felt that they would be revealing their strategies and thus would be vulnerable to competition. Bank policies also contributed as the bank does not allow discussion of internal practices with external entities.

Third limitation was that 100% response rate was not achieved. This is because some targeted respondents were on leave and other were afraid to respond to the questionnaire due to the restrictive nature of the banking industry policies. There was also lack of secondary data as there is limited research done on KCB bank, even though there are some studies on the banking sector in general.

In addition, the time to carry out the study was limited. This is because there were deadlines to be met in terms of filing and submitting the study which constrained the time that was available to carry out more in depth research. Financial limitations also played a role given that interviewing different individuals meant going back to the offices and working around their schedule as they did not all have the same calendar and could not respond at the same time. Correlation and regression method of data analysis was employed to analyze data and this was on the postulation that the

affiliations were linear, however there is a likelihood that the relationship between the variables is non-linear consequently might do the testing

### **5.6 Suggestions for Further Studies**

1. The research suggests study of strategic planning practices in other Kenyan banks other than KCB bank Kenya ltd. The aim of that study would be to determine how different banks leverage strategic planning in their institutions to enable them to manage change and remain competitive and profitable at the same time.
2. Further studies could also seek to find out whether other related sector companies use strategic planning as a measure to facilitate their growth. Possible companies to look into would be telecommunication companies, Sacco's, and other micro lending institutions. These studies would help determine whether strategic planning is a viable business growth strategy and the difference in outcomes between those institutions that employ strategic planning practices and also the ones that don't.

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# APPENDICES

## Appendix I: Introductory Letter



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**

Telephone: 020-2059162  
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P.O. Box 30197  
Nairobi, Kenya

DATE.....8/11/2018

### TO WHOM IT MAY CONCERN

The bearer of this letter .....KARANJA ELIZABETH MUTHONI

Registration No.....A61/25589/2016

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



**PROF. JAMES M. NJIHIA**  
**DEAN, SCHOOL OF BUSINESS**

## Appendix II: Questionnaire

The questionnaire is designed to collect data from KCB bank ltd in Kenya to be used in evaluating the relationship between strategic planning, external environment and organization performance. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated

### SECTION A: DEMOGRAPHIC DATA

1) Within which Age bracket do you fall? (Tick where applicable)

21-30 years [ ]      31-40 years [ ]      41-50 years [ ]  
51- 60 years [ ]      Over 60 years [ ]

2) What is your highest achieved level of education? (Tick where applicable)

Primary [ ]    Secondary [ ]    College [ ]    University [ ]

3) Which position are you in at KCB bank Kenya Ltd?

Top Level Management [ ]

Middle Level employees [ ]

4) How long have you been working with KCB?

5) Years or less [ ]    5-10 years [ ]    10 years and above [ ]

## SECTION B: STRATEGIC PLANNING

6). For each question below, tick in the indicated box YES (if in agreement with the statement) or NO (if disagreeing with the statement) or NOT SURE

No.	Statement	Yes	Not sure	No
1	Does your organization have a strategy/corporate plan?			
2	Does your organization provide resources (time, money, staff support) specifically earmarked for strategic planning?			
3	Does your organization have a written vision and mission statement?			
4	Does your organization periodically gather and analyse data about the market and other external factors that affect the business?			
5	Do your management and higher-level staff participate in setting goals and objectives?			
6	Do your management and higher-level staff participate in setting goals and objectives?			
7	Does your organization assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices?			
8	Does your organization have a monitoring and evaluation system to track performance?			
9	Does your organization have written goals (short or long term)?			
10	Are the written goals quantified with measurable targets			
11	Does your institution follow a defined set of procedures during strategic planning process?			

7. If KCB bank has a strategic plan, what length of time does it cover?

- a) Less than 2yrs      [    ]
- b) 3-5 yrs.            [    ]
- c) More than 5yrs    [    ]
- d) Don't know        [    ]



8. Overall, how well is the organization doing in achieving its goals?

- e) Excellent [ ]
- f) Very good [ ]
- g) Good [ ]
- h) Fair [ ]
- i) Poor [ ]

**SECTION C: EXTERNAL ENVIRONMENT**

9) For each statement below, indicate the extent to which you agree or disagree with the statement according to your organization. Whereby (5) is Strongly Agree, (4) is Agree, (3) is Neutral (2) is Disagree and (1) is Strongly Disagree

No	Statement	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Environmental factors (political, economic, social, technology, environment and legal) affect performance					
2	Strategic planning being an activity conducted on a regular basis, e.g., annually improves organizational performance.					
4	Identification of key threats & opportunities					

	during market analysis improves organizational performance.					
6	Provision of resources set apart for strategic planning improves organizational performance					
7	Comparison with other industry players improves organizational performance					
8	Strategy is guided by the external environment aspects					
9	The competition makes part of environment					
10	The banking industry has a dynamic environment that is hard to deal with					
11	Resource commitment is guided by environmental variable					
12	Service delivery uniqueness is driven by external environment					
13	Marketplace price competitiveness is determined by external environment					
14	Having knowledge of and access to					

	sources of information about the sector, markets, and other external factors improves organizational performance.					
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10. Kindly use a scale of 1 to 5 where 5 is to very large extent, 4 to large extent, 3 to moderate extent, 2 to small extent and 1 to very small extent to rate the following statements.

No.	Statement	Very great extent (5)	Large extent (4)	Moderate Extent (3)	Small extent (2)	Very small extent (1)
1	<b>Political factors</b> such as political climate, tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability					
2	<b>Economic factors</b> such as economic growth, interest rates, exchange rates and the inflation rate					
4	<b>Technological factors</b> including ecological and environmental aspects, such as research and design activity, automation, technology incentives and the rate of technological change and development.					
6	<b>Legal factors</b> which include discrimination					

	law, consumer law, antitrust law, employment law, and health and safety law.					
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**SECTION D: ORGANIZATIONAL PERFORMANCE**

11) Organizational performance; Please tick using the key provided what best describes KCB bank on of the following measures of performance whereby 5-very high, 4-high, 3-moderate, 2-low, 1-very low

No	Statement	Very High (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
1	Delivery of service to customers					
2	Quality of products and services offered to customers					
3	Customer satisfaction rate					
4	Market share					
5	Customer retention rate					

12) Indicate the extent to which the extent of strategic planning results affected the following on a scale of 1 to 5 where (5) Very great extent (4) Great extent (3): Moderate extent (2) Little extent Not at all (1)

No	Statement	Very great extent (5)	Great Extent (4)	Moderate Extent (3)	Little Extent (2)	Not at all (1)
1	KCB bank ltd strategy					

	achieve direction and control?					
2	Bank strategy achieve sustainable competitive advantage?					
3	Bank strategy achieve organizations-environment match?					
4	Bank strategy achieve efficiency in the allocation of resources?					
5	Bank strategy achieve improved innovation and creativity.					