EFFECT OF STRATEGIC AGILITY ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

This Research Project Report is my original work and has not been presented for the award of a degree in this or at any other University.

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D61/81891/2015

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Date: ______________________

This Research Project Report is submitted for the award of the Degree of Master of Business Administration (MBA), with my approval as the University Supervisor.

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Signature: ______________________

Date: ______________________
DEDICATION

I dedicate this research project to the following:

To God Almighty, my strong pillar and source of wisdom, knowledge and understanding.

Posthumously to my parents, Mr. Johnstone Simiyu Wangasa and Mrs. Mary Khaindi Wangasa, whose love for education was enviable. For teaching me that the best kind of knowledge is that which is learned for it’s own sake.

To my spouse Robert, for his endless support and unconditional love.

To my son Jack and my daughter Valerie, your digital input was invaluable. Thank you for staying up with me during the long late nights and for bearing with my long absence from home; it was not in vain.

To my brothers Andrew and George and my sisters Janet, Jacky, Rose and Bilha who have been a strong support system throughout this journey.

My love for you all cannot be quantified.

Thank you.
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I wish to thank God for the gift of life that has seen me achieve this dream.

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## LIST OF ABBREVIATIONS AND ACRONYMS

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<th>Abbreviation</th>
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<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machines</td>
</tr>
<tr>
<td>CBA</td>
<td>Commercial Bank of Africa</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>KBA</td>
<td>Kenya Bankers Association</td>
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<tr>
<td>KCB</td>
<td>Commercial Bank of Kenya</td>
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<tr>
<td>MFI</td>
<td>Micro Finance Institutions</td>
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<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperatives</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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ABSTRACT

This study tested the effect of strategic agility on the performance of commercial banks in Kenya. A census research design was employed in the study. The study targeted all the 43 accredited commercial banks in Kenya, based on the Annual Bank Supervision Report, CBK (2017). Primary data was relied on in this study. The primary data was collected from the respondents using semi-structured questionnaires. Descriptive statistics and regression analysis were used to evaluate the data. The study established that there is a high degree of centralization, layering and formality in the commercial banks in Kenya. Further, it revealed that Organization Dimension Factors of strategic agility have substantial influence on the performance of the banks. Significant impact was also established between the People Dimension Factors, the Technology Dimension Factors and the Planning Dimension Factors of strategic agility and the performance of commercial banks in Kenya. The study further established that there was a high rate of employee involvement in design and planning and the banks engaged in continuous employee education and training. The studies indicated that an upsurge in technology use led to an upsurge in performance of the banks. The study revealed that there is a high intensity for research and development of new products and a high speed of innovation orientation in the banks. The study endorses that commercial banks in Kenya sustain focus on their Organization, People and Technology Dimension Factors of strategic agility and step up momentum on the Planning Dimension Factors that were least rated. This study recommends another study to be carried out to establish the influence of strategic agility on performance of other organizations in industries other than the Banking industry.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the current worldwide, dynamic, competitive environs marked by increased technological innovations, globalization, deregulation and digitalization, strategic agility has become pertinent. It is fueled by intense global competition, fragmented and challenging markets and varied and rapidly shifting technologies (Aghion, Blom, Griffith et al, 2005). In view of these, organizations ought to constantly modify and adjust strategic direction in fundamental businesses to remain competitive in the ever-changing circumstances. The advent of digitalization has revolutionized business operations, redefined capability and asset mix required to perform in business, making competition, globalization and competencies easily and readily transferrable globally, Doz and Kosonen (2013).

Strategic agility in organizations has main enabling capabilities being strategic sensitivity, shared commitment and resource flexibility (Eriksson, 2013). To achieve improved agility, firms must have the capacity to detect and capture opportunities faster than their rivals do. According to Yang and Liu, (2012), this entails carrying out in-depth assessment of the key actors in the external environment of a business entity: suppliers, customers and competitors. They must consider offering value added products to customers by focusing on quality improvement, flexibility, cost efficiency, innovation and speed to market as their core competencies. They should have the ability to evaluate and spot fundamental factors necessary for elasticity in a given area of business specialty
since today’s change is fast and complex, resulting from multiple hard to forecast and unpredictable systemic interactions.

The Kenyan Banking industry is one of the most diversified industries in the East African region. This is manifest by the intermittent changes being implemented by various commercial banks in Kenya and the diverse strategies and structural and technological changes that they have employed in order to remain competitive. The banking industry in Kenya operates in a very volatile and dynamic environment pushing banks to develop strategies to reach the unbanked population and grow their customer numbers. The recent developments in this industry include the development and adoption of agency banking, introduction of deposit taking ATM’s, and focused alliances with telecommunication firms to offer mobile banking services, namely: KCB Mpesa affiliated to KCB bank, Mshwari affiliated to CBA bank, Timiza affiliated to Barclays Bank and Equitel affiliated to Equity Bank (CBK, 2017).

This study was anchored on two theories; the Dynamic Capabilities Theory and the Resource Based View (RBV). Recent studies have suggested that organizations are like living organisms; they live and experience and enjoy sufficient diversity and variety to enable them navigate through their fluctuating environment through change and innovation (Johnson et al, 2008). This explains how organizations, including commercial banks in Kenya, cope with rapidly shifting environments, how new ideas are generated and how product innovations emerge for strategic and structural revolutions to occur and in order for them to stay agile and to maintain peak performance. This informed the basis of this research study.
1.1.1 Concept of Strategy

Strategy refers to the breadth and scope of a firm’s product-market offerings. Strategy implementation involves the proper allocation of organizational resources and establishment of a chain of command, Chebat (1999). It entails allocation of detailed responsibilities to specific entities for execution. It further encompasses the management of the strategy development process that entails monitoring outcomes, benchmarking, process efficiency appraisal, monitoring for discrepancies, and modifying the process as deemed fit, Chakravarthy and White (2001).

There are mechanisms that help a firm to effectively direct and control its resources. These include organizational structure, technology, management styles and key manager allocation, budgeting, compensation and control systems. These mechanisms are essential ingredients in strategy implementation, Hendry and Kiel (2004). Strategy is crafting an appropriate fit between the external and internal characteristics of a firm’s environment to answer a strategy problem, Aosa (1992). The strategy problem will be a lack of alliance between internal and external characteristics of the environment of an organization.

Strategic alliance is created through development of essential capabilities of an organization that relate to the peripheral environment in a way that facilitates the utilization of opportunities inherent in it and the firm’s innate abilities. Earlier definitions of strategy described it as an organization’s sense of purpose, by scholars like Igor Ansoff (1969) and many others. Ansoff’s definition regarded strategy exclusively as
concerned with relationships between the organization and its environment. He defined organizations as open systems that are dependent on their external environment.

Porter (1985) stated that a firm’s peripheral surroundings is all those circumstances and influences that impact its strategic decisions and define its competitive state. In a slightly different approach, strategy is defined by Chandler (1962) as the establishment of the elementary long-standing business goals and the implementation of plans, and provision of required resources for the execution of these objectives. In particular, Chandler views aspects such as firm structures, manufacturing procedures and technological expertise as being fundamentally strategic.

While it is generally accepted that there is no universal strategy definition, any successful organization manages its strategies through a number of frontiers that include organizations’ internal tangible and intangible resources, organization’s external environment and the organization’s value adding ability in its transformational process. The above definitions encapsulate a number of pertinent issues that include the fact that all organizations are faced with challenges of managing strategy, configuring resources, unstable environments and stakeholder pressure in meeting their respective expectations.

1.1.2 Concept of Strategic Agility

Strategic agility is the capability of a firm to reinvent itself based on its strategy due to variations in the business setting, Doz and Kosonen (2008). This is achievable through persistent expectation and keeping up with prevailing market trends and changing
customer needs as guided by the vision of the company. It is the capacity to consistently modify and adjust in suitable time the vital course in center business in connection to evolving conditions. To be agile, a company ought to continuously and rapidly react to and adjust to fluctuations in the organizational environment.

