FACTORS INFLUENCING STRATEGIC MANAGEMENT PRACTICES AMONG COMMERCIAL BANKS IN KENYA

BY
JULIUS MAKAU KAKUNU

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DECLARATION

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

Signature.............................................                                 Date: ................................

JULIUS MAKAU KAKUNU
D61/61609/2010

This research project has been submitted for examination with my approval as university supervisor.

JEREMIAH KAGWE

Signature ........................................                                     Date .................................
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DEDICATION

This work is dedicated to my family
ABSTRACT

Strategic management practices have gained importance in recent years. During last century organizations focused on long-term planning. Long-term planning supposed that external and internal environment will remain stable for long period of time and thus they made plans for long duration. Today it is clear to the managers and entrepreneur’s that environment can change at any point of time and their plans should follow a strategy that includes contingency planning too. There are therefore a number of both internal and external environmental factors that may influence the strategic management practices of an organisation. This study sought to achieve two objectives: to investigate the current strategic management practices; and to identify factors that influence the banks strategic management practices in Kenya. This was a descriptive study. The population was 43 banks and the response was from 33 banks giving a response rate of 77%. Primary data was collected in the study using questionnaires administered to general managers using email and drop and pick later methods. Data was analysed using descriptive analysis. The most significant factors that were found to influence strategic management practices were technological environment, economic environment, global environment, political and legal environment, bank structure, bank resources, and socio-cultural environment. The study concludes that the level of strategic management practice in commercial banks in Kenya was very high. Further, the strategic management in commercial banks was highly influenced by both internal factors and external factors. The study recommends that there is need for firms to stress on strategic evaluation process as much as they do planning and execution. Banks also need to adopt strategic management models that fit their overall objectives. In so doing, they need to incorporate the internal factors and external factors through SWOT analysis as well as other tools to evaluate environmental challenges.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The practice of strategic decision making in organisations is what is referred to generally as strategic management practices. Thus, strategic management practices cannot be discussed without discussing the issue of strategic management itself. The development of the field of strategic management within the last two decades has been dramatic (Hoskisson, Wan, and Yiu, 1999) and it grows larger every day. Because of the nature of the strategy it does not contain universal truths that can be documented through scientific theorems and proofs (Chinowsky and Byrd, 2001).

According to Anand and Singh (1997) a significant amount of the empirical studies in strategy were concerned about the scope of the firm and its performance implications. However, strategic management generally addresses the question of why some organizations succeed or fail, and it covers the causes for company’s success or failure (Porter, 1991).

Studies on strategic management have shown that strategic management practice is concerned with deciding on strategy and planning how that strategy is to be put in to effect. It can be thought of as having three elements within it: there is strategic choice stage which is to do with formulation of possible courses of action, their evaluation and the choice between them. Finally, there is a strategic implementation stage which is to do with planning how the choice of strategy can be put into effect (Kazmi, 2008).
1.1.1 Strategic Management Practices

Strategic management practice is the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. In other works, strategic management is involved in deploying a firm’s internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele, and Oyenuga, 2008).

Thompson and Strickland (2003) defined strategic management practice as the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. According to Drucker (1974), the prime task of strategic management is thinking through the overall mission of a business. This leads to setting of objectives development of strategy and making of today's decision for tomorrow's result. This should be done by balancing the present objectives and needs against those of the future in the light of available resource (both present and future) of men and materials.

Since no organization has unlimited resources, strategists must decide which alternative strategies benefit the firm most (Fred, 1997). Thus, a strategy reflects managerial choices among alternatives and signals organizational commitment to particular products, markets, competitive approaches, and ways of operating the enterprise (Thompson and
Strickland, 2003). Furthermore, different organizations in different environments are likely to emphasize different aspects of the strategic management process (Johnson and Scholes, 1999).

The major argument in the field of strategic management during last three decades was whether the strategic management process must be a planning or a thinking process. Wilson (1998) identifies that, during last three decades strategic planning has been an on again and off again affair for most companies, even though the need for strategic thinking has increased rather than decreased. Taylor (1997) asserts that strategic planning is back but, with changes like Mintzberg (1994) would have wanted such as less bureaucracy, more emphasis on implementation and innovation, and fewer staff planners etc. Therefore, despite its criticism strategic planning still plays a major role in firms.

Collis and Montgomery (1995) assert that because of global competition and technological changes the markets move faster and faster and that strategic planning is too static and too slow to adopt the new strategies which match to environmental changes. Mintzberg (1994) thinks strategic planners should not create strategies but, they can supply data to help managers think strategically. Mintzberg (1994) further believes strategic thinking as a synthesizing process, that involves intuition and creativity, whose outcome is an integrated perspective of the enterprise. Simpson (1998) claims strategic planning is a waste of time because of number of reasons such as it focuses more attention on the market than on competition, set aggressive top-down targets instead of developing bottom up financial forecasts etc.
Liedtka (1998) asserts it is individual who think strategically not organizations and in order to think strategically individuals require a supporting context to manage the strategic conversations that occur within it and therefore, strategic planning systems can play an important role in this process.

Both external and internal factors influence strategic management practice in organisations. The external environmental factors include the general environment (political and legal, demography, socio-cultural, economic, technological, and global), industry environment (threat of entry, the threat of substitutes, bargaining power of buyers, bargaining power of suppliers, and rivalry among the existing competitors), and competition. The internal environmental factors are organisational structure, organisational ownership, organisational size, organisational culture, management style, stakeholder expectations, and resources (Edirisinghe, 2008).

1.1.2 The Banking Industry in Kenya

A commercial bank is a bank that provides transactional, savings, and money market accounts and that accepts time deposits (Sullivan and Sheffrin, 2003). According to the Central Bank of Kenya, there are 43 licensed commercial banks in Kenya (see list in appendix 1). Three of the banks are public financial institutions with majority shareholding being the Government and state corporations. The rest are private financial institutions. Of the private banks, 27 are local commercial banks while 13 are foreign commercial banks.
Commercial banks in Kenya play a major role in Kenya. They contribute to economic growth of the country by making funds available for investors to borrow as well as financial deepening in the country. Commercial banks therefore have a key role in the financial sector and to the whole economy.

A number of strategic decisions have been made in the banking industry in Kenya in the past two decades. For instance, there have been 33 mergers in the industry since 1989 with the recent one being the merger between Equatorial Commercial Bank and Southern Credit Banking Corporation in June 2010 (Central Bank of Kenya, 2012). There have also been three acquisitions since 2000 with the latest being the acquisition of EABS Bank Ltd by Ecobank Kenya Ltd in June 2008 (Central Bank of Kenya, 2012). Some of the reasons put forward for mergers and acquisitions are: to meet the increased levels of share capital; expand distribution network and market share; and to benefit from best global practices among others.

This study is done in the context of the banking industry in Kenya. Banks play a significant role in Kenya’s economy. With intense competition in the industry, there’s always need for banks to be strategically positioned to effectively compete in the market. This has seen several mergers and acquisitions take place in the banking industry in Kenya as banks position themselves to compete in the market.
1.2 Research Problem

Strategic management practices have gained importance in recent years. During last century organizations focused on long-term planning. Long-term planning supposed that external and internal environment will remain stable for long period of time and thus they made plans for long duration. Today it is clear to the managers and entrepreneur’s that environment can change at any point of time and their plans should follow a strategy that includes contingency planning too. There are therefore a number of both internal and external environmental factors that may influence the strategic management practices of an organisation (Edirisinghe, 2008).

