THE ROLE OF ORGANIZATIONAL CULTURE IN THE RELATIONSHIP BETWEEN STRATEGY AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

JOHN KIPTUI
D61/9109/05
A Research project submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration, School of Business, University of Nairobi.

2009.

DECLARATION

This management research project is my original work and has not been submitted for a degree in any other university

Signed:                      Date:

This management research project has been submitted with my approval as the university supervisor

Signed:                      Date:
Prof. Peter K`Obonyo
Lecturer, Department of Business Administration
DEDICATION

This project is dedicated first and foremost to the almighty God whose care and blessings I cherish. Secondly, to my parents, brothers and sisters who might have needed my presents on several occasions but I could not avail myself. Thank you all for your support and guidance. God bless you always.
I sincerely thank my supervisor, Prof. Peter K `Obonyo, under whose able guidance throughout the entire course of writing this research paper helped me in researching thoroughly and developed in me an interest on research. Many thanks professor and May God bless you abundantly.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CONTENT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaration</td>
<td>ii</td>
</tr>
<tr>
<td>Dedication</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>iv</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>v</td>
</tr>
<tr>
<td>List of Tables</td>
<td>vi</td>
</tr>
<tr>
<td>Abstract</td>
<td>vii</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 The concept of strategy
1.1.2 Organizational culture
1.1.3 Organizational performance .................................................................4
1.1.4 Link between strategy, culture and performance ..............................5
1.1.5 The Kenyan financial sector .................................................................6

1.2 Statement of the Research Problem ..........................................................7

1.3 Objectives of the Study ...........................................................................9

1.4 Significance of the Study ........................................................................9

CHAPTER TWO: LITERATURE REVIEW ..................................................10

2.1 Organizational strategy .........................................................................10
2.2 Organizational culture ..........................................................................14
2.3 Organizational performance .................................................................19
2.4 Corporate strategy, culture and performance ..........................................23

CHAPTER THREE: RESEARCH METHODOLOGY ...............................28

3.1 Research design ......................................................................................28
3.2 Population ..............................................................................................28
3.3 Data collection ........................................................................................28
3.4 Data analysis ..........................................................................................29

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION .......30

4.1 Introduction ............................................................................................30
4.2 Overview of bank profiles ......................................................................30
4.2.1 Years of Operation ............................................................................30
4.2.2 Distribution of banks by size .................................................................31
4.2.3 Ownership ........................................................................................31
4.3 Culture Types ........................................................................................32
4.4 Strategy Types ......................................................................................34
4.5 Performance ...........................................................................................36
4.6 Culture, Strategy Types and Performance ..............................................36
4.6.1 Correlation Analysis ..........................................................................36
4.6.2 Strategy- Culture Types Interactions and their effect on performance ....39

CHAPTER FIVE: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS ..........42
5.1 Introduction ...........................................................................................................42
5.2 Conclusions ..........................................................................................................42
5.3 Limitations and Recommendations ......................................................................43

REFERENCES .............................................................................................................45

APPENDICES

1: Questionnaire ........................................................................................................51
2: List of respondent banks ..........................................................................................64

LIST OF TABLES

Table 1.1: Number of Years the Banks have been in Operation.................................30
Table 1.2: Bank Size ....................................................................................................31
Table 1.3: Ownership ..................................................................................................31
Table 1.4: Culture Types .............................................................................................32
Table 1.5: Culture Types .............................................................................................32
Table 1.6: Dominant Cultures ......................................................................................33
Table 1.7: Strategy Types Analysis schedule ...............................................................34
Table 1.8: Strategy Types ..........................................................................................34
Table 1.9: Strategy Types Frequencies ........................................................................35
Table 2.0: Return on Investment ................................................................................36
Table 2.1: Culture, Strategy Types, Performance, and Performance Ranking ..........36
ABSTRACT

This management research project examines the relationship, if any, between culture, strategy and the performance of banks. Existing studies show that most organizations appreciate the importance of strategy to achieve business success. However, they often disregard the role of culture with regards to strategy, yet the two factors are critical for the success of an organization. The researcher noted that in order to study these two factors and performance, the ideal population will be all the commercial banks operating in Kenya and Return on investment will be the measure of performance.