Tseng and Lin (2006) stated that agility is the firm’s capability to capture market opportunities swiftly and meritoriously. It refers to the strategic sensitivity of a firm to anticipate change and undertake necessary adjustments of resources, actions and processes as fast as possible. Organizations that have adopted agile practices provide skills and expertise; in the long term, they are able to develop unique competencies and technical capabilities from their diverse labor force. An agile organization is able to exploit its core competencies effectively and efficiently in reaction to shifting consumer needs.

Agility is regarded as a competitive tool for all organizations and all firms need to be flexible in their operations to remain competitive. The four key elements in defining agility are speed, flexibility, responsiveness and competency, Denning (2017). These key elements can be adopted and applied through integration of resources and application of knowledge in creating products that meet customer needs in a volatile environment. Agility has also been recognized as an essential survival tool for organizations operating in complex, uncertain and turbulent environment in their bid to remain competitive and to thrive.
1.1.3 Organizational Performance

An organization’s performance consists of the actual output as measured against it’s strategic objectives and goals. It is measured based on three main outcomes; product market performance, financial performance and shareholder income, Richard et al. (2009). The ultimate objective of an organization’s existence is to deliver goods and services to it’s customers with high efficiency and effectiveness in its operations thereby achieving improved performance.

At the individual level, organizational performance involves quality control while at the organizational level; it involves measurements such as customer satisfaction research to gauge performance from the customers’ perspective, Kaplan and Norton (1996). Change is inevitable in the history of an organization, and organizations are environment dependent. When the external environment of an organization changes, it will create pressure for a change in the organization’s existing strategy. Organizations must adapt their core processes to mirror the new external actualities (Ansoff, 1965).

Ansoff and McDonnell (1990) further stated that these challenges continue to change and are different with time. Consequently, each organization needs to diagnose its distinctive pattern of imminent threats and opportunities and advance its respective response to these challenges. They continue to emphasize that strategic responses involve changes in organizational behavior to assure success in the management of strategic change in line with demands of future environment.
This is in line with alignment of the internal capabilities that includes processes, structures and relationships. Porter (1985) noted that environmental turbulence calls for continuous change to keep pace with the first change. Strategy implementation and execution consists of seeing what it will take to make the strategy work and to meet the targeted performance on schedule.

### 1.1.4 Commercial Banks in Kenya

There are 43 accredited banking institutions in Kenya, comprising of 42 commercial banks and one mortgage finance company (CBK, 2017). Commercial banks in Kenya are grouped using weighted composite index (number of deposit accounts, assets, number of loan accounts, deposits and capital). This helps in classifying the banks as large, medium or small. A large bank has a weighted composite index of above 5%; a medium bank between 1% and 5%, while the weighted composite index of a small bank is less than 1%.

The Kenyan Banking Industry is administered by the Banking Act, the CBK Act, the Companies Act and various other executive guidelines issued by the CBK; which is the body that formulates and implements monetary policy, promotes liquidity and creditworthiness and ensures proper functioning of the Kenyan banking industry. The world in general is going through business turbulence and as a result, banks have been forced to respond to the instability through making constant changes in business strategies and by being strategically agile.
The 2009 annual CBK report underscored the fact that banking industry needs to constantly cope with the fast shifting business environment and an incessant flood of new regulations via a robust ICT platform, while remaining effectively agile. The banks have embraced the report through new ideas and product innovations, service digitalization and concerted organizational strategic positioning as consumers continue to demand better-individualized services, faster than ever. This has caused a general improvement in the effectiveness and efficiency of the Kenyan banking system.

1.2 Research problem

According to Tseng and Lin (2011), many organizations are increasingly operating in complex business environments faced with uncertainties, turbulence and instability. Industry practitioners and scholars alike have devoted enormous time and resources in finding lasting solutions to dealing with the prevailing instability in the business environment. As it is increasingly harder to predict the future, organizations are putting strategies in place that will make them more adaptive to the continuously changing business environment. Strategic agility is the answer to the snowballing complexity of the business environment.

Extant literature indicates that agility has been applied in different departments of various organizations such as agile project management and agile supply chain. Agility has also been borrowed and applied in whole organizations, also known as agile organizations. Asgari et al. (2014) observed that in the banking industry, agility implies new product developments, speed in service delivery in line with changing customer demands and
flexibility informed by market intelligence. Agility in commercial banks is regarded as
enabling the bank personnel to utilize their core competencies to respond to customer
needs, predicting and fulfilling customer needs swiftly, and making continuous product
innovations and improvements.

Advanced, rapid but constantly changing banking technologies, more sophisticated and
demanding customers’, customers’ need for product value, and a decrease in the cost of
customer on boarding, have made shift towards agile banking a requirement for banks.
Liberalization of the banking sector and strict supervision by the regulator has also
contributed immensely to growth of agile banking. Several studies on strategic agility
have been conducted globally. Abesi, Mohammadi and Shafieeipur (2013) conducted a
study on the role of firm agility competences in the effective performance of national
production while Krotov and Junglas (2015) conducted a study on mobile technology as
an enabler of organizational agility.

In Kenya, Murungi (2015) carried out research on the effect of strategic agility on
competitive capability of private universities in Kenya focusing on 24 private
universities. Waweru (2016) piloted a study on strategic agility enablers and performance
of insurance brokerage firms in Kenya, while Chirchir (2015) focused on relationship
between organizational agility and operational productivity at Kenya Ports Authority.
The banking industry in Kenya has been under tremendous pressure due to globalization,
increased competition and technological innovations. Revenue margins of many
commercial banks have declined due to increased regulation, unfavorable economic climate, changing market conditions and rising customer expectations and demands.

Banks have been obliged, more than ever before, to take more comprehensive measures to increase efficiency and effectiveness, to harness flexibility needed to deal with cutthroat competition, and the ever-tightening economic conditions. In the context of the current environmental changes coupled with stiff competition, the function of spotting exceptional characteristics that will develop competitive advantage among banks has become the more daunting.

To the extent of the authors’ knowledge, there is almost non-existent research on whether strategic agility affects performance of commercial banks in Kenya. Currently, there exists little pragmatic evidence in the literature linking strategic agility to performance of commercial banks in Kenya. Driven by the complexity of strategic agility and the scanty conceptual and theoretical foundation in the available literature; what was the effect of strategic agility on the performance of commercial banks in Kenya?

**1.3 Research objective**

The objective of this study was to establish the effect of strategic agility on the performance of commercial banks in Kenya

**1.4 Value of the Study**

The study benefits numerous stakeholders; CBK, the National Treasury, the Kenya Bankers Association and other industry regulators. The government of Kenya through its
policies influences investment in various types of products and industries; thus, the study contributes in pointing out areas that need incentives to attract capital. The regulators play an important role of promulgation of regulation and ensuring compliance thereof, hence, the findings ensure development of policies and regulations that enhance bank performance in Kenya. The study results are used in the development of a blueprint, which may be used and duplicated in other service industries that are facing stiff competition.

The findings of the study are useful to management of commercial banks in Kenya, by equipping them with information and knowledge on the importance of adopting strategic agility. They will also use the findings as a basis for the formulation of policies on strategic agility and strategic changes that enhance their banks’ performance. Furthermore, this study provides some practical suggestions on how Commercial Banks in Kenya can sufficiently equip themselves to swiftly respond to and adapt to continuously and rapidly changing customer and organizational needs arising from the volatile business environment.

The study findings are beneficial to academicians, as they offer a reference point for further academic research. The findings also contribute to academic literature and theory by providing empirical evidence for use by educators, scholars and researchers.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature on strategic agility and organizational performance. The chapter also developed a theoretical foundation on which the study was anchored. It then presented a summary of the previous studies and results in the area of strategic agility and organizational performance.

2.2 Theoretical Foundation

The study was anchored on two theories; the Dynamic Capabilities Theory and the Resource Based View (RBV).

2.2.1 Dynamic Capabilities Theory

This theory refers to an organizations ability to attain renewed competitive edge by revamping firm’s resources and competences to attain analogy with the shift in organization environment. Researchers have argued that capability dynamism can provide a functional framework for strategic agility, Roberts and Grover (2012). For Sambamurthy, Bharadwaj and Grover (2003), strategic agility is a form of capability dynamism. It’s a timely and adequate reaction to external environmental changes, and requires multiple capabilities.