Strategic management is a very important concept for commercial banks. Characterised by intense competition for customers in the industry, banks must always be wary of the trends and opportunities in their external environment as shifts always occur. The banking sector has shown a significant expansion during the first half of 2012 (Central Bank of Kenya, 2012). Despite the significant expansion, the banking industry in Kenya is currently going through a period of rapid change due to new products and services introduced by banking industry as a result of globalization and the adoption of new technologies. Therefore, exploring the current strategic management practices of the commercial banks in Kenya and especially the internal and external factors that influence such practices will be extremely important for every bank in the Kenyan banking industry.
A number of studies have been done on strategic management practices in other industries other than the banking industry in Kenya (Kangoro, 1998; Ligare, 2010; Ngatia, 2011; Kariuki, 2011; Maina, 2011; Irungu, 2011; Odunga, 2011; Mutia, 2011; Mbondo, 2011; Manguru, 2011; Riungu, 2008). A few examples of studies on commercial banks in Kenya include Njoroge (2007), Mungai (2007), Wamalwa (2008), Wambugu (2008), Otieno (2010), and Ondieki (2011). Despite the numerous studies on strategic management practices, the banking industry has been largely neglected as only Riungu (2008) attempted to study the same. The limitation of this study was the fact that it was carried out as a case study of Co-operative Bank of Kenya hence the results cannot be generalised to the whole banking industry. Further, very few studies exist in the financial sector as there is only one other study by Maina (2009) in insurance sector. This also suffers the same shortcoming as that of Riungu (2008) as it was carried out as a case study. It is also worthy to acknowledge the fact that most of the studies on the same in other industries have followed the same methodology of case studies. There is therefore a need to carry out a survey of the banking sector. The present study answers the following questions: what are the strategic management practices in the banking industry in Kenya? What factors affect such practices?

1.3 Research Objectives

The objectives of the study were:

i. To identify the current strategic management practices among commercial banks in Kenya.
ii. To identify factors that influence the banks strategic management practices in Kenya.

1.4 Value of Study

This study adds to the growing body knowledge on strategic management in developing countries by offering a perspective of the practice of strategic management in the banking industry in Kenya. The results are useful to the banks in developing countries.

The commercial banks can gain from the study as the results show best practices in strategic management as well as understand the factors that affect strategic management in the banking industry in Kenya.

Researchers and academicians in the field of strategic management will find this study a useful guide for carrying out further studies in the area. The study has recommended for future studies and this will therefore offer a guide on what future studies can be done.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic management. First, theories related to the concept of strategic management practices are reviewed. This is followed by a review of empirical studies on strategic management practices as well as studies on factors influencing strategic management practices.

2.2 Evolution of Strategic Management

Prior to the 1920s, most business decisions were relatively short term in focus and less entrepreneurial (Bourgeois 1996). With the beginning of the modern companies such as General Motors, Dupont in the 1920s, companies tended to focus on long-term plans and financial planning played a major role among senior managers. “The methods typically involved translating sales forecast into production schedules, estimating the costs associated with the planned volume, and deriving the profit forecasts” (Bourgeois 1996, P4) and this approach was based on the assumptions that the environment was stable and that sales projections could be made.

In 1965 Igor Ansoff published his first book titled “corporate strategy” when most of the companies were using long range planning (Hussey 1998). In the late 1960s companies in the United States underwent many changes such as massive multinational mergers and acquisitions to avoid antitrust laws, which discouraged high market shares in any particular industry (Hubbard 2000). As a result BCG developed a 2×2 market
growth/relative market share matrix and developed the concept of the experience curve (Hubbard 2000). In late 1960s and early 1970s companies had to cope with higher inflation due to high oil prices and they had to introduce cost control methods. During this period the major purpose of the companies was survival rather than long-term planning. Therefore, in late 1960’s long-term planning was replaced by corporate planning. Corporate planning addressed the company’s long-term and short-term goals, scope and growth directions. Ansoff (1965) highlights the importance of corporate planning by stating “Firm need a well-defined scope and growth direction, that objectives alone do not meet this need, and that additional decision rules are required if the firm is to have orderly and profitable growth”.

In 1980s Porter’s model of competitive analysis and his set of generic strategies and the concept of value chain dominated the area of strategic management. Porter (1980) introduced the model of five competitive forces in a company’s environment that influence competition such as threat of new entrants, bargaining power of firm’s suppliers and customers, threats of substitute’s products and intensity of rivalry among competing firms. Porter (1980) further claims that these forces may explain why firms adopt a particular strategy. In his book (1985) titled “Competitive Advantage”, Porter asserts two basic types of competitive advantage a company can have namely low cost or differentiation and proposes three kinds of generic strategies that can be adopted to gain competitive advantage such as cost leadership, differentiation, and focus. Porter (1985) further argues that companies which fail to adopt one of these strategies are “stuck in the middle”. Furthermore, Porter (1985) introduced the value chain model as a basic tool to
systematically examine all the activities a firm performs and claims how they interact is necessary for analyzing the sources of competitive advantage.

While Porter’s work dominated in the field of strategic management in 1980s Japanese companies competed against the United States companies by adopting Total Quality Management (TQM) principles which concentrate more on efficiency and effectiveness of operations than unique strategies (Hubbard 2000). Therefore, companies in United States understood that there was more to strategy than industry analysis and positioning the firm against competitors. In the early 1990’s the field of strategic management was attracted to the Prahalad and Hamel’s (1990) concept of building “core competencies” to achieve sustainable competitive advantage. Prahalad and Hamel (1990) define the core competences as “the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies”. Prahalad and Hamel (1990) further highlighted the importance of having core competencies as well as the external environmental factors and the positioning of the company in a market. Both the industry analysis and the resource based view analysis only provide static analysis of the organization’s current position and do not concentrate much on the future external environmental trends (Hubbard 2000). Globalization and technological developments which took place in the late 1980’s led to changing business environments for the companies in the globe and companies had to react to these rapid environmental changes.

Mintzberg (1987) always a big fan of organizational learning asserts that all strategy making walks on two feet namely deliberate and emergent, and deliberate strategy
focuses on control while emergent strategy focuses on learning. Mintzberg praises the value of emergent strategy because it opens the door for strategic learning of the company and it also acknowledges the organization’s capacity to experiment (Mintzberg et al 1998, p189). Nonaka and Takeuchi (1995) define organizational learning as knowledge creation and propose four modes of knowledge conversions in a company. The major purpose of organizational learning is to successfully face future environmental changes and therefore, most of the strategists view of the strategic management process is as a thinking process rather than a planning process (Mintzberg 1987).

Thus, in 1990’s prominent authors in the strategic management literature field fall in to two main categories in the way they look at strategy, namely the “strategic planning” and the “strategic thinking” approaches. However, Heracleous (1998) identifies the number of different ways that the various authors use the terms of strategic planning and strategic thinking. According to Heracleous (1998) for some authors “strategic thinking and strategic planning are two different thinking modes which can use at the different stages of strategic management process (eg Mintzberg), for some authors strategic thinking is not so much creative as analytical (eg Porter), for some authors strategic planning has remained an analytical activity but the organizational practices surrounding it have been transformed, and for some the real purpose of analytical tools of strategic planning is to facilitate strategic thinking, and for others strategic planning is useless and should be scrapped in favour of strategic thinking. Liedtka (1998) highlights the importance of strategic planning systems for a company to provide a supportive context for the
employees to think strategically. Thus, it is worth noting that companies can have strategic planning systems and also encourage the strategic thinking capabilities within it.