The researcher had three objectives, first, to establish the relationship between culture and performance. Secondly, the relationship between strategy and performance; and
finally, establish the effect of culture on relationship between strategy and performance on Kenyan commercial banks.

The researcher carried out a survey of all the 44 banks operating in Kenya. Likert scale questionnaires with questions framed on the basis of pre-designed operational definitions of the Schneider’s four culture types, namely, control, collaboration, cultivation and competence; and Miles and Snow’s strategy types of defender, prospector, analyzer and reactor, were designed, and used, in collecting primary data from the bank managers responsible for culture and strategy. This was aimed at collecting relevant data. Secondary data on bank performance were collected. The returns on investment were used to rank the banks from number one to thirty one as these was the total number of banks responded. The primary data was analyzed using correlation analysis and tabular analysis to test the relationship between culture, strategy and performance.

The first objective of the study was established as the researcher found that control, cultivation and competence cultures are positively correlated to performance. Secondly, the researcher established that analyzer, defender and prospector strategies are positively correlated to performance. The third objective was also established since the researcher found that banks tend to perform better when they adopt prospector strategy with cultivation culture. However, it was noted that even though strategy and culture play a significant role in influencing performance, some other factors exist too in the banking industry.
CHAPTER ONE

INTRODUCTION

1.1 Background
Companies have been forced by dynamic and intense competitive pressures to re-evaluate almost every aspect of their approach to conducting business (Stanley et al., 1996). These re-evaluations have in turn led to the implementation of dramatic strategic initiatives that range from benchmarking to just-in-time to re-engineering to total quality management. The number of ‘‘new’’ initiatives implemented in the quest for competitive advantage during the past decade is quite extensive; however, the reality is that while often beneficial, these diverse endeavors frequently fail to yield the requisite improvements in firm performance.

In recent years, increasing attention has been given to how companies should respond to the new competitive landscape. A variety of firm postures and orientations have been suggested. These include behavioral orientations as well as corporate stances more typical of a strategic management perspective (Ireland et al. 2003). Research on entrepreneurship has highlighted the need to explore new business opportunities through innovation, proactive behaviors, and risk-taking decisions (Covin and Slevin, 1989; Miller; 1983). From a strategic management perspective, researchers have called attention to the importance of building, protecting, and sustaining competitive advantage through analysis, organizational planning, and long-term vision (Venkatraman, 1989; Cohen and Sproull, 1996; Morgan and Strong, 2003).

Companies facing the current environmental conditions need to adopt simultaneously postures aimed at exploring new business opportunities and behaviors intended to gain and sustain competitive advantage (Hitt et al., 2001). Previous studies have used the construct of strategic orientation to describe a corporate posture needed to deal with the current challenges of the competitive landscape. However, research has focused not only on the concept of firm’s strategic orientation but also on the implications of this orientation for performance (Covin and Slevin, 1989; Lumpkin and Dess, 1996). Generally, it has been argued that a firm’s strategic orientation has a positive impact on performance. However, the idea that a strategic orientation is universally beneficial may be overly simplistic. Many studies have acknowledged the importance of considering
contingent influences to model the strategic orientation-performance relationship effectively (Covin and Slevin, 1991; Miles et al., 2000. Contingency theory suggests that congruence or fit among key variables (external and internal) is critical for obtaining better performance levels. This is the central focus of strategic management. This in turn has made strategy a popular area for researchers, teachers and students of strategic management.