It concentrates on the issue of competitive existence in response to current swiftly fluctuating business circumstances. The theory endeavors to explain how an organization
attains superior performance and how it is able to make it sustainable over time given the volatility of the business environment. It is argued that capability dynamism is expressed through short product life cycles, increased global competition and rapid technological advancements. A similar study was carried out by Mason (2010) and focused on issues of theoretical importance to this study. His study sought to explain organizational agility as a form of dynamic capability and how firms can use it to generate sustainable competitive advantage.

This theory is anchored on the principles of absorptive capability, core competence, organizational routine and flexibility. The importance of dynamic capability is that it plays a role as a safeguard for organizational resources and the changes in the business environment by allowing a firm to change its resource base to achieve better performance through exploiting competitive advantage. Capability is dynamic due to the reason that firms must frequently build, reconfigure and adapt to shifts in the external and internal environment, Teece et al. (1997).

The theory of dynamic capability is used in this study to draw substantial requirements needed to build up strategic agility. This means that capability dynamism is utilized in developing how dimensions of resource fluidity, collective commitment and strategic agility sensitivity can be maximized in a fast changing business environment. The new dynamic competence framework accounts digital information and network economics and the operational costs involved in using specialized services. This new framework forms a strong foundation for this study on Commercial banks in Kenya.
2.2.2 Resource Based View (RBV) Theory

Barney offered this theory in 1991. It supports the concept of resources. The resources comprise of organizational processes, assets, capabilities and information. According to Powell (1995), the resources are categorized into intangible resources that include expertise, brand names, intellectual property, trademarks and reputation, and tangible resources or assets, which include cash, inventory, equipment and properties and core competencies. The theoretical underpinning is that organizational resources should be exploited in a manner that creates industry wide competitive advantages for a focal organization.

Julienti et al (2010) clarify that assets are considered valuable when they can be used to exploit opportunities or to neutralize threats, they are considered rare when they are unique to an organization and not available to rivals, they are considered inimitable when they cannot be copied or replicated by other players, and are considered non-substitutable when they cannot be replaced with other assets. Tangible resources have physical properties and therefore not rare because they can be found easily in the market to anyone with purchasing ability. Copyrights, patents and trademarks protect some technologies and therefore the value lies in the idea and not on the product.

Some other resources that are intangible such as social relationships, organizational culture and employee knowledge allow organizations to utilize physical technologies in a unique way and therefore would be inimitable hence creating the much needed strategic value, Eriksson (2013). Barney (1991); an organization develops its strategy so as to
accrue profits on the basis of it’s resource capabilities and a changing fit with external opportunities. An agile organization must have adequate resources that encompass all competencies, assets organizational characteristics, knowledge and information, employee proficiencies, know-how, copyrights, finance, and gifted management that improve its efficiency and effectiveness, thus the relevance of the resource-based view theory in this study.

2.3 Dimensions of Strategic Agility

Strategic agility is discreetly spotting and reacting to fluctuations in the business environment with dexterity, ease and speed, Tallon and Pinsonneault (2011). Strategic agility is composed of leadership unity and commitment, strategic thoughtfulness and resource flexibility as the key dimensions, Doz and Kosonen (2008). Strategic agility is closely associated with customer agility, partnerships agility and operational agility, Sambamurthy et al. (2003). Strategic agility is the capacity of a firm to control organizational resources in order to improve performance and provide the right product to customers at the right price in any location, Roth (2012). Grant (2012) argues that knowledge is the most crucial organizational resource required to realize strategic agility.

Swafford et al. (2006), strategic agility entails the firm’s capacity to constantly and sufficiently adjust and acclimatize in the right time; tactical direction in its main business in consideration of the dynamic circumstances. This may comprise producing new services and products or coming up with innovative enterprise prototypes and groundbreaking techniques to create value for the firm. Therefore, strategic agility needs
an organization to transform from a mechanistic operational machine into a knowledge industrial unit and an accelerated learning firm, which produces useful information as a main by product.

Several empirical studies have linked firm capabilities of delivery, quality, cost and flexibility to organizational performance (White, 2012). Lin et al. (2006) sought to identify the factors that would be necessary in realizing strategic agility in manufacturing firms. They came up with four foundations namely; process integration, collaboration, customer sensitivity and data integration. Tallon and Pinsonneault (2011) have in their study proposed the need for strategic agility in a super competitive business environment.

Dahmardeh et al. (2010) conducted a cross-sectional survey of the cement industry in order to identify agility drivers and their effects. The strategic agility stimuli were categorized into five main groups, namely: changes in the socio/political/ economic environment, market changes, variations in customer needs, changes in competing criteria and variations in technology. Responding to business environmental changes is a key organizational success factor, and in relation to this, the role of a leader is very critical (Suresh et al., 2009); for an organization to be responsive to business environmental changes, a manager must have organization wide knowledge to be able to come up with operational strategies.
2.4 Strategic Agility and Organizational Performance

Various scholars have done many studies and come up with different findings on strategy and performance. Rumelt (1974) in his study on strategy, structure and economic performance linked various strategy categories with different levels of economic performance. Rumelt concluded that some diversification patterns were associated with higher economic returns than others and in particular, that companies which constrained their diversification actions to one common strength, were more successful than those whose diversification moves were lined by anyone number of perceived strengths.

According to Sherehiy, Karwowski and Layer (2007), strategic agility is not an end in itself but the need to sustain competition advantage in a dynamic business environment. In essence, an agile company should remain competitive over time and continuously be ahead of the competitors in terms of performance. Empirical review indicates that the more strategically agile a firm is the superior the performance, Tallon and Pinsonneault (2011). They observed that the ability to quickly respond, enter into new markets and enhance innovativeness leads to cost reduction and profit increase. An agile organization has the capability of responding to the business environmental changes and take actions to avert possible risks and uncertainties, Sambamurthy, Bharadwaj and Grover (2003).

Santos-Vijande et. al. (2011) observed that strategic agility is required in unpredictable, volatile, paralleled and unprecedented business environments. Good performance is meant for firms that are adaptive to change in coping with environmental demands and able to influence the business environment through innovative investments. Organizational agility makes it possible for firms to understand the threats and
opportunities better and quicker than their rivals make and allows preparation in readiness for quick strategic response. Swafford et al., (2006) was of the view that the performance of a firm relies on its own activities as well as those of the competitors, suppliers, customers, government and partners. The existing business environment is typified by knowledgeable customers with different demands, high technological innovations and short product life cycle coupled by internationalization of the economy, which has reduced market clarity and increased uncertainty.

Mason (2010) found out that there exists a connection between internal overall performance and operational agility enablers. Shifts in the business environment which inspire an organization to revisit the existing strategy, consider the requirements to be agile and undertake agility as a way of achieving preferred results, progress and survival are referred to as strategic agility drivers. Organizational capabilities involve how they exploit their knowledge, skills and technological innovations internally to provide customer service and performance necessary to achieve strategic agility.

Agile organizations have a strong desire to produce top-notch services that can compete effectively both locally and internationally. Doz (2013) in his study explained the underlying importance of an organization being strategically agile. Liyai (2014) found the existence of a solid correlation between specific embraced strategies and effectively implemented by a firm with organizational performance. Mwangi (2017), in a study on performance of financial institutions in Kenya revealed that adopted strategies such as product innovation and cost differentiation enhanced organizational performance through reduced operational costs, enhanced competitiveness, increased profits and customer satisfaction and market growth.
Waweru (2016) study on strategic agility enablers and small and medium enterprises performances in Kenya found that organizational structure, discontinuous innovation, human capital, management commitment and support, IT integration and operational processes effectiveness impacts the performance of SME’s in Kenya. The study also concluded that staff skills, attitudes, experiences and competencies are significant in the performance of SME’s.