2.3 Strategic Management Practices

Adeleke et al. (2008) defines strategic management practice as the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. According to Thompson and Strickland (2003), strategic management practice is the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans.

Strategic management process has following four steps: environmental scanning, strategy formulation, strategy implementation, and strategy evaluation. Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes (Thompson and Strickland, 2003). It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose (Thompson and Strickland, 2003). After conducting environment scanning, managers formulate
corporate, business and functional strategies. Strategy implementation implies making the strategy work as intended or putting the organization’s chosen strategy into action (Thompson and Strickland, 2003). Strategy implementation includes designing the organization’s structure, distributing resources, developing decision making process, and managing human resources.

Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions (Thompson and Strickland, 2003). Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

Abu-Bakar, Tufail, Yusof, and Virgyanti (2011) sought to study the practice of strategic management in construction companies in Malaysia. Questionnaires were distributed to 300 large construction companies listed under G7 groups classified by Construction Industry Development Board (CIDB). The response rate of the survey was 26%. The findings of the research showed that most of the firms practicing strategic management had a clear objective, a winning strategy to achieve the objective and a sound mission statement to guide the organization towards success.

Dauda, Akingbade, and Akinlabi (2010) examined the influence of strategic management on corporate performance in selected small scale enterprises in Lagos, Nigeria. The paper also provided how strategy could be used for improved performance of small scale
enterprise in Nigeria. Two hypotheses were tested. They are to determine whether: there is a significant relationship between strategic management and organizational profitability; there is a significant relationship between strategic management and company market share. Cross sectional survey research method was adopted for the study and 140 participants were randomly selected among SSEs in Lagos metropolis. Pearson product moment coefficient of correlation and descriptive statistics were used for data analysis. Findings revealed that strategic management practices enhance both organizational profitability and company market share. The study recommends that investors and managers should make use of strategic management to improve their organizations actual performance at all times.

Ogollah (2007) investigated the strategic management practices of pharmaceutical importers and distributors in Kenya. The study set the following singular objective, to establish the strategic management practices being undertaken by the pharmaceutical importers and distributors in Kenya and point out the challenges facing this sector. The study used a cross-sectional survey design in executing this study. A sample size of 60 pharmaceutical firms that were registered as importers and distributors was used. A structured questionnaire was used to collect data for analysis. The study findings showed that; most firms had a Vision, a mission statement and set objectives which were either written or implied and these governed the day to day business operations of these firms. There were three categories of objectives i.e. sales objectives which aimed at making the firm to be the regional/leading distributor of pharmaceutical products, brand objectives aimed at maintaining the quality of the product and also production of other new products
of different molecules and those aimed at the growth of the firm like market expansion and segmentation to other regions or countries and the acquisition of more/new agencies. Most firms had strategies for operation which included growth, diversification and defensive strategies. The strategic planning process in most companies was characterized by having clearly assigned responsibility for planning, timetables for preparation of plans, formal and informal planning processes and also the existence of a planning department in the firm. However strategic management systems were noted to vary widely among companies.

Yaacob (2003) studied level of strategic management practices of small businesses in Dungun, Terengganu. Then, it investigated relationship of those practices with financial performances of the businesses. Eight categories of strategic management practices namely; marketing, human resources management, finance, cost leadership, differentiation, planning and control, environmental analysis and technology were investigated. Levels of strategic management practices were determined by their mean scores of strategic practices based on 25 items on 1 to 7 Likert scale. The higher mean scores the more practise the strategies. In the meanwhile, four financial performance indicators were; sales growth, net profit, returns on investment and overall performance over the past three years. Research questionnaire was piloted on 20 small entrepreneurs. With slight modification of the contents of the questionnaire, 110 small businesses across industries were approached, of these 80 participated in the research. Across businesses, the four strategic management practices were largely exercised by those businesses were differentiation, marketing, environmental analysis and cost leadership strategy. In the
meanwhile results of the study showed positive significant relationship between those practices with most of the financial performance indicators. When a comparison was made between strategies that were given more priority and their contribution to small business financial performance, results showed in general small businesses paid particular attention toward strategies that contributed them financially.

2.4 Factors Influencing Strategic Management Practices

The success of a business in a company mostly depends on the match between its operating environment and the company and therefore, understanding the environment is important for every company. Viljoen (1996, p185) asserts that “one of the primary tasks of the strategist is the management of the interface between the organization and its external environment”. Several studies (eg. Lanyon and Abdalla 1997, John, Bruce and Fred 1982, Ronald 2003) also highlight the importance of environmental analysis for strategic planning. According to Johnson and Scholes (1999) environmental analysis is important for managers because of three reasons. First, managers face difficulties when trying to understand the environment because the environments consist of so many different influences. Secondly, is the uncertainty of the future that is being created by fast growing technological changes and the speed of global communication. Finally, managers are human beings that can make errors and therefore, the need to reduce the complexity of the environment by the use of environmental analysis methods.

Kendra (2004) defines “environmental scanning as internal communication of external information about issues that may potentially influence an organization’s decision
making process”. Thus, the entire environment can be divided into two major categories namely the external and the internal environments. Analysis of external environment helps organization to understand their external environment and Hitt, Ireland and Hoskisson (2005) note that when the firm’s understanding of the external environment is matched with knowledge about its internal environment it helps to form the company’s strategic intent, strategic mission and also to create strategies.

External environmental scanning is to identify and evaluate trends and events beyond the control of the organization (Fred 1997). It helps the organization to identify the opportunities and the threats that exist in the environment. Several research studies such as Maier, Rainer and Snyder (1997), Rivers, Fottler and Parker (2005), Haque, Khatibi and Karim (2006) recognize the importance of analyzing the external environmental factors that can affect the organization. Hitt et al (2005) identify the war on Iraq, the strength of separate economies at different times, and the emergence of new technologies as three major examples of external environmental factors that affect most of the companies in USA.

Hitt et al (2005) divide the external environment into three major categories namely the general, industry, and competitor environments. The general environment has a number of dimensions such as political/legal, technological, socio cultural, global, demographic which represent the broader society that can influence an industry and the firms within it. The industry environment is the set of factors that directly influence the organization and its competitive actions such as the threat of new entrants, the power of suppliers, the
threat of product substitutes, and the rivalry among the competitors. Competitor analysis is about the collecting and interpreting information about the company’s competitors. Hitt et al (2005) assert that the analysis of general environment focuses on the future, and the analysis of the industry environment focuses on the factors and conditions that influence the company’s profitability within its industry while analysis on competitor environment focuses on predicting the dynamics of competitor’s actions, responses and intentions.

Simons and Thompson (1998) referred to three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions. Organizational factors refer to organizational structure, organizational culture, structure of decision making board of directors, impact of upward influence, and employee involvement. Decision-specific factors can be explained as time, risk, complexity, and politics.

According to Porter (1979) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defense against the competitive force; and/or second, influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or third, anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.
Pamulu (2010) studied strategic management practices in the construction industry in Indonesia. The results of this study provided empirical evidence in support of the notion that a competitive advantage is achieved via the implementation of a dynamic capability framework as an important way for a construction enterprise to improve its organisational performance. The characteristics of asset-capability combinations were found to be significant determinants of the competitive advantage of the Indonesian construction enterprises, and that such advantage sequentially contributes to organisational performance.