1.1.1 The concept of strategy

The concepts and theories of strategy have their antecedents to military strategy. Strategy is about winning (Grant, 1998). The economic historian Chandler (1962) first articulated the notion of strategy in scholarly circles as ‘the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary to carry out these goals’. Quinn (1980) defines strategy as a pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole. Webster (1994) calls this the building block of strategic management and notes that a secure foundation (strategy) is needed if the process (strategic management) is to function properly. In this sense strategy provides the link between where the organization is at present and where it would like to be in the future. Mintzberg (1994) portrays strategy as a plan, a direction, a guide or course of action into the future and as a pattern, that is, consistent in behavior over time. The management philosopher Drucker sees strategy as an indication of the organization’s positioning for the future, the what rather than the how. It is more important to do the right thing (improving effectiveness) than to do things right (improving efficiency). According to Johnson and Scholes (2002) strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and fulfills stakeholders’ expectations. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization.
1.1.2 **Organizational culture**

The pattern of dynamic relationships at the organization level is culture, which explains why organization culture is so powerful that its impact supersedes all other factors (Kottler & Heskett, 1992). According to Pearce and Robinson (2003), organization’s culture is the set of important assumptions (often unstated) that members of an organization share in common. An organization’s culture is similar to an individual’s personality, an intangible yet ever present theme that provides meaning, direction, and the basis of action.

Studies have shown that there is a direct connection between an organization’s performance and profits and the nature of the culture residing within that organization. Denison (1990) states that ‘‘shared meaning has a positive impact because an organization’s members all work from a common framework of values and beliefs that forms the basis through which they communicate. A high degree of shared meaning and a common frame of reference can increase an organization’s capacity for coordinated action and promote a more rapid decision process.’’ He continues to say that the theory of corporate culture and organizational effectiveness has a direct impact on its effectiveness and performance. Strategies, structures, and their implementation are rooted in the basic beliefs and values of an organization and present both limits and opportunities for what may be accomplished.

In order to survive in today’s competitive world, organizations are recognizing that they must not only be concerned with what’s going on outside of the company, but what is manifesting internally as well. In this regard, culture matters more today than in any period in business history.

1.1.3 **Organizational Performance**
The international labour organization (2005) defines organization performance as “the achievement of high levels of performance, profitability and customer satisfaction by enhancing skills and engaging the enthusiasm of employees”. According to Laitinen (2002), performance can be defined as the ability of an object to produce results in a dimension determined a priori, relative to a target. He also suggests that a well organized system of performance measurement may be the single most powerful mechanism at management’s disposal to enhance the probability of successful strategy implementation.

Lusch and Laczniak (1989) define business performance as the total economic results of the activities undertaken by an organization. The performance of any business organization is affected by the strategies that the organization has chosen (Mutuku, 2005). Hunger and Wheelen( 1995) say that strategies, which are a set of managerial decisions and actions determine the long- term performance of a corporation. Performance in an organization may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions ( Manyuru,2005).

Measures of firm performance generally include such bottom-line financial indicators as sales, profits, cash flow, return on equity, and growth (Dess and Robinson,1984). Thompson et al., (2007) note that using financial measures alone overlooks the fact that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength. Non-financial measures include innovativeness (Goldsmith and Clutterbuck, 1984) and market standing (Saunders and Wong, 1985; Hooley and Lynch, 1985). Nevertheless, Daily et al (2002) suggest that there is a distinct lack of consistency in what constitutes firm performance.

Performance can, however, be viewed in a number of dimensions namely: Profitability, Customer satisfaction, Customer retention, market share, learning and overall financial performance.
1.1.4 Link between Strategy, Culture and Performance

Most organizations understand that a sound strategy is needed to achieve business success. However, Mankins and Steele (2005) report companies realize only 63% of the financial performance promised by their strategies. Kaplan and Norton (2005) attribute this strategy–to-performance gap, in part, to the fact that 95% of a company’s employees are not aware of or do not understand their company’s strategy. According to Johnson (2004), however, 66% of corporate strategy is never implemented. This suggests that the problem lies somewhere in the middle of this strategy-to-performance gap, with a more likely source being a lack of alignment between the strategy and the culture within the organization. Studies have shown that there is a direct connection between an organization’s performance and the nature of the culture residing within that organization. Denison (1990) argues that the theory of corporate culture and organizational effectiveness has a direct impact on its effectiveness and performance. Strategies, structures, and their implementation are rooted in the basic beliefs and values of an organization and present both limits and opportunities for what may be accomplished.