Strategically agile organizations are able to manage risks and uncertainties that they face in the dynamic business environment. In other words, agility refers to firms’ ability to survive and thrive in the competitive environment of perpetual and indeterminate shifts by responding swiftly and meritoriously to dynamic markets motivated by distinct goods and services, Brannen and Doz (2010). Firms that are strategically agile use strategies intended at being flexible and responsive to customer requirements, while optimizing inventory and other key resources to mitigate uncertainties and risks of disruptions and shortages of supply, Lee (2002).

Any organization that does not consider the value of strategic agility can experience catastrophic performance results. Therefore, strategic agility is a new area in literature that is still under research providing a new paradigm shift that necessitates a firm to be both strategic and agile.

2.5 Measures of Strategic agility and Organizational Performance

Organizational performance, a recurrent theme in management research, continues to be a contentious subject in terms of definition and measurement among researchers. The
definitions evaluate organizational performance as organizations’ ability to maximize their strength, overcome their weaknesses and neutralize their threats in order to utilize their opportunities. Through agility, firms will be able to achieve superior performance; performance improvement is therefore the natural objective of any intervention in an organization (Grant, 2006).

Performance measurements for commercial banks in this study will be derived from Ten Performance Criteria derived from Khandwalla (1995). They are firm’s corporate image, sales income, solid performance, employee motivation, environmental adaptation, financial forte, operating efficacy, new concepts and inventions and public social impact. Strategic agility will be measured along four dimensions namely; Organization, Technology, People and Planning, Adeleye and Yusuf (1999). The organization dimension will focus on factors such as the organization structure, the level of centralization, the degree of formality, extent of intrapreneurship in the organization, customer feedback system and company’s bond with customers and suppliers.

The people dimension will focus on some elements of human resources management such as employee involvement in planning and design, their training and education, their well-being and morale and autonomy. The technology dimension will be measured along three scales; firm processes, intensity of research and development and innovation alignment. The planning dimension measurement scale will include setting of objectives, setting action plans, external environment sensitivity and planning flexibility.
2.6 Summary of Empirical Studies and Research Gaps

Strategic agility research is an emerging area of focus in strategic management research and there is limited research in this area beyond the supply chain, manufacturing and software development industries. Several empirical studies have linked firm capabilities of delivery, quality, cost and flexibility to organizational performance (White, 2012). Lin et al. (2006) sought to identify the factors that would be necessary in realizing strategic agility in manufacturing firms. Dahmardeh et al. (2010) conducted a cross-sectional survey of the cement industry in order to identify agility drivers and their effects.


The studies sampled hardly revealed an evaluation of the effect of strategic agility on performance of Commercial banks in Kenya. Consequently, this study endeavored to address the highlighted knowledge gaps. The relationship between strategic agility and organizational performance had not been widely researched. In addition, the stiff competition among commercial banks in Kenya, called for a study on how performance can be improved. This study hypothesized that strategic agility affects performance in Commercial Banks in Kenya.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the research methodology that was used in the study. The methodology encompassed data collection, research design and data analysis and presentation methods.

3.2 Research Design

According to Beri (2013), a research design is an exhaustive strategy of a study stipulating the approaches and processes for gathering and examining information on a given topic and presenting the findings. This study embraced a census research design due to the relatively low population size of the targeted respondents. The design was appropriate for the study objective and provided quantitative data from the study population sample for analysis.

3.3 Population of Study

Population is all the members of a hypothetical set of people, events or objects to which a researcher wishes to generalize the findings of the study, Gall et al (2007). The population targeted for this study was all the 43 licensed commercial banks in Kenya, based on the Annual Bank Supervision Report of the CBK, 2017.
3.4 Data Collection

This study relied on primary data collected using semi-structured questionnaires, with both open-ended and close-ended questions. The respondents included 3 bank managers and/or their representatives from each of the 43 Commercial Banks in Kenya. The questions were based on a 5-point Likert scale which is easy to understand and respond to and which facilitates reporting of data from the respondents’. The questionnaires were structured into three sections; section A focused on the general information of the individual banks, section B focused on the different dimensions of measurement of strategic agility, while section C focused on the measures of organizational performance. The research instrument was administered to the respondents during working hours by the “drop and pick later” technique.

3.5 Data Analysis

Data analysis is a process of reviewing, cleaning, converting, and modelling data with the goal of discerning useful information, drawing conclusions, and supporting decision-making, Kombo and Tromp (2006). It entails observing what has been collected and making conclusion. Data collected was thoroughly examined for comprehensiveness. Descriptive statistics with the assistance of SPSS was used to analyse the quantitative data, using measures of central tendency (mean and mode), measures of spread (standard deviation) and percentages. Presentation was done by use of tables. Items from the questionnaire were analysed and organized into themes and then presented in narrative form. Further, a multiple regression model was employed to determine the link between the variables, with the below regression equation:
Performance=f (Strategic agility) …………………………………………………. (1a)

Where:

Performance=Profit growth(PG), Sales revenue (SR), Financial strength (FS), Operating efficiency (OE), Performance stability (PS), Public image (PI), Employee morale (EM), Adaptation (AD), New ideas (NI) and Social impact on the society (SIS).

Strategic agility=Organization (ORG), People (PPL), Technology (TNG) and Planning (PLN).

\[ PG, SR, FS, OE, PS, PI, EM, AD, NI, SIS=f (ORG, PPL, TNG, PLN) \] ............... (1b)

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction
This chapter presents, interprets and discusses the research findings. The purpose of the study was to establish the effect of strategic agility on the performance of commercial banks in Kenya. Semi-structured questionnaires were used to collect primary data. The respondents were 129 bank managers from the various Kenyan banks. The data was later evaluated based on the objective of the study and the findings are presented and discussed below.

4.1.1 Response Rate
A total of 129 questionnaires (3 questionnaires per bank) were distributed to the target population. Out of the 129 questionnaires, 111 questionnaires from 37 commercial banks were filled accordingly and returned, which represented a response rate of 86.05%. Therefore, the instrument was regarded as responsive and formed the basis for data analysis. A 50% response rate is satisfactory for scrutiny and reporting, a rate of 60% is largely appropriate while a response rate of above 70% is exceptional, Mugenda (2008).

The extraordinary response level recorded can be accredited to the data gathering approach. The researcher informed the prospective respondents in advance of the intended survey, employed a self-administered questionnaire, urged the respondents to fill the questionnaires and collected them soon after they were completed. The researcher also made follow up calls to clarify any queries concerning the questionnaire.
4.2 Demographic Information

This section analyzed the demographic information of the respondents. It aimed at enhancing the understanding of the background information of the individual commercial banks in Kenya and their capacity to offer pertinent data sought for this study.

4.2.1 Duration of Bank Operations in Kenya

The respondents were asked to provide information on the number of years the bank had been in operation in Kenya. The findings were analyzed and summaries are given in Table 4.1.

Table 4.1  Duration of Bank Operations in Kenya

<table>
<thead>
<tr>
<th>Duration of Service</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10 years</td>
<td>6</td>
<td>16.22</td>
</tr>
<tr>
<td>11-20 years</td>
<td>15</td>
<td>40.54</td>
</tr>
<tr>
<td>21-30 years</td>
<td>11</td>
<td>29.73</td>
</tr>
<tr>
<td>Over 30 years</td>
<td>5</td>
<td>13.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

The study aimed to establish the duration within which the different commercial banks had been in operation in Kenya. The findings revealed that more than 83.78% of the banks in Kenya had been in operation for more than ten years, while a paltry 16.22% of the commercial banks had operated for less than ten years. The banks were therefore well placed to give credible data relating to this study.
4.2.2 Scope of Bank Operations

The study established that a larger percentage (62.16%) of the accredited banks in Kenya operate locally while only 37.84% of the licensed commercial banks in Kenya operate internationally. Some of the banks that operate internationally include Equity Bank, Kenya Commercial Bank, Eco bank, Bank of Africa, Bank of Baroda and Bank of India. The findings are summarized in Table 4.2.

<table>
<thead>
<tr>
<th>Scope of Bank Operations</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>23</td>
<td>62.16</td>
</tr>
<tr>
<td>International</td>
<td>14</td>
<td>37.84</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

4.2.3 Commercial Bank Branches

Table 4.3 shows the number of branches the commercial banks have in Kenya.

<table>
<thead>
<tr>
<th>Number of Branches</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20</td>
<td>7</td>
<td>18.92</td>
</tr>
<tr>
<td>21-40</td>
<td>12</td>
<td>32.43</td>
</tr>
<tr>
<td>41-60</td>
<td>13</td>
<td>35.14</td>
</tr>
<tr>
<td>More than 60</td>
<td>5</td>
<td>13.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
The study wanted to establish the number of branches each of the banks has in Kenya. The findings show that most (35.14%) commercial banks in Kenya had 41 to 60 branches across the country. 18.92% of the commercial banks had less than 20 branches across the country, while 13.51% of the banks had more than 60 branches. This implies that commercial bank coverage is significant across the country and most people can access commercial banking services.

4.3 Measures of Strategic Agility

4.3.1 Organization Dimension Factors

The respondents were requested to rate the extent to which the subsequent statements apply to the Organization Dimension of strategic agility of their bank using a scale of 1-5 where, 1=Not at all, 2=To a small extent, 3=To a moderate extent, 4=To a great extent and 5=To a very great extent. The information was analyzed and summaries offered in Table 4.4.

Table 4.4 Organization Dimension Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High number of layers in the organization</td>
<td>4.303</td>
<td>0.617</td>
</tr>
<tr>
<td>High degree of centralization</td>
<td>4.144</td>
<td>0.474</td>
</tr>
<tr>
<td>High degree of formality (emphasis placed on structure and procedures)</td>
<td>3.859</td>
<td>0.140</td>
</tr>
<tr>
<td>High level of intrapreneurship in the organization (extent)</td>
<td>4.196</td>
<td>0.705</td>
</tr>
</tbody>
</table>
of organization backing of the philosophy of invention and creativity)

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very strong and sound organizational market research system</td>
<td>3.651</td>
<td>0.244</td>
</tr>
<tr>
<td>Efficient organizational customer performance feedback system</td>
<td>3.605</td>
<td>0.650</td>
</tr>
<tr>
<td>Proactive organizational competitor intelligence system</td>
<td>4.069</td>
<td>0.381</td>
</tr>
<tr>
<td>Effective organizational linkage with suppliers and customers</td>
<td>3.850</td>
<td>0.340</td>
</tr>
</tbody>
</table>

The results established that most of the respondents granted to a great extent, that there is a high number of layers in their banks (M=4.303, SD=0.617), a high degree of centralization (M=4.144, SD=0.474) and a high degree of formality (M=3.859, SD=0.140). Additionally, the results revealed that there is a high level of intrapreneurship in the banks (M=4.196, SD=0.705) and a very strong and sound organizational market research system (M=3.651, SD=0.244).

The respondents also indicated that there was an efficient organizational customer performance feedback system (M=3.605, SD=0.650), a proactive organizational competitor intelligence system (M=4.069, SD=0.381) and an effective organizational linkage with suppliers and customers (M=3.850, SD=0.340).

**4.3.2 People Dimension Factors**

The respondents were requested to rate the extent to which the People Dimension Factors of strategic agility apply to their bank using a scale of 1-5 where, 1=Not at all, 2=To a
small extent, 3=To a moderate extent, 4=To a great extent and 5=To a very great extent.

The mean and standard deviation were calculated and are summarized in table 4.5.

Table 4.5 People Dimension Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High rate of employee involvement in design and planning</td>
<td>3.681</td>
<td>0.779</td>
</tr>
<tr>
<td>Continuous employee education and training</td>
<td>4.312</td>
<td>0.480</td>
</tr>
<tr>
<td>Comprehensive employee skill set, knowledge base and knowledge sharing</td>
<td>4.233</td>
<td>0.798</td>
</tr>
<tr>
<td>High sense of employee well-being and morale</td>
<td>4.088</td>
<td>0.497</td>
</tr>
<tr>
<td>High degree of employees’ interaction with customers and suppliers</td>
<td>3.980</td>
<td>0.513</td>
</tr>
<tr>
<td>Very active employee suggestion system</td>
<td>3.666</td>
<td>0.603</td>
</tr>
<tr>
<td>High degree of employee autonomy</td>
<td>3.667</td>
<td>0.304</td>
</tr>
<tr>
<td>High degree of employee retention</td>
<td>3.642</td>
<td>0.852</td>
</tr>
</tbody>
</table>

The research findings indicated that there was a high rate of employee involvement in design and planning (M=3.681, SD=0.779) and continuous employee education and training (M=4.312, SD=0.480), in most of the banks. The findings further indicated that there was comprehensive employee skill set, knowledge base and knowledge sharing (M=4.233, SD=0.798) and a high sense of employee well-being and morale as shown by M= 4.088 and SD=0.497.
The respondents suggested that there was a high degree of employees’ interaction with customers and suppliers (M=3.980, SD=0.513). In addition, the banks had very active employee suggestion systems (M=3.666, SD=0.603), a high degree of employee autonomy (M=3.667, SD=0.304) and a high rate of employee retention (M=3.642, SD=0.852). These findings corroborated Grant (2012) that knowledge is the most crucial organizational resource required to realize strategic agility.

4.3.3 Technology Dimension Factors

The respondents were asked to rate the extent to which the following Technology Dimension Factors of strategic agility apply to their bank. They were asked to use a scale of 1-5 where, 1=Not at all, 2=To a small extent, 3=To a moderate extent, 4=To a great extent and 5=To a very great extent. The findings are summarized in Table 4.6.

**Table 4.6 Technology Dimension Factors**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient processes used by the organization to reduce order processing cycle time, reduce paper work, find and eliminate wasted time and costs in all internal processes and enhance quality of service and products.</td>
<td>4.044</td>
<td>0.389</td>
</tr>
<tr>
<td>High degree of intensity for research and development of new products</td>
<td>3.855</td>
<td>0.614</td>
</tr>
<tr>
<td>High speed of innovation orientation and adoption within the organization</td>
<td>4.396</td>
<td>0.259</td>
</tr>
</tbody>
</table>
Table 4.6 provides evidence that the banks had efficient processes that reduced order processing cycle time and paper work, eliminated wasted time and costs in all internal processes to enhance quality of service and products (M=4.044, SD=0.389). The degree of intensity for research and development of new products was rated as high (M=3.855, SD=0.614). The speed of innovation orientation and adoption within the banks (M=4.396, SD=0.259) was equally rated as high. Similarly, there was a high rate of technological adoption and use within the banks (M=3.895, SD=0.695).

4.3.4 Planning Dimension Factors

The study further sought to establish the Planning Dimension Factors that inform strategic agility in the banks. The respondents used a scale of 1-5 where, 1=Not at all, 2=To a small extent, 3=To a moderate extent, 4=To a great extent and 5=To a very great extent. The means and standard deviations were calculated and summarized as shown in Table 4.7.

Table 4.7 Planning Dimension Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting long term objectives</td>
<td>3.933</td>
<td>0.403</td>
</tr>
<tr>
<td>Timely setting of action plans and short term objectives</td>
<td>4.378</td>
<td>0.900</td>
</tr>
<tr>
<td>High degree of sensitivity to the external environment</td>
<td>3.950</td>
<td>0.656</td>
</tr>
<tr>
<td>Planning flexibility</td>
<td>4.219</td>
<td>0.597</td>
</tr>
</tbody>
</table>
As shown in Table 4.7, the highly rated planning dimension factor was the timely setting of action plans and short term objectives (M=4.378, SD=0.900). The second highly rated was planning flexibility (M=4.219, SD=0.597), followed by a high degree of sensitivity to the external environment (M=3.950, SD=0.656). The least rated factor was the setting of long term objectives (M=3.933, SD=0.403). All the factors were therefore rated above the average of 2.5, indicating that they were all considered essential.

### 4.4 Performance of Commercial Banks

The respondents were invited to rate the extent to which the subsequent statements mirrored the performance of their banks using a scale of 1-5 where, 1=Not at all, 2=To a small extent, 3=To a moderate extent, 4=To a great extent and 5=To a very great extent. Means and standard deviations were calculated and presented in Table 4.8.

**Table 4.8 Performance of Commercial Banks**

<table>
<thead>
<tr>
<th>Performance Statements</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High profit growth</td>
<td>4.350</td>
<td>0.261</td>
</tr>
<tr>
<td>Increased sales revenues</td>
<td>3.691</td>
<td>0.425</td>
</tr>
<tr>
<td>High operating efficiency</td>
<td>4.221</td>
<td>0.588</td>
</tr>
<tr>
<td>High performance stability</td>
<td>3.750</td>
<td>0.106</td>
</tr>
<tr>
<td>Positive public image</td>
<td>3.810</td>
<td>0.275</td>
</tr>
<tr>
<td>High employee morale</td>
<td>4.028</td>
<td>0.849</td>
</tr>
<tr>
<td>High degree of environmental adaptation</td>
<td>4.012</td>
<td>0.358</td>
</tr>
<tr>
<td>High frequency of generation of new ideas</td>
<td>4.181</td>
<td>0.393</td>
</tr>
</tbody>
</table>
The findings revealed that the top five indicators of bank performance were; high profit growth (M=4.350, SD=0.261), high operating efficiency (M=4.221, SD=0.588), high frequency of generation of new ideas (M=4.181, SD=0.393), positive social impact on the society (M=4.095, SD=0.891) and high employee morale (M=4.028, SD=0.849) in that order.

The least rated performance indicator was increased sales revenues (M=3.691, SD=0.425). High performance stability (M=3.750, SD=0.106) and positive public image (M=3.810, SD=0.275) were also rated poorly. Degree of environmental adaptation (M=4.012, SD=0.358) received an average rating compared to the other factors.

| Positive social impact on the society | 4.095 | 0.891 |

4.5 Strategic Agility and Performance of Commercial Banks in Kenya

The study applied regression analysis to determine the effect of strategic agility on performance of commercial banks in Kenya. The regression analysis was done using each dimension of strategic agility as a predictor variable. This was necessary to establish which of the dimensions had a greater contribution to change in performance in the banks. The results are presented in Table 4.9, Table 4.10 and Table 4.11.
Table 4.9 Summary of Regression Model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.819&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.671</td>
<td>0.634</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

- **Predictors**: Organization, People, Technology and Planning
- **Dependent variable**: Performance

Table 4.9 reveals that the relationship between strategic agility and performance of the banks is strong as shown by correlation coefficient R of 0.819. R squared of 0.671 indicates that there existed a variation of 67.1% in the dependent variable due to change in the independent variables comprising Organization, People, Technology and Planning factors.

Table 4.10 ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>645.55</td>
<td>4</td>
<td>161.388</td>
<td>17.98</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>287.23</td>
<td>32</td>
<td>8.976</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>932.78</td>
<td>36</td>
<td>9.867</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Predictors**: Organization, People, Technology and Planning
- **Dependent variable**: Performance

Table 4.10 presents the results of analysis for variance. The table shows F-value of 17.98, which is significant at p=0.000<0.05. This denotes a model fit and implies a match between the regression model and the data. The use of regression analysis in this study is therefore justified.
The regression coefficient is presented in Table 4.11. The table shows the coefficients of each of the four dimensions of strategic agility (Organization, People, Technology and Planning). \( \beta_0 = 6.993 \) represented the constant which predicted the value of bank Performance while Organization, People, Technology and Planning factors of strategic agility were held constant at zero (0).

**Table 4.11 Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.993</td>
<td>0.878</td>
<td>7.965</td>
<td>.001</td>
</tr>
<tr>
<td>Organization</td>
<td>0.387</td>
<td>0.094</td>
<td>0.312</td>
<td>4.117</td>
</tr>
<tr>
<td>People</td>
<td>0.318</td>
<td>0.029</td>
<td>0.301</td>
<td>10.97</td>
</tr>
<tr>
<td>Technology</td>
<td>0.264</td>
<td>0.041</td>
<td>0.214</td>
<td>6.439</td>
</tr>
<tr>
<td>Planning</td>
<td>0.153</td>
<td>0.021</td>
<td>0.101</td>
<td>7.286</td>
</tr>
</tbody>
</table>

- **Predictors:** Organization, People, Technology and Planning
- **Dependent variable:** Performance

The optimal regression model is therefore:

\[ Y = 6.993 + 0.312X_1 + 0.301X_2 + 0.214X_3 + 0.101X_4 + \varepsilon \]

Regression results revealed that Organization Dimension Factors had the most significant effect on performance of the banks as indicated by \( (\beta_1=0.312, \ p=0.004<0.05) \). This implies that a unit change in the organization dimension factors explains 0.312 of
variance in performance. Regression results also revealed that the People Dimension Factors had the second most significant effect on the performance in the banks as indicated by $\beta_2=0.301$, $p=0.001<0.05$. This implies that a unit change in the people dimension factors of the banks explains 0.301 of variance in performance.

The Technology Dimension Factors were rated third in noteworthy effect on the performance in the banks as indicated by $\beta_2=0.214$, $p=0.002<0.05$. This implies that a unit change in the technology dimension factors of the banks explains 0.214 of variance in performance. The Planning Dimension Factors had the least significant effect on the performance in the banks as indicated by $\beta_2=0.101$, $p=0.000<0.05$. This implies that a unit change in the people dimension factors of the banks explains 0.101 of variance in performance.

4.6 Discussion of the Findings

This section discusses significant findings as related to the study objective, which was to establish the effect of strategic agility on the performance of commercial banks in Kenya. On the Organization Dimension Factors of strategic agility, the study agreed with Waweru (2016) study on strategic agility enablers and SME performances in Kenya. Waweru (2016) established that organizational structure, discontinuous innovation, human capital, management commitment and support, IT integration and operational processes effectiveness impacted the performance of SME’s in Kenya. These findings are also similar to those attained by Mwangi (2017), who revealed that adopted strategic agility predictors such as product innovation and cost differentiation enhanced
organizational performance through reduced operational costs, enhanced competitiveness, increased profits, customer satisfaction and market growth. It should be noted however that Mwangi (2017), used different predictors of strategic agility as compared to the ones used in this study.

The Organization Dimension Factors in this study were rated very highly. It was established that there exists a high degree of centralization and formality, as well as a high number of layers within the banks. This can be used by the banks in their favor to reduce costs, enhance uniformity of action and decisions, improve flexibility and adaptability of the banks to changing business circumstances, improved work quality due to standardized procedures, lead to better supervision and deployment of technology and better coordination of bank resources to achieve performance goals. The downside of this is that the banks could suffer delays in work delivery, lose employee loyalty, reduce work specialization and compromised service delivery.

The findings also reveal that the level of intrapreneurship is high and the banks have put in place strong and sound organizational market research systems. Further research revealed that commercial banks have efficient organizational customer performance feedback system, proactive organizational competitor intelligence system and an effective organizational linkage with suppliers and customers. Organization Dimension Factors have the most substantial effect on the performance of commercial banks in Kenya. The implication being that if the Organization Dimension Factors are well organized and properly utilized, they will enhance the performance of commercial banks in Kenya.
The People Dimension Factors of strategic agility were rated second highest. The findings support Santos-Vijande et al. (2011) that good performance is meant for firms that are adaptive to change in coping with environmental demands and that are able to influence the business environment through innovative investments and employee involvement. The study established that there was a high rate of employee involvement in design and planning in the banks. It was also established that continuous employee education and training was the norm in most banks. Comprehensive employee skill set, knowledge base and knowledge sharing among the banks, was equally noted.

A high degree of employee autonomy, high rate of employee retention and aggressive interaction with customers and suppliers was equally noted. The study also revealed that there was a high sense of employee well-being and morale and a very active employee suggestion system was in place in most banks. These findings further correlate with those of Grant (2012), that stated that knowledge is the most crucial organizational resource required to realize strategic agility. A noteworthy effect was therefore established between the people dimension factors and performance of commercial banks.

The findings also established a strong impact of the Technology Dimension Factors of strategic agility on the performance of commercial banks; that an upsurge in the level of technology use led to an upsurge in the performance of the banks. That there exist efficient processes in commercial banks that reduce order processing cycle time, reduce
paper work, discover and eradicate squandered time and overheads in all core practices and enhance quality of service and products.

The study further established that there is a high degree of intensity for research and development of new products and a high speed of innovation orientation in the banks. The banks were also noted to have a high rate of technological adoption and use. These findings corroborate the findings of Kariuki (2015) that revealed existence of an affirmative correlation between the level of IT use and organizational performance at population Services of Kenya.

The effect of the Planning Dimension Factors of strategic agility was not as significant as that of the other three dimension factors on the performance of commercial banks in Kenya. It was revealed that banks set long term objectives and their planning is flexible to match the changes in the environmental circumstance. The banks have a high degree of sensitivity to the external environment and set timely action plans as necessary. These findings are in line with Tallon and Pinsonneault (2011), who stated that the ability to scan the environment, quickly respond to it’s demands, enter into new markets and enhance innovativeness leads to cost reduction and profit increase.
CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented a summary of findings of the study, limitations of the study, recommendations and suggestions for additional research and the conclusion drawn from the findings as proposed by the researcher. The recommendations and conclusions concentrate on addressing the main objective of the study. This chapter also discussed suggested areas for future research.

5.2 Summary of findings

The findings on the demographic information heightened the dependability of the research findings. The findings show that each bank had branches spread across the country. Most of the banks operated locally and had been in operation for a long period of time. This information enhanced the reliability of the information provided.

The study established that most commercial banks in Kenya had operated for more than ten years and were licensed to operate locally in Kenya. Most (35.14%) licensed commercial banks in Kenya had 41 to 60 branches across the country. From the regression model, the study established that Organization Dimension Factors, People Dimension Factors, Technology Dimension Factors and Planning Dimension Factors of strategic agility all have pronounced impact on the performance of banks in Kenya. The study determined the intercept to be 6.993 for all variables.
The four independent variables gave a substantial 67.1% of performance of commercial banks in Kenya as represented by R squared (0.671). This therefore meant that the four independent variables contributed 67.1% of the performance of commercial banks in Kenya while other factors and random variations not studied in this research contributed a measly 32.9% of the performance of commercial banks in Kenya.

For the organization dimension factors of strategic agility, the study revealed a high degree of centralization and formality and high number of layers within the banks. In most of the banks, the level of intrapreneurship was high and there were strong and sound organizational market research system put in place. This corresponds to the findings of Waweru (2016), that organizational structure, discontinuous innovation, human capital, management commitment and support, IT integration and operational processes effectiveness impact the performance of SME’s in Kenya.

Majority of the banks in Kenya were determined to have efficient organizational customer performance feedback system, proactive organizational competitor intelligence system and an effective organizational linkage with suppliers and customers. Regression results also indicated that Organization Dimension Factors had substantial effect on the performance of the banks in Kenya. This meant that when the Organization Dimension Factors are well organized, they led to better performance of the commercial banks. This finding correlates with that of Grant (2012) which stated that knowledge is the most crucial organizational resource required to realize strategic agility.
For the people dimension factors of strategic agility, the study established a high rate of employee involvement in design and planning within their bank institutions and existence of continuous employee education and training. These findings corroborate those of Jane and Samwel (2018) that employee training has substantial impact on the performance of drilling companies. There was comprehensive employee skill set, knowledge base and knowledge sharing among the employees of the commercial banks in Kenya.

Further the study established that there is a high degree of employee autonomy, retentions and interaction with customers and suppliers. It also revealed that there was high sense of employee well-being, morale and very active employee suggestion system was in place in most commercial banks. Regression results also revealed that people dimension factors in commercial banks had a significant and positive influence on the performance of commercial banks.

For the technology dimension factors of strategic agility, Kariuki (2015) revealed an affirmative rapport between the level of technology use and firm performance at Population Services Kenya. Similarly, this study demonstrated that there is a strong link between technology dimension factors and the performance of commercial banks in Kenya. The implication was that an upsurge in the level of technology use led to an upsurge in the level of performance of commercial banks in Kenya.

Further, the outcomes established that efficient processes were put in place by commercial banks in Kenya to reduce order processing cycle time, reduce paper work,
discover and eradicate wasted time and overheads in all core procedures and enhance quality of service and products. Also a high degree of intensity for research and development of new products was established and a high speed of innovation orientation and adoption within the banks was noted. The commercial banks were also noted to have a high rate of technological adoption and use.

For the planning dimension of strategic agility, the study noted that commercial banks in Kenya set both long term and short term objectives and their planning is flexible. Among the commercial banks, there is a high degree of sensitivity to the external environment and a timely setting of action plans. The regression analysis findings indicated that there existed a substantial relationship between planning and the performance of commercial banks in Kenya. This implied that when the planning dimension was increased by one unit, it led to an upsurge in the performance of commercial banks in Kenya. These findings align with those of Olusanya (2012), which stated that effective planning has a relationship, with organizational productivity and led to employees’ improved performance in an organization.

5.3 Conclusion

This study has delivered an all-inclusive review of the effect of strategic agility on the performance of commercial banks in Kenya. Centered on the results, it is concluded that organization dimension factors, people dimension factors, technology dimension factors and planning has great effect on the performance of commercials banks in Kenya. It also concludes that organization dimension factors had noteworthy affirmative effect on
industry performance of commercial banks. There is a high degree of centralization and formality in the commercial banks and the level of entrepreneurship is very high. Strong and sound organizational market research system exists as well as customer performance feedback system and proactive organizational competitor intelligence system. Study also concludes that there is an effective organizational linkage with suppliers and customers.

Further the study concludes that there is comprehensive employee skill set, knowledge base and knowledge sharing among the commercial banks. There is a high rate of employee involvement in design and planning in the banks, as well as continuous employee education and training, a high degree of employee autonomy, retention and interaction with customers and suppliers. It also concluded that there was a high sense of employee well-being and morale and an active employee suggestion system. Substantial impact was therefore established between people dimension factors and the performance of commercial banks.

Additionally, the study concludes that there was a noteworthy relationship between technology dimension factors of strategic agility and performance of banks; that an increase in the level of technology use would lead to improved performance of the banks. The banks have a high degree of intensity for research and development of new products and a high speed of innovation orientation. The banks rate of technological adoption and use is similarly high. The final conclusion was that among commercial banks, there is a high degree of sensitivity to the external environment and a timely setting of short and long term objectives and action plans.
5.4 Recommendations of the Study

5.4.1 Recommendation on Organization Dimension of Strategic Agility

The study recommends that commercial banks continuously carry out environmental scanning activities to establish the dimension factors of strategic agility that significantly impact on their performance. During scanning, they should consider all stakeholders, industry regulators and policy makers in the banking industry and the impact of their regulations, policies and pronouncements on their performance and to take necessary actions to either sustain them, if they boost their performance, or to mitigate them, if they present threats and expose their weaknesses that lower their performance. They should continuously craft their strategies around the four dimensions of strategic agility; Organization, People, Technology and Planning, for them to achieve their desired levels of performance.

5.4.2 Recommendation on People Dimension of Strategic Agility

The research results showed that the people dimension factors significantly influence commercial bank performance. The implication of this to banking practice is that building human capital in an organization is an effective way to achieve strategic agility, which impacts on the performance of the banks in Kenya. The banks should consequently strive to enhance the well-being of their human capital; continue to embrace continuous employee training and education to build their skills, knowledge and expertise. These will help the banks to develop intellectual property advantage that will impact positively on their performance. Due to the poor rating on employee retention, employee autonomy and employee suggestion system factors, the study recommends decentralization of some
bank functions to boost employee morale, increase employee participation, encourage accountability and reduce resistance to change. These actions will enable the banks to be strategically agile and enhance their performance.

5.4.3 Recommendation on Technology Dimension of Strategic Agility

Regarding the Technology Dimension Factors of strategic agility, the study recommends that commercial banks develop vigorous IT-enabled modernization strategies to help generate innovative products and future oriented business models that will help them harness new customer experiences, offer exemplary customer service and thus advance performance. The management of the commercial banks in Kenya should also leverage information technology in risk management. The banks should install information systems for accurate risk assessment and measurement and for governance and controls of the bank systems, processes and programs. This will enhance audit management, create process efficiencies and reduce bank operational costs thus enhancing bank performance. Leveraging technology to attain strategic agility will enable the banks to significantly improve their overall performance.

5.4.4 Recommendation on Planning Dimension of Strategic Agility

Due to the measly performance of the Planning Dimension Factors of strategic agility, this study recommends more focused attention on short term and long term objective setting in the banks. Banks can set up strategy development teams to oversee the strategy process from environmental scanning to goal setting, implementation, evaluation and control. This will give focused direction to the banks towards attaining common
performance objectives. The move will further generate synergies around planning and give it the much needed strategic significance in the banks. Planning is a key dimension in attaining strategic agility for enhanced performance.

5.5 Limitations of the Study

One of the limitations of this study was the reluctance of some the respondents to disclose information related to their bank institutions for fear of retribution for breach of company information policies.

Another limitation was insufficient funds to effectively cover the data collection phase of the study. Some of the targeted respondents were hardly in office due to their busy schedules necessitating several reminders for them to complete the questionnaires and several return trips to the bank institutions to collect the completed questionnaires.

The sample size was another limitation as only 3 bank managers from each of the bank institutions were targeted. This may make the study findings biased and not truly representative of the true position of the impact of strategic agility on the performance of Commercial Banks in Kenya.

5.6 Suggestions for Further Research

This study recommends another study to be carried out to test the impact of strategic agility on performance of other organizations in different industries other than the banking industry, such as the Tourism and Healthcare industries in Kenya due to the
volatility of the environments in which they operate. This study was restricted to commercial banks in Kenya. Further study can be done to extend to other financial service providers in Kenya, including SACCO’s and MFI’s.

This research study focused on Strategic agility as an independent variable. The researcher recommends another study with focus on either one of the dimensions of strategic agility and their effect on performance in commercial banks or other organizations. Future researchers can also consider evaluating the relationship between different agility enablers and the operational efficiency of Commercial banks in Kenya.
REFERENCES


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APPENDICES

Appendix I: List of Commercial Banks in Kenya

1. African Banking Corporation Limited
2. Bank of Africa Kenya Ltd
3. Bank of Baroda Kenya Limited
4. Bank of India
5. Barclays Bank of Kenya Limited
6. Charterhouse Bank Limited (In Receivership)
7. Chase Bank Kenya Limited (In Receivership)
8. Citibank N.A Limited
9. Commercial Bank of Africa Limited
10. Consolidated Bank of Kenya Limited
11. Co-operative Bank of Kenya Limited
12. Credit Bank Limited
14. Diamond Trust Bank Kenya Limited
15. DIB Bank Kenya Limited
16. Eco Bank Kenya Limited
17. Spire Bank Limited
18. Equity Bank Kenya Limited
19. Family Bank Limited
20. Fidelity Commercial Bank Limited
21. First Community Bank Limited
22. Guaranty Trust Bank Kenya Limited
23. Guardian Bank Limited
24. Gulf African Bank Limited
25. Habib Bank A.G Zurich
26. Habib Bank Limited
27. Imperial Bank Ltd
28. I&M Bank Limited
29. Jamii Bora Bank Limited
30. KCB Bank Kenya Limited
31. Middle East Bank Kenya Limited
32. National Bank of Kenya Limited
33. NIC Bank Limited
34. M-Oriental Bank Limited
35. Paramount Bank Limited
36. Prime Bank Limited
37. Sidian Bank Limited
38. Stanbic Bank Kenya Limited
39. Standard Chartered Bank Kenya
40. Trans-National Bank Limited
41. UBA Kenya Bank Limited
42. Victoria Commercial Bank Limited
43. HFC Limited
TO WHOM IT MAY CONCERN

The bearer of this letter CAROLYN NEKESA WANGASA
Registration No. D61818912015

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 III: Research Questionnaire

QUESTIONNAIRE GUIDE FOR MBA RESEARCH ON IMPACT OF STRATEGIC AGILITY ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA

RE: INTRODUCTION

Dear Respondent

This questionnaire is aimed at providing information on the impact of Strategic Agility on Commercial Banks in Kenya. You are kindly requested to complete the questionnaire following instructions given. The information you provide will be used solely for academic purposes, to accomplish an academic goal and will be treated with utmost confidentiality.

Please do not include your name in the questionnaire.

SECTION A: Background Information

Please answer the following questions.

Tick (√) in the appropriate box where options are provided.

1. Name of your Bank___________________________________________________

2. For how long has your bank been in operation in Kenya?

   a) 1-10 years
3. What is the scope of your bank operations?
   a) Local □
   b) International □

4. How many branches does your bank have in Kenya?
   a) 0-20 □
   b) 21-40 □
   c) 41-60 □
   d) More than 60 □

SECTION B: Measures of Strategic Agility

The four dimensions along which strategic agility will be measured in this research study are: the organizational dimension, the people dimension, the technology dimension and the planning dimension.

Instructions: Answer the following questions using a scale of 1 to 5 where:

1= not at all
2= to a small extent
3= to a moderate extent

4= to a great extent

5= to a very great extent

Rate the extent to which the following statements relate to your organization.

<table>
<thead>
<tr>
<th>Organization Dimension Factors</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
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<tr>
<td>1. High number of layers in the organization</td>
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<td>2. High degree of centralization</td>
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<td>3. High degree of formality (emphasis placed on structure and procedures)</td>
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<td>4. High level of intrapreneurship in the organization (extent of organization support of the culture of innovation and creativity)</td>
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<td>5. Very strong and sound organizational market research system</td>
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</table>
6. Efficient organizational
customer performance feedback
system

7. Proactive organizational
competitor intelligence system

8. Effective organizational linkage
with suppliers and customers

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<tr>
<th>People Dimension Factors</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
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<th>To a very great extent</th>
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<td>9. High rate of employee involvement in design and planning</td>
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<td>10. Continuous employee education and training</td>
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<td>11. Comprehensive employee skill set, knowledge base and knowledge sharing</td>
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<td>12. High sense of employee well-being and morale</td>
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<td>13. High degree of employees’ interaction with customers</td>
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<td></td>
<td>Technology Dimension Factors</td>
<td>Not at all</td>
<td>To a small extent</td>
<td>To a moderate extent</td>
<td>To a great extent</td>
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<td>14.</td>
<td>Very active employee suggestion system</td>
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<td>15.</td>
<td>High degree of employee autonomy</td>
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<td>16.</td>
<td>High degree of employee retention</td>
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<td>17.</td>
<td>Efficient processes used by the organization to reduce order processing cycle time, reduce paper work, find and eliminate wasted time and costs in all internal processes and enhance quality of service and products.</td>
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<td>18.</td>
<td>High degree of intensity for research and development of new products</td>
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<td>19.</td>
<td>High speed of innovation orientation and adoption within</td>
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20. High rate of technological adoption and use

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<tr>
<th>Planning Dimension Factors</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
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<th>To a very great extent</th>
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<td>21. Setting long term objectives</td>
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<td>22. Timely setting of action plans and short term objectives</td>
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<td>23. High degree of sensitivity to the external environment</td>
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<td>24. Planning flexibility</td>
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# SECTION C: Measures of Performance

Rate the extent to which the following statements reflect the performance of your organization.

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<th>Performance Criteria</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
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<td>25. High profit growth</td>
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<td>26. Increased sales revenues</td>
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<td>27. High operating efficiency</td>
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<td>28. High performance stability</td>
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<td>29. Positive public image</td>
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<td>30. High employee morale</td>
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<td>31. High degree of environmental adaptation</td>
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<td>32. High frequency of generation of new ideas</td>
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<td>33. Positive social impact on the society</td>
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Thank you.