Diwunma (2008) sought to determine the extent to which principals practice strategic management skills in students’ administration in secondary schools in Anambra State. All the two hundred and fifty-nine (259) secondary school principals of the six education zones of Anambra State were used for the study. Two research questions and one hypothesis guided the study. A questionnaire was used to collect the data. Mean and standard deviation scores were used in answering the research questions. From the findings of the study, it was concluded that secondary school principals are not strategic management oriented. In addition gender influences the responses of principals on the instrument. Based on the findings, it was recommended that the use of strategic management should be encouraged in the school organization by giving necessary support to the principals in form of organizing conferences, seminar and workshops for them. The successful utilization of this strategy depends on the ability of the school principals to adapt to change.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes the methods that were used in the collection of data pertinent in answering the research questions. It is divided into research design, study population, sample design, data collection, and data analysis methods.

3.2 Research Design
The study used a descriptive survey. This design is preferred to other research designs since it is the most commonly used form of survey design when data is to be collected at one point in time across many firms. During the surveys a group of respondents were asked a set of questions at one point in time.

This method was used because the researcher sought to collect data from a cross-section of banks at one point in time and describe the practice of strategic management as well as the factors that influence such practices in commercial banks in Kenya.

3.3 Population of the Study
The population of this study comprised of all the 43 licensed commercial banks in Kenya. These commercial banks in Kenya are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under.
Currently there are 43 licensed commercial banks (CBK, 2012). All the banks were surveyed hence a census survey.

3.4 Data Collection

Primary data was collected using a questionnaire. The respondents were heads of strategy in each of the 43 commercial banks in Kenya. The questionnaires were administered using email method to the bank General Managers. This method was considered appropriate because it is less time consuming and less costly too on the part of the researcher and it has been used by other scholars to administer questionnaires to respondent. Given that all the banks have email addresses, it was easier to email them the questionnaires. Late responders were called by phone to ensure that they responded within appropriate times. The questionnaires were checked for reliability using split half method.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. In order to fulfil objectives, a descriptive analysis was employed. Descriptive statistics such as means and standard deviation were used in this analysis to identify current strategic management practises among commercial banks in Kenya and factors that influence commercial banks choice on these strategies.
CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents the results of the study. The chapter is designed as follows: section 4.2 presents the data analysis process, section 4.3 presents the findings, while section 4.4 presents the discussion of findings.

4.2 Data Analysis
Questionnaires were distributed to all the 43 commercial banks. During data collection period, 33 commercial banks agreed to take part in the study. Therefore, the questionnaires were administered to 33 General Managers in 33 commercial banks. This gives a response rate of 77%.

The collected data from the 33 banks was then coded and entered into the SPSS version 20. The descriptive statistics especially mean and standard deviations were then used to perform the analysis. The results are presented and interpreted in tables in section 4.3 below.

4.3 Findings
4.3.1 Strategic Formulation Practices of Banks in Kenya
Table 1 shows the descriptive results in terms of mean scores and standard deviations on strategic formulation practices of banks in Kenya. The results are shown in terms of mean scores which range from 1-10 as was the Likert scale used in the questionnaire. Values
closer to 10 indicate higher agreements with the statement while lower values indicate little agreement with the statements.

Table 1: Strategic Formulation Practices among Commercial Banks in Kenya

<table>
<thead>
<tr>
<th>Vision Statement</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has your bank articulated a vision for the bank?</td>
<td>10.0</td>
<td>0.000</td>
</tr>
<tr>
<td>When was it last updated?</td>
<td>5.32</td>
<td>1.012</td>
</tr>
<tr>
<td>Is the vision statement relevant to the bank’s activities and mandate?</td>
<td>8.63</td>
<td>0.145</td>
</tr>
</tbody>
</table>

Mission Statement

| Has your bank developed a mission statement?                                    | 10.0  | 0.000|
| When was it last updated?                                                       | 5.48  | 0.415|
| Do you feel that your current mission statement is compatible with the activities being carried on by the bank? | 8.95  | 0.152|
| How would you rate participation in developing the mission statement by the employees? | 6.15  | 1.253|
| How would you rate participation in developing the mission statement by the managers? | 8.94  | 1.115|
| How would you rate participation in developing the mission statement by the board of directors? | 7.14  | 1.632|

Understanding Values

| Has your bank defined a set of value statements?                                 | 9.56  | 0.032|
| When were they last updated of discussed formally?                              | 4.25  | 1.260|
| How would you rate the understanding of the bank’s value statements by the employees? | 9.66  | 0.011|
| How would you rate the understanding of the bank’s value statements by the managers? | 9.47  | 0.214|
| How would you rate the understanding of the bank’s value statements by the board of directors? | 8.52  | 0.415|

SWOT

| Has your bank conducted a SWOT analysis?                                        | 10.0  | 0.000|
| How would you rate the competencies of your bank to conduct a SWOT analysis?     | 8.45  | 1.224|
| How would you rate the priority that your bank places on the SWOT analysis process? | 8.15  | 1.785|
| How would you rate the importance of the SWOT analysis process to the effective operation of your bank? | 8.81  | 1.286|
| Is a SWOT analysis employed when dealing with significant issues outside of strategic planning? | 6.41  | 2.145|

Understanding Issues that Influence the Bank

| How would you rate the understanding of issues that influence the bank by the employees? | 7.15  | 1.152|
| How would you rate the understanding of issues that influence the bank by the board of directors? | 8.56  |      |
| How would you rate the understanding of issues that influence the bank               | 9.12  | 0.045|
by the executive directors

How would you rate the understanding of issues that influence the bank by the managers

Relative to the decision making process, how would you rate your bank’s attention to issues that influence the bank?

**Establish Long-Term Objectives**

Has your bank established long term objectives?

How important is it to establish long-term objectives for your bank?

**Generate Strategies**

Rate your bank’s success/practice of generating strategies to deal with issues.

How important is it to generate strategies to deal with issues for your bank?

**Selecting Strategies to Pursue**

Does your bank select strategies to address issues that confront the bank?

Rate the importance of selecting strategic solutions to address issues that confront your bank.

<table>
<thead>
<tr>
<th>Source: Field Data (2012)</th>
</tr>
</thead>
</table>

The study found that all the banks surveyed had articulated vision statements. Most of the banks had also updated their vision statements in the last 5.3 years. Most of the respondents also agreed that the vision statements were relevant to the core activities and mandates of the banks as shown by the mean of 8.63.

The study also found that all the banks had developed mission statements as shown by the mean of 10. The mission statements were last updated in the last 5.48 years. The respondents agreed that the mission statements were compatible with the activities carried out by the banks as shown by the mean of 8.95. On the level of participation in the development of mission statements, it was noted that managers were the most involved (mean of 8.94) followed by the board of directors (mean of 7.14) and lastly the employees (mean of 6.15).
The results show that the respondents agreed that the banks had defined set of value statements as shown by the mean of 9.56. These value statements were last updated in the last 4.25 years. The respondents were of the opinion that the employees understood the bank value statements better (mean of 9.66) followed by the managers (mean of 9.47) and finally the board of directors (mean of 8.52).

The study found that all the banks surveyed conducted SWOT analysis as shown by the mean of 10. The results show that most of the respondents regarded their banks as being very competent in conducting SWOT analysis as shown by the mean of 8.45. The respondents also agreed that banks placed a higher priority on the SWOT analysis process as shown by the mean of 8.15. Further, the results reveal that the SWOT analysis process was important in effective operation of the banks as shown by the mean of 8.81. The respondents also noted that SWOT analysis was sometimes used when dealing with significant issues outside of strategic planning as can be deduced from the mean of 6.41.