However, firm’s strategic orientation also implies the adoption of some behavioral traits aimed at the effective exploitation and sustainability of competitive advantages. Although researchers have agreed on the positive influences of firm’s strategic orientation on performance, they also insist on the importance of considering the moderating effects of other variables to achieve a greater understanding of this relationship (Wiklund and Shepherd, 2005). Firm’s behavior should include the adoption of internal systems and procedures that facilitate the development and execution of competitive strategy to achieve firm’s objectives (Morgan and Strong, 2003).

1.1.5 The Kenyan Banking Sector
The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap.491 and the Banking Act cap 488. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GOK, 1989). The industry comprises of financial institutions, among them commercial banks. Others are either non-bank financial institutions or mortgage finance companies.

According to the commercial banks directory (2007), Kenya has a well developed financial sector, particularly for the region, but it is vulnerable to government influence and inadequate supervision. It consists of 88 banks and non-bank financial institutions (NBFIs). The NBFIs are currently being required by the central bank to convert to banks since most NBFIs have links to commercial banks through share ownership. The large banks have a tradition of working together rather than of aggressive competition.

However, various reform measures have been implemented recently to enhance the growth and dynamism of the sector. The large banks that had traditionally been working together are slowly moving away towards competition. This has led to stiff competition forcing most financial institutions to re-package their services and products to satisfy the needs of the customers and retain their market share. The competition is even getting more intense with new financial service providers emerging all the time. The provision of funds transfer service by telecommunications service providers has worsened the situation further. This has provided customers with a wide range of options to choose from financial services providers.

As the competition intensifies the financial institutions are out more aggressively to capture and retain their market share. Some have redefined their business strategies while leveraging on innovative and affordable products to capture new market segments. Quality of service is seen more than ever as a key differentiator in the marketplace. Strategy development and implementation has become extremely critical. In fact, as it stands currently, the success and soundness of financial institutions depends on the
achievement of operational efficiency through the adoption of competitive strategies that are well aligned to organizational culture.

Commercial banks have expanded both in numbers and in their assets. The locally incorporated banks have increased, more so because of the deliberate government effort to increase local ownership of financial institutions. The locally incorporated commercial banks do not compare well with the foreign banks in their assets levels, as most of them have less than the average assets. This has given the foreign banks leverage over the local banks in the face of stiff competition.

1.2 Statement of the Research Problem

Most studies in the financial sector have tended to investigate firms specifically in mature and stable industries. These studies have considered deregulated (Reger et al., 1992), transition (Golden et al. 1995), and volatile context (Tan and Litschert, 1994). In other words, most of the studies have been carried out in the developed world and very few in developing countries.

A few studies have examined relationship between strategy and performance. An example is Gregory (2003) which studied the impact of formal strategic planning on financial performance in the food-processing sector. Whereas the results showed that strategic planning had positive effects on financial performance as measured by the three-year pre-tax return on assets, the researcher did not look at the other factors that might have influenced this relationship. One such factor is organizational culture. In addition, this study was done in the food processing sector, and it cannot be assumed that the results obtained can apply equally to other sectors such as banking sector. Another study by Blackburn (1989) researched on strategic and operational planning uncertainty, and performance in small firms. Although his study stressed the relationship between strategic planning and financial performance, it did not consider strategy types yet it cannot be assumed that all types of strategy will have the same kind of relationship with
performance. This study was confined to small firms which obviously have different characteristics from big firms.

In South Africa, Zambia and Zimbabwe, Frese et al (2003) carried out three different studies in each of the countries on the psychological action strategy types as practiced by business owners of African origin and their success levels. These studies again were biased to entrepreneurs of African origin and were not specific to particular sectors.

There are very few studies on Kenyan firms. An example is Aosa’s (1992) study which covers strategic planning, strategy formulation and implementation in large manufacturing companies in Kenya. Mahinda (2002) studied the influence of culture on Human Resource practices by manufacturing firms registered by the Kenya Association of Manufacturers (KAM). The study was restricted to one sector and considered only the human resource aspects of strategic management. Furthermore, the study did not compare culture versus strategy choices and their impact on performance which is currently the focus of this study.

As has been noted by the renowned scholars of strategy such as Mintzberg (1994), Johnson and Scholes (2002) and Andrews (1971), strategy is sensitive to context. What happens, for instance in the agricultural sector, is likely to differ from what happens in the banking sector or manufacturing industry at any given time. Strategy is also process sensitive. Research findings keep changing with time such that what happened a year ago may not hold now.

This study therefore fills an existing research gap relating to knowledge and understanding on the relationship between strategy, culture and performance in the commercial banks in Kenya. Although some studies have been done on firms in various sectors in other parts of the world, such firms are regarded as thriving in different environmental conditions and therefore there is need to replicate such studies in the Kenyan context. Arising from this, the study seeks to address the following question:
1. What is the role of organizational culture in the relationship between strategy and firm performance?

1.3 Objectives of the study

The objectives of this study were:

i. To establish the relationship between culture and performance

ii. To establish the relationship between strategy and performance.

iii. To establish the effect of culture on the relationship between strategy and performance.

1.4 Significance of the Study

i. To managers and strategic analysts – The study will help them understand the influence of organizational culture on the relationship between strategy and performance. In other words, they will understand whether there is a fit between strategy, culture and performance in their respective organizations.

ii. To researchers and students of strategic management – The study will act as a point of reference and further research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Organizational Strategy

Andrews (1971) defines strategy as the pattern of objectives, purposes or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in, or is to be in, and the kind of company it is or is to be. Strategy is the overall plan for deploying resources to establish a favorable position (Grant, 1998).

Strategy is how a business defines and attacks its short and long-term goals. This involves an internal and external analysis of the firm, an understanding of the firm’s competitive advantage and the design and execution of a strategy taking into account the business’s strengths and competitive advantages while mitigating risks and threats. The primary purpose of strategy is to guide management decisions toward superior performance through establishing competitive advantage.

All organizations are faced with the challenges of strategy development; some from a desire to grasp new opportunities, others to overcome significant problems (Johnson and Scholes, 2002). These scholars see strategy as being concerned with the complexity arising out of ambiguous and non-routine situations with the organization wide rather than operation specific implications. Strategy development involves understanding the competitive position of the firm, making strategic choices and putting strategy into action.
Thompson (1997) found that many companies have no goals at all, other than cost reduction, or the boss hides them in his head. He notes further than in order to be successful, organizations must be strategically aware, must understand how changes in their competitive environment - some of which they may have started, and others to which they will have to react, - are unfolding. In spite of a wide range of different models of strategy, a company requires a strategy to make long run decisions on how to meet the customers’ demand, how to tap new markets, how to distinguish themselves from their competitors, how to keep relationship with their suppliers, employees and how to deal with challenges from both inside and outside of the company.

Businesses operate in an ever dynamic environment. They adjust and adapt to environmental dynamism through a variety of strategic orientations. Strategy, therefore, is instrumental to the survival of the firm. As Miles and Snow (1994) indicated, firms that match their situation to the environment can improve their performance, while those that do not court failure. The relationship between the firm and its environment, in the strategy – making context, has two major dimensions, Firstly, the firm’s basic mission or scope should match its environment. Second, it should aim at having a competitive edge over other firms that are also trying to get that match.

Strategies are formulated to adapt to, respond to, or shape the environment (Johnson and Scholes, 1999; Mintzberg, 1994). With any significant change in the level of uncertainty, a change in strategy is necessary to keep the organization in harmony with its environment. Environmental uncertainty plays a central role in strategy formulation, for it affects not only the availability of resources to the firm and the value of its competencies and capabilities, but also customer needs and requirements, as well as the competition. Corporate strategy can also be seen as simply how a business defines and attacks its short and long term goals. This involves an internal and external analysis of the firm, an understanding of the firm’s competitive advantage and the design and execution of a
strategy taking into account the business’s strengths and competitive advantages while mitigating risks and threats (Musselman, 2005).

There are a number of strategy typologies and taxonomies in the strategic management literature (See, for example, Miller and Friesen, 1978; Abell, 1980; Porter, 1980; Chrisman, Hofer, and Boulton, 1988; Segev, 1989). However, the Miles and Snow (1978) strategic orientation typology has been accepted as a robust description of the strategic behavior of firms trying to adapt to their uncertain environment. It reflects a broad and holistic perspective to strategy conceptualization (Venkatraman, 1989). It is widely adopted in strategy research (Snow and Hrebinjak, 1980; Shortell and Jazac, 1990; Ramaswamy et al., 1994; James and Hatten, 1995).

Miles and Snow (1978) based on in-depth cross-industry study of a relatively small sample of large corporations, developed a theory that there are three superior performing business types and all others are average or less than average. Their theory holds that in order to be superior, there must be a clear and direct match between the organization’s mission/values (their definition), the organization’s strategies (their basic strategy set) and the organization’s functional strategies (their characteristics and behavior).

Miles and Snow (1978) suggest that organizations develop a systematic and identifiable pattern of behavior toward environmental adaptation. The major elements of adaptation and the relationships between them are conceptualized by what they call an “adaptive cycle” over time. The cycle embodies different business strategies representing organizations’ response to the competitive environment. An organization’s strategy addresses three types of problems, which represent the dimensions of the “adaptive cycle”. The entrepreneurial, the engineering, and the administrative problems. The entrepreneurial problem relates to how an organization orients environmental trends. Thus, these organizations often are the creators of change and uncertainty to which their competitors must respond.” (Miles and Snow, 1978, p.29). Their basic strategies include: broad domain, in a continuous state of development; monitoring a wide range of
environmental conditions, trends, and events; creation of change in their industries; growth primarily from new markets and new products; and uneven, spurt-like growth.

Miles and Snow (1978) distinguish four strategy types, namely prospectors, defenders, analyzers and Reactors.

Prospector firms constantly seek new market opportunities and compete largely through new product-market innovations. Such firms consistently attempt to be the first movers in the market with additions or changes to its products and services. Hence monitoring of external environment and organizational flexibility is emphasized to ensure quick responses to market changes. Planning in prospector firms tends to be broad and organizational structures are decentralized to facilitate responsiveness to changing market conditions. These organizations thrive in changing business environments that have an element of unpredictability, and succeed by constantly examining the market in a quest for new opportunities. They regularly experiment with potential responses to emerging environmental trends. Thus, these organizations often are the creators of change and uncertainty to which their competitors must respond. However, because of their strong concern for product and market innovation, these organizations usually are not completely efficient. Key executives are also likely to come from outside than inside, and have a shorter tenure than defender’s.

Defender firms, at the other end of the strategic spectrum, operate in relatively stable market domains and compete mainly on the basis of price, quality and service. They have narrow product – market domains. Tight control and cost efficiencies are their focus in order to maintain competitiveness. Consequently planning is more intensive while organizational structures and processes are more formalized and centralized. Top managers in defender firms are highly expert in their organization’s limited area of operation but do not tend to search outside of their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments
in their technology, structure, or methods of operation. Instead they devote primary attention to improving the efficiency of their existing operations.

Analyzer firms, being hybrids, combine the characteristics of both prospectors and defenders. They operate in stable product – markets as well as selectively entering new markets. In their stable areas, these organizations operate routinely and efficiently through use of formalized structures and processes. In their more turbulent areas, top managers watch their competitors closely for new ideas, and then they rapidly adopt those that appear to be the most promising. Production and cost efficiencies are emphasized in established businesses, while innovations are selectively adopted in new markets, particularly in new areas with demonstrated promise. Hence, analyzers are usually second or late movers. Consequently analyzers are organizationally more complex, combining both centralization and decentralization characteristics to suit the different and varying markets served.

Analyzers basic strategy include a mixture of products and markets, some stable, others changing; successful imitation through extensive marketing surveillance; and follower of change; and growth normally occurs through market penetration; though it may also occur through product and market development. These companies exhibit dual technology as a core characteristic; moderate efficiency; dominant coalition in marketing, applied research, and production; an intensive and comprehensive planning; a matrix, functional and product structure; difficult control and must be able to trade off efficiency and effectiveness; a coordination that is both simple and complex; managerial focus is dual efficiency versus past, effectiveness versus similar organizations.

Reactors are organizations in which top managers frequently perceive change and uncertainty occurring in their organizational environments but are unable to respond effectively. Because this type of organization lacks a consistent strategy-structure relationship, it seldom makes adjustments of any sort until forced to do so by environmental pressures (Miles and Snow, 1978). The basic strategy common in these
organizations include the failure by management to articulate a viable organization’s strategy; or management articulates an appropriate strategy, but technology, culture, structure, and process are not linked to strategy appropriately; and / or management adheres to a particular strategy- Structure relationship that is not relevant to the environment. Reactor firms are therefore characterized by the absence of a consistent strategy and are usually viewed as unstable and non-viable.

2.2 Organizational Culture

Schein (1992) defines organizational culture as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” Schein also states that these assumptions “come to be taken for granted” because they solve the group’s problems “repeatedly and reliably.” Additionally, because these assumptions function unconsciously and instinctively, culture is often a challenging concept for organizational members to not only understand but, measure, and change (Kraut, 1996).

Schein (1992) also notes that culture can be analyzed at several different levels including artifacts, espoused values and basic underlying assumptions. Artifacts are defined as “visible organizational structures and processes”. Examples of artifacts include dress codes, architecture, newsletters, signs and banners. Another level of culture stated by Schein is Espoused values. Espoused values are audible and spoken, and include goals, sayings, philosophies, strategies and slogans. The third level described by Schein is Basic Underlying Assumptions (BAUs). BAUs are “unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings”. This includes assumptions that are not directly
observable, consequently hard to analyze and change. Similar to Schein, Daniel Denison (1990) defines organizational culture as “underlying beliefs, values, and assumptions held by members of the organization, and the practices and behaviors that exemplify and reinforce them.”

Although Schein and Denison both provide excellent formal definitions of culture, a basic definition of culture has also been provided by Terrance Deal (Lui, personal communication, 2003) as “it’s how things get done around here”. Just as families and cities have a specific look and feel to them, so do organizations. This look and feel can represent culture, as it includes images, distinct methods of doing things and how it is perceived by others.

A recent research project plainly illustrates how culture is formed and what it does. The research project did a study on four monkeys that were placed in a cage with a banana. When one of the monkeys approached the banana, it received a low-intensity shock. When shocked, the monkey drew back. When another monkey approached the banana, the first monkey that was shocked shrieked a sound of warning. The pattern repeated until all of the monkeys were warned and the banana remained untouched. As the study continued, they removed and replaced monkeys into the cage. Each new monkey attempted to retrieve the banana, but was warned by another monkey in the cage. The cycle continued and eventually four new monkeys were in the cage, the banana remained untouched and all of the monkeys remained shock free (Marc & Farbrother, 2003).

What this study shows is how culture is formed and is embedded in the behaviors and actions of the organization. If you think of the monkeys as employees of an organization, you can see a direct connection to culture and its effects on the behaviors exhibited. Culture becomes instilled in organizations to the point where individuals do not know how things came to be, but trust what is passed along.
Culture influences the behavior of all individuals and groups within an organization. It influences most aspects of organizational life, including how decisions are made, who makes them, how rewards are given, who is promoted, how people are treated, and how the organization responds to its environment. Culture to an organization is what personality is to an individual. It is that distinctive collection of beliefs, values, work styles, and relationships that distinguish one organization from another (Roger Harrison & Stokes, 1992).

Another excellent definition of culture has been provided by Pearce and Robinson. According to Pearce and Robinson (2003) organization culture is the set of important assumptions (often unstated) that members of an organization share in common. An organization’s culture is similar to an individual’s personality- an intangible yet ever-present theme that provides meaning, direction, and the basis of action. In much the same way as personality influences the behavior of an individual, the shared assumptions (beliefs and values) among a firm’s members influence opinions and actions within that firm.

Thompson and Strickland (1996) define an organization’s culture as the policies, practices, traditions, philosophical beliefs, and ways of doing things. An organization’s culture and associated values dictate the way decisions are made, the objectives of the organization, the type of competitive advantage sought, the organization structure and systems of management, functional strategies and policies, attitudes towards managing people and information systems.

Mahinda (2002) states that organizations, just like people, have personalities and attitudes. Company attitudes are manifested in how they handle their business. They may be a rough and ready ‘‘let’s get things done type of company, or one which is rather bureaucratic and likes to do things strictly by the book.’’ The attitudes of the companies’ employees are also part of their culture, and may have developed in response to their treatment by the company over the years.
The most typical beliefs that shape organization’s culture include a belief in superior quality and service, a belief in the importance of people as individuals, and a faith in their ability to make a strong contribution, a belief in the importance of the details of execution, “the nuts and bolts of doing the job well”, a belief that customers should reign supreme, et cetera (Pearce and Robinson, 2003).

Culture in the business environment can be seen by tangible things such as the corporate management philosophy articulated in a mission statement. Companies also create operating principles that typically define the way a company interacts with its customers and employees. While these things are important to put in writing, it is the more intangible aspect of culture that sets one business apart from another. Culture establishes and underpins; order, structure, membership criteria, conditioned for judging effective performance, communication patterns, expectations and priorities, the nature of reward and punishment, the nature and use of power, decision making practices, and management practices (Schneider, 1994).

The notions “organization’s culture” draws attention not only to what is observed in the way an organization formally goes about its business, but also to the less obvious and more implicit informal characteristics that influence how decisions are made in practice and how people actually treat each other at work. It is those informal, latent and implicit aspects of an organization that are increasingly being acknowledged as important facets of an organization’s make-up and which profoundly influence its behavior and the well being of staff (Walton, 1997).

Carol (1982) observed that culture, like morals, laws, and customs, shapes behavior and is something that older generations hand down to younger ones. Hofstede (1991) linked culture to a collective programming of minds of one group that differentiates them from other groups. He believes that this programming is derived from one’s social culture.
Understanding and assessing the organization’s culture can mean the difference between success and failure in today’s fast changing business environment (Hagberg & Heifetz, 2001). The culture of an organization operates at both conscious and unconscious levels and it drives the organization and its action. It is somewhat like ‘‘the operating system’’ of the organization. It guides how employees think, act and feel. It is dynamic and fluid, and it is never static. They further assert that if the organization wants to maximize its ability to attain its strategic objectives, it must understand if the prevailing culture supports and drives the actions necessary to achieve its strategic goals.

A shared narrative of the past lays the foundation for culture. Too often today’s companies casually cast aside their historical roots in favor of what is in vogue. In doing so, they often forsake the core values and beliefs that have contributed to their success. They become rootless, sterile enterprises stalking whatever economic opportunity comes along. How do we balance the tradition that keeps us anchored and the innovation that keeps us current? That is one of the many dilemmas today’s corporate leaders wrestle with. The trick is to maintain core values while attiring peripheral practices to deal with contemporary issues (Deal & Kennedy, 2000).

While no one organization has a pure culture throughout, every successful organization has a core culture. The core culture is central to the functioning of the organization, forming the nuclear core for how that organization operates in order to succeed. It is critical that this core or lead culture is aligned with the organization’s strategy and core leadership practices. This alignment is central to any organization’s effectiveness. Without it, focus is lost and energy wasted as people; systems and processes work at cross-purposes with one another (Collins & Porras, 1994).

Schneider (1994) indicates that there are four core cultures: control, collaboration, competence and cultivation. Leaders create one of these four core cultures, consciously and / or unconsciously, from their own personal history, nature, socialization,
experiences, and perception of what it takes to succeed in their