The study found that on understanding the issues that influence banks, the executive directors were rated as having the highest understanding (mean of 9.12) followed by the managers (mean of 9.04) then the board of directors (mean of 8.56) and finally the employees (mean of 7.15). The study also found that the banks had a higher attention to issues that influence them as shown by the mean of 7.12.
The study found that all the banks had established long-term objectives as shown by the mean of 10. The study also found that it was very important for banks to establish long-term objectives as shown by the mean of 9.47.

The study found that most of the banks were successful in generating strategies to deal with the issues that affect the banks as shown by the mean of 7.14. It was also noted that it was very important for the banks to generate strategies that deal with issues.

The study found that most of the banks selected strategies to address issues that confront the banks as shown by the mean of 8.94. The study further found that the banks considered selecting strategies to address issues that confront the bank as important as shown by the mean score of 7.65.

4.3.2 Strategic Implementation Practices in Banks in Kenya
Table 2 shows the results on the strategy implementation practices of commercial banks in Kenya. The results are shown in terms of mean scores which range from 1-10 as was the Likert scale used in the questionnaire. Values closer to 10 indicate higher agreements with the statement while lower values indicate little agreement with the statements.

Table 2: Strategy Implementation Practices in Commercial Banks in Kenya

<table>
<thead>
<tr>
<th>Policy Support</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your bank maintain a policy manual?</td>
<td>10.0</td>
<td>0.000</td>
</tr>
<tr>
<td>Are bank policies updated on a regular basis?</td>
<td>5.82</td>
<td>2.453</td>
</tr>
<tr>
<td>Rate the relevance of your bank’s policies to current bank activities?</td>
<td>7.41</td>
<td>2.164</td>
</tr>
<tr>
<td>Rate the understanding and support to formal policy development and implementation by the employees</td>
<td>3.14</td>
<td>1.152</td>
</tr>
<tr>
<td>Rate the understanding and support to formal policy development and</td>
<td>5.10</td>
<td>2.145</td>
</tr>
</tbody>
</table>
implementation by the board of directors
Rate the understanding and support to formal policy development and implementation by the executive director 6.45 2.154

Financial Capacity
Rate your bank’s financial capacity to implement strategies. 8.12 0.141
Rate the commitment to providing financial resources to support the implementation of strategic initiatives by the board of directors 7.69 0.331

Motivation and Ownership
Rate the motivation to maintain and support the implementation of strategic initiatives by the board of directors 6.31 1.451
Rate the motivation to maintain and support the implementation of strategic initiatives by the staff 7.12 2.115
Rate the “ownership” taken to the implementation of strategic initiatives by the staff 4.62 1.745
Rate the “ownership” taken to the implementation of strategic initiatives by the board of directors 5.41 2.312
Rate the “ownership” taken to the implementation of strategic initiatives by the executive directors 6.33 2.201

Board Support
Rate your board’s commitment and support to the implementation of strategic initiatives. 8.71 1.951
Rate the performance of your Board as it relates to the delivery of support to strategic initiatives 8.94 1.012

Organisational Structure
Rate how appropriate the current structure of your bank is to support the implementation of strategic initiatives. 6.95 2.115
Rate the effectiveness of your current governance model as it relates to the implementation of strategic initiatives. 6.02 1.045

Open to Change
Rate your bank’s readiness for organizational change. 7.44 1.302
Rate the willingness to accept and implement change by the staff 6.12 1.331
Rate the willingness to accept and implement change by the board 7.66 1.512
Rate the willingness to accept and implement change by the executive directors 8.46 1.452

Human Resources
Rate the human resource capability to manage and implement a change process or new strategic direction by the board of directors 7.41 1.365
Rate the competencies of your bank staff to plan, manage and implement strategic initiatives 7.12 2.144

Source: Field Data (2012)

The study found that all the banks maintained policy manuals as shown by the mean of 10. It was also found that banks updated last their policies 5.82 years ago. The results
also show that the respondents found the bank policies to their activities as relevant as shown by the mean of 7.41. The study also found that in terms of understanding and support to formal policy development and implementation, the ones that ranked highest were the executive directors (mean of 6.45) then the board of directors (mean of 5.10) and finally the employees (mean of 3.14).

The study found that most of the banks had the financial capacity to implement strategies as indicated by the mean of 8.12. The results also showed that there was a high commitment by the board of directors of various commercial banks to provide financial resources to support the implementation of strategic initiatives.

The study found that the board and the staff were highly motivated to maintain and support the implementation of strategic initiatives (mean of 6.31 and 7.12 respectively). On the ownership to implement strategic initiatives, executive directors were rated high (6.33) followed by the board (5.41) and finally the staff (4.62).

The study found that the board in most banks was highly committed in implementing strategic initiatives (8.71). Further, the board performed well in terms of delivery of support to implementation of strategic initiatives.

The study found that the current structure of banks was moderately appropriate (6.95) to support the implementation of strategic initiatives. The study also found that the current
governance model in banks was moderately effective (6.02) in implementing strategic initiatives.

The study found that most of the banks prepared for organisational change (7.44). The study also found that executive directors were most willing to accept and implement change (8.46) followed by the board (7.66), and lastly the staff (6.12).

### 4.3.3 Strategic Evaluation Practices in Banks in Kenya

Table 3 shows the results on the strategy evaluation practices of commercial banks in Kenya. The results are shown in terms of mean scores which range from 1-10 as was the Likert scale used in the questionnaire. Values closer to 10 indicate higher agreements with the statement while lower values indicate little agreement with the statements.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate your bank’s current practices as they relate to the ongoing assessment of strategic initiatives</td>
<td>7.65</td>
<td>1.258</td>
</tr>
<tr>
<td>Rate your bank’s performance in communicating assessment results to the board</td>
<td>8.12</td>
<td>1.114</td>
</tr>
<tr>
<td>Rate your bank’s performance in communicating assessment results to the auditors/public/others</td>
<td>7.41</td>
<td>1.036</td>
</tr>
<tr>
<td>Rate your bank’s performance in communicating assessment results to the shareholders</td>
<td>8.25</td>
<td>1.215</td>
</tr>
<tr>
<td><strong>Measure Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has your bank developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives?</td>
<td>9.45</td>
<td>0.142</td>
</tr>
<tr>
<td>Rate your bank’s ongoing evaluation practices as it relates to strategic initiatives</td>
<td>7.45</td>
<td>1.489</td>
</tr>
<tr>
<td><strong>Identify Where Corrective Actions is Necessary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate your bank’s success at identifying corrective action when strategic initiatives are failing or could be improved</td>
<td>6.48</td>
<td>2.456</td>
</tr>
<tr>
<td>Rate your bank’s response time, after they acknowledge that a strategic initiative is failing</td>
<td>7.45</td>
<td>1.012</td>
</tr>
</tbody>
</table>
Assess Impact of Change/Participation
Rate your bank’s effectiveness at evaluating the impact of changes subsequent to initial strategy formulation. 6.12 1.415
Rate the level of participation in strategy evaluation by the board 4.01 1.45
Rate the level of participation in strategy evaluation by the management 7.05 2.145
Rate the level of participation in strategy evaluation by the executive director 8.14 1.471

Moving Beyond Evaluation
Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the board 6.14 2.141
Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the management 7.01 1.021
Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the executive director 7.68 1.102
Rate the relevance and suitability of the strategic management model to your bank 7.64 1.981
Rate the commitment to Strategic Management as the model of choice for your bank by the board 6.48 2.912
Rate the commitment to Strategic Management as the model of choice for your bank by the management 8.74 1.562

Source: Field Data (2012)

The study found that most of the banks’ human resources were capable of managing and implementing change process (7.41). It was also revealed that most of the bank staff was competent in planning, managing, and implementing strategic initiatives (7.12).

The study found that the respondents highly rated their banks practices on assessment of strategic initiatives (7.65). The banks’ performance in communicating assessment results to the board was ranked very high (8.12) followed by communication to the shareholders (8.25) and finally to the auditors/public/others (7.41).

The study found that the banks were moderately successful at identifying corrective action when strategic initiatives are failing or could be improved (mean = 6.48). The
response time after acknowledging that a strategic initiative is failing was also high (mean = 7.45).

The banks were also moderately effective at evaluating the impact of changes subsequent to initial strategy formulation (mean = 6.12). The level of participation in strategy evaluation was highest for the executive directors (mean = 8.14) followed by the management (mean = 7.05) and lowest for the board (mean = 4.01).

The study found that the level of attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies was highest for the executive directors (mean = 7.68) followed by the management (mean = 7.01) and lowest for the board (mean = 6.14).

The study found that most of the banks considered the strategic management model relevant and suitable (mean = 7.64). The respondents considered their boards were moderately committed to strategic management as the model of choice while the management of banks were highly committed to the models.

4.3.4 Factors Influencing Strategic Management Practices in Banks
Table 4 shows the results on the factors that influence strategic management practice in commercial banks in Kenya. The results are shown using mean scores and standard deviation.
Table 4: Factors Influencing Strategic Management Practice

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological environment</td>
<td>4.68</td>
<td>0.47</td>
</tr>
<tr>
<td>Economic environment</td>
<td>4.48</td>
<td>0.64</td>
</tr>
<tr>
<td>Global environment</td>
<td>4.29</td>
<td>0.45</td>
</tr>
<tr>
<td>Political and legal environment</td>
<td>4.12</td>
<td>0.02</td>
</tr>
<tr>
<td>Our bank structure</td>
<td>4.11</td>
<td>0.45</td>
</tr>
<tr>
<td>Bank resources</td>
<td>4.10</td>
<td>0.75</td>
</tr>
<tr>
<td>Socio-cultural environment</td>
<td>4.01</td>
<td>0.58</td>
</tr>
<tr>
<td>Our bank culture</td>
<td>3.67</td>
<td>0.89</td>
</tr>
<tr>
<td>Rivalry among banks</td>
<td>3.64</td>
<td>0.65</td>
</tr>
<tr>
<td>Competition in the industry</td>
<td>3.36</td>
<td>0.97</td>
</tr>
<tr>
<td>Stakeholder expectations</td>
<td>3.32</td>
<td>0.15</td>
</tr>
<tr>
<td>Demography</td>
<td>3.25</td>
<td>0.14</td>
</tr>
<tr>
<td>Entry new banks in the market</td>
<td>3.11</td>
<td>0.06</td>
</tr>
<tr>
<td>The bank’s management style</td>
<td>3.05</td>
<td>0.47</td>
</tr>
<tr>
<td>Bargaining power of customers</td>
<td>2.98</td>
<td>1.01</td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>2.74</td>
<td>0.07</td>
</tr>
<tr>
<td>Our bank ownership</td>
<td>2.49</td>
<td>0.04</td>
</tr>
<tr>
<td>Our bank size</td>
<td>2.14</td>
<td>0.63</td>
</tr>
<tr>
<td>Threat of substitute products in the market</td>
<td>2.01</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The factors are arranged from the most significant to the least significant as shown by the descending mean scores. Higher mean scores (closer to 5) indicate that most of the respondents agreed to a larger extent that the factor influenced strategic management while lower mean scores indicate that the respondents agreed to a very little extent of the effect of the factors on strategic management practice.

The most significant factors that were found to influence strategic management practices were technological environment (4.68), economic environment (4.48), global environment (4.29), political and legal environment (4.12), bank structure (4.11), bank resources (4.10), and socio-cultural environment (4.01). The least significant factors were threat to substitutes (2.01) and bank size (2.14).
4.4 Discussion of Findings

This study intended to determine the practice of strategic management of commercial banks in Kenya and also to assess the factors that influence strategic management practices of commercial banks in Kenya. The results show that there was more emphasis on strategy formulation that implementation and evaluation. This is consistent with literature since surveys have generally documented that firms give more time to strategy formulation than on strategy implementation and evaluation.

Just like Abu-Bakar et al (2011) in Malaysia found out, the present study confirms that most of the firms practicing strategic management had a clear objective, a winning strategy to achieve the objective and a sound mission statement to guide the organization towards success. The results are also consistent with the findings of Ogolla (2007) who noted that most firms had a vision, a mission statement and set objectives which were either written or implied and these governed the day to day business operations of these firms.

The study also noted that a number of factors influenced the practice of strategic management in commercial banks in Kenya. These factors include technological environment, economic environment, global environment, political & legal environment, bank structure, bank resources, and socio-cultural environment.

These results are consistent with the findings of several scholars such as Simons and Thompson (1998) who noted that there were three categories of factors that affected
strategic decision-making process: environmental factors; organizational factors; and
decision-specific factors. Just like in this study, environmental factors were technological
environment, economic environment, global environment, political & legal environment,
and socio-cultural environment. The organisational factors were bank structure and bank
resources. The decision-specific factors were not tested in this study.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study in section 5.2, conclusion in 5.3, recommendations in 5.4, limitations of the study in 5.5, and suggestions for further research in 5.6.

5.2 Summary of Findings

This study sought to achieve two objectives: to identify the current strategic management practices; and to identify factors that influence the banks strategic management practices in Kenya. This was a descriptive study. The population was 43 banks and the response was from 33 banks giving a response rate of 77%. Primary data was collected in the study using questionnaires administered to general managers using email and drop and pick later methods. Data was analysed using descriptive analysis, correlation analysis, and regression analysis.

The study found that strategy formulation had a mean of 8.26 followed by strategy evaluation with a mean of 7.29 and finally strategy implementation with a mean of 6.88. These results suggest that banks focused more on strategy formulation and evaluation than they did on implementation. The focus on formulation more than any other process is consistent with previous surveys.
The most significant factors that were found to influence strategic management practices were technological environment (4.68), economic environment (4.48), global environment (4.29), political and legal environment (4.12), bank structure (4.11), bank resources (4.10), and socio-cultural environment (4.01). The least significant factors were threat to substitutes (2.01) and bank size (2.14). These results are consistent with literature which suggests that strategic management practices are generally influenced by environmental factors and firm-specific factors.

5.3 Conclusion
The study concludes that the level of strategic management practice in commercial banks in Kenya was very high. It is also concluded that banks focus more on strategy formulation and evaluation than they do on strategy implementation. This is consistent with literature since surveys have generally documented that firms give more time to strategy formulation than on strategy implementation and evaluation.

Further, the strategic management in commercial banks was highly influenced by both internal factors and external factors. More specifically, the practices were influenced more by environmental factors and then by the organisation factors specifically bank resources and bank structure. This is consistent with literature.

5.4 Recommendations for Policy and Practice
The study recommends that there is need for firms to stress on strategy implementation as much as they do on evaluation and formulation. This is because the implementation aspect scored lower than the other two processes. Thus in order for banks to be
successful, there is need for more focus on the implementation of the formulated strategies.

As much as strategy evaluation scored substantially higher among banks, the levels are still low and there is therefore need for commercial banks in Kenya to evaluate their implementation progress in order to gauge their achievements based on the intended outcomes as well as change the course should the pace of implementation be slow or the intended outcomes fail to be achieved.

Banks need to adopt strategic management models that fit their overall objectives. In so doing, they need to incorporate the internal factors and external factors through SWOT analysis as well as other tools to evaluate environmental challenges. Such models should be adopted to aid in better scanning of external environment of commercial banks in Kenya.

There is also need for commercial banks in Kenya to focus on the environmental factor such as technological environment, economic environment, global environment, and political & legal environment, and socio-cultural environment as these affect the practice of strategic management in banks in Kenya.

Further, commercial banks in Kenya should also focus on the organisational factors and more specifically on bank structure and bank resources in order to achieve better results
as far as strategic management is concerned. Organisational factors were found to be significant influencers of the practice in commercial banks.

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

The study also focused solely on strategic management practices and the factors that influence them. Thus the scope of the study was limited to the strategic management practices in commercial banks and not any other concept. The results are therefore limited to these concepts.

The study also used survey method to carry out the study. Surveys are usually biased as the method of data collection relied upon was structured questionnaires which were administered to the respondents using drop and pick later method. This therefore suffers from bias of responses from the respondents.

5.6 Suggestions for Further Research
This study can be replicated to other firms or industries in order to establish more factors that influence the practice of strategic management in organisations. The study could be replicated to other financial sector firms such as the microfinance institutions or the insurance firms in order to find out whether the practices are the same and whether they
are influenced by the same factors. The inclusion of other firms together with firms from other industries should show the industry effects on the practice of strategic management.

The study also suggests that a study on the influence of strategic management on firms’ performance, especially of commercial banks be carried out. This will be an important pointer on whether strategic management is useful in commercial banks or not.

Lastly, the study suggests that a combination of methods be used to carry out this study as the survey method relied upon here may not produce results robust enough to be relied on in the industry. The use of in-depth interviews together with surveys may help tackle the problem.
REFERENCES


## APPENDICES

### Appendix A: Research Questionnaire

### STRATEGIC MANAGEMENT PRACTICES QUESTIONNAIRE

#### Section 1: Factors Affecting Strategic Management Practices

To what extent do these factors influence strategic management practice in your organisation?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Average extent</th>
<th>Low extent</th>
<th>Very low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and legal environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demography</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Socio-cultural environment</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Economic environment</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry new banks in the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threat of substitute products in the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bargaining power of customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rivalry among banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition in the industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our bank structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our bank culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our bank ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our bank size</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank’s management style</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder expectations</td>
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<td>Bank resources</td>
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<tr>
<td>Other: Specify</td>
<td></td>
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</tr>
</tbody>
</table>

#### Section 2: Strategic Management Practices

3.1 **Strategy Formulation**

3.1.1 *Vision Statement*
Has your bank articulated a vision for the bank?  
(10 -if YES  1 -if NO)  
1 2 3 4 5 6 7 8 9 10

When was it last updated? (10 -if in the last year,  
9 -if in the last 2 years, etc.)  
1 2 3 4 5 6 7 8 9 10

Is the vision statement relevant to the bank’s  
activities and mandate? (10 -for very relevant  
1 -not relevant at all)  
1 2 3 4 5 6 7 8 9 10

3.1.2 Mission Statement

Has your bank developed a mission statement?  
(10 -if YES  1 -if NO)  
1 2 3 4 5 6 7 8 9 10

When was it last updated? (10 -if in the last year,  
9 -if in the last 2 years, etc.)  
1 2 3 4 5 6 7 8 9 10

Do you feel that your current mission statement  
is compatible with the activities being carried on  
by the bank? (10 -if YES  1 -if NO)  
1 2 3 4 5 6 7 8 9 10

How would you rate participation in developing  
the mission statement by the:  
(10 -very involved  1 -not involved at all)

Employees  
1 2 3 4 5 6 7 8 9 10

Managers  
1 2 3 4 5 6 7 8 9 10

Board of Directors  
1 2 3 4 5 6 7 8 9 10

3.1.3 Understanding Values
Has your bank defined a set of value statements? (10 -if YES  1 -if NO)  
1 2 3 4 5 6 7 8 9 10

When were they last updated or discussed formally? (10 -if in the last year, 9 -if in the last 2 years, etc.)  
1 2 3 4 5 6 7 8 9 10

How would you rate the understanding of the bank’s value statements (or values if formal statements have not been developed) by the:

Employees 1 2 3 4 5 6 7 8 9 10
Managers 1 2 3 4 5 6 7 8 9 10
Board of Directors 1 2 3 4 5 6 7 8 9 10

3.1.4 Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT)

Has your bank conducted a SWOT analysis? (10 -if YES  1 -if NO)  
1 2 3 4 5 6 7 8 9 10

How would you rate the competencies of your bank to conduct a SWOT analysis?  
1 2 3 4 5 6 7 8 9 10

How would you rate the priority that your bank places on the SWOT analysis process?  
1 2 3 4 5 6 7 8 9 10

How would you rate the importance of the SWOT analysis process to the effective operation of your bank?  
1 2 3 4 5 6 7 8 9 10
Is a SWOT analysis employed when dealing with significant issues outside of strategic planning? (Score 10 for regularly - 1 for never) 1 2 3 4 5 6 7 8 9 10

3.1.5 Understanding Issues that Influence the Bank

How would you rate the understanding of issues that influence the bank by the:

Employees 1 2 3 4 5 6 7 8 9 10
Board of Directors 1 2 3 4 5 6 7 8 9 10
Executive Director 1 2 3 4 5 6 7 8 9 10
Managers 1 2 3 4 5 6 7 8 9 10

Relative to the decision making process, how would you rate your bank’s attention to issues that influence the bank? 1 2 3 4 5 6 7 8 9 10

3.1.6 Establish Long Term Objectives

Has your bank established long term objectives? (10 -if YES 1 -if NO) 1 2 3 4 5 6 7 8 9 10

How important is it to establish long-term objectives for your bank? (10 -very important 1 -not important at all) 1 2 3 4 5 6 7 8 9 10

3.1.7 Generate Strategies

Rate your bank’s success/practice of generating strategies to deal with issues. 1 2 3 4 5 6 7 8 9 10
How important is it to generate strategies to deal with issues for your bank? (10 -very important 1 -not important at all)  

3.1.8 Selecting Strategies to Pursue

Does your bank select strategies to address issues that confront the bank? (10 -if YES 1 -if NO)  

Rate the importance of selecting strategic solutions to address issues that confront your bank. (10 -very important 1 -not important at all)  

3.2 Strategy Implementation  
3.2.1 Policy Support

Does your bank maintain a policy manual?  (10 -if YES 1 -if NO)  

Are bank policies updated on a regular basis?  (10 -if in the last year, 9 -if in the last 2 years, etc.)  

Rate the relevance of your bank’s policies to current bank activities? (10 -very relevant 1 -not relevant at all)  

Rate the understanding and support to formal policy development and implementation by the:
3.2.2 Financial Capacity

Rate your bank’s financial capacity to implement strategies.  
1 2 3 4 5 6 7 8 9 10

Rate the commitment to providing financial resources to support the implementation of strategic initiatives. (10 -very committed 1 -not committed at all) by the:

Board of Directors 1 2 3 4 5 6 7 8 9 10

3.2.3 Motivation and Ownership

Rate the motivation to maintain and support the implementation of strategic initiatives by the:

Board of Directors 1 2 3 4 5 6 7 8 9 10
Staff 1 2 3 4 5 6 7 8 9 10

Rate the “ownership” taken to the implement strategic initiatives by the:

Staff 1 2 3 4 5 6 7 8 9 10
Board of Directors 1 2 3 4 5 6 7 8 9 10
Executive Director 1 2 3 4 5 6 7 8 9 10
3.2.4 Board Support

Rate your board’s commitment and support to the implementation of strategic initiatives. 1 2 3 4 5 6 7 8 9 10

Rate the performance of your Board as it relates to the delivery of support to strategic initiatives. (as opposed to “talking the talk”) 1 2 3 4 5 6 7 8 9 10

3.2.5 Organizational Structure

Rate how appropriate the current structure of your bank is to support the implementation of strategic initiatives. (10 -very appropriate 1 -not appropriate at all) 1 2 3 4 5 6 7 8 9 10

Rate the effectiveness of your current governance model as it relates to the implementation of strategic initiatives. (10 -very effective model 1 -not effective at all) 1 2 3 4 5 6 7 8 9 10

3.2.6 Open to Change

Rate your bank’s readiness for organizational change. (10 -very prepared 1 -not prepared at all) 1 2 3 4 5 6 7 8 9 10

Rate the willingness to accept and implement change (10 -very open 1 -not open at all) by the:

Staff 1 2 3 4 5 6 7 8 9 10
3.2.7 Human Resources

Rate the human resource capability to manage and implement a change process or new strategic direction by the:
Board of Directors 1 2 3 4 5 6 7 8 9 10
Executive Director 1 2 3 4 5 6 7 8 9 10

Rate the competencies of your bank staff to plan, manage and implement strategic initiatives. 1 2 3 4 5 6 7 8 9 10

3.3 Strategy Evaluation

3.3.1 Assessment

Rate your bank’s current practices as they relate to the ongoing assessment of strategic initiatives. 1 2 3 4 5 6 7 8 9 10

Rate your bank’s performance in communicating assessment results to the:
Membership 1 2 3 4 5 6 7 8 9 10
Board of Directors 1 2 3 4 5 6 7 8 9 10
Auditors/Public/Others 1 2 3 4 5 6 7 8 9 10

3.3.2 Measure Performance

Has your bank developed a set of key performance indicators or some other form of accountability to track the success of strategic
initiatives? (10 -for defined key performance indicators 1 -no indictors defined) 1 2 3 4 5 6 7 8 9 10

Rate your bank’s ongoing evaluation practices as it relates to strategic initiatives. (10 -doing a great job on a regular basis 1 -no evaluation occurs) 1 2 3 4 5 6 7 8 9 10

3.3.3 Identify Where Corrective Action is Necessary

Rate your bank’s success at identifying corrective action when strategic initiatives are failing or could be improved. 1 2 3 4 5 6 7 8 9 10

Rate your bank’s response time, after they acknowledge that a strategic initiative is failing. 1 2 3 4 5 6 7 8 9 10

3.3.4 Assess Impact of Change/Participation

Rate your bank’s effectiveness at evaluating the impact of changes subsequent to initial strategy formulation. 1 2 3 4 5 6 7 8 9 10

Rate the level of participation in strategy evaluation (10 -very involved 1 -not involved at all) by the:

Board of Directors 1 2 3 4 5 6 7 8 9 10
Executive Committee 1 2 3 4 5 6 7 8 9 10
Executive Director 1 2 3 4 5 6 7 8 9 10
Management Staff 1 2 3 4 5 6 7 8 9 10
3.3.5 Moving Beyond Evaluation

Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies by the:

Board of Directors
1 2 3 4 5 6 7 8 9 10
Executive Committee
1 2 3 4 5 6 7 8 9 10
Executive Director
1 2 3 4 5 6 7 8 9 10
Management Staff
1 2 3 4 5 6 7 8 9 10

Rate the relevance and suitability of the strategic management model to your bank.
1 2 3 4 5 6 7 8 9 10

Rate the commitment to Strategic Management as the model of choice for your bank by the:

Board of Directors
1 2 3 4 5 6 7 8 9 10
Executive Committee
1 2 3 4 5 6 7 8 9 10
Executive Director
1 2 3 4 5 6 7 8 9 10
Management Staff
1 2 3 4 5 6 7 8 9 10

Thank you for taking part in the survey.
## Appendix B: List of Commercial Banks

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>African Banking Corporation Ltd</td>
</tr>
<tr>
<td>2.</td>
<td>Bank of Africa Kenya Ltd.</td>
</tr>
<tr>
<td>3.</td>
<td>Bank of Baroda (K) Ltd.</td>
</tr>
<tr>
<td>4.</td>
<td>Bank of India</td>
</tr>
<tr>
<td>5.</td>
<td>Barclays Bank of Kenya Ltd.</td>
</tr>
<tr>
<td>6.</td>
<td>CFC Stanbic Bank Ltd.</td>
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<tr>
<td>7.</td>
<td>Charterhouse Bank Ltd</td>
</tr>
<tr>
<td>8.</td>
<td>Chase Bank (K) Ltd.</td>
</tr>
<tr>
<td>9.</td>
<td>Citibank N.A Kenya</td>
</tr>
<tr>
<td>10.</td>
<td>Commercial Bank of Africa Ltd.</td>
</tr>
<tr>
<td>11.</td>
<td>Consolidated Bank of Kenya Ltd.</td>
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<tr>
<td>13.</td>
<td>Credit Bank Ltd</td>
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<tr>
<td>15.</td>
<td>Diamond Trust Bank Kenya Ltd.</td>
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<tr>
<td>16.</td>
<td>Dubai Bank Kenya Ltd.</td>
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<tr>
<td>17.</td>
<td>Ecobank Kenya Ltd</td>
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<tr>
<td>18.</td>
<td>Equatorial Commercial Bank Ltd.</td>
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<tr>
<td>19.</td>
<td>Equity Bank Ltd</td>
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<tr>
<td>20.</td>
<td>Family Bank Limited</td>
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<tr>
<td>21.</td>
<td>Fidelity Commercial Bank Ltd</td>
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<td>22.</td>
<td>Fina Bank Ltd</td>
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<td>23.</td>
<td>First community Bank Limited</td>
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<td>24.</td>
<td>Giro Commercial Bank Ltd.</td>
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<tr>
<td>25.</td>
<td>Guardian Bank Ltd</td>
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<tr>
<td>27.</td>
<td>Habib Bank A.G Zurich</td>
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<tr>
<td>28.</td>
<td>Habib Bank Ltd</td>
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<td>29.</td>
<td>Imperial Bank Ltd</td>
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<tr>
<td>30.</td>
<td>I and M Bank Ltd</td>
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<tr>
<td>32.</td>
<td>Kenya Commercial Bank Ltd</td>
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<tr>
<td>33.</td>
<td>K-Rep Bank Ltd</td>
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<tr>
<td>34.</td>
<td>Middle East Bank (K) Ltd</td>
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<td>35.</td>
<td>National Bank of Kenya Ltd</td>
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<td>36.</td>
<td>NIC Bank Ltd</td>
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<td>37.</td>
<td>Oriental Commercial Bank Ltd</td>
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<td>38.</td>
<td>Paramount Universal Bank Ltd</td>
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<td>39.</td>
<td>Prime Bank Ltd</td>
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<td>40.</td>
<td>Standard Chartered Bank Kenya Ltd</td>
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<td>41.</td>
<td>Trans-National Bank Ltd</td>
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<td>42.</td>
<td>UBA Kenya Bank Limited</td>
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<tr>
<td>43.</td>
<td>Victoria Commercial Bank Ltd</td>
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</tbody>
</table>

Source: Central Bank of Kenya website, 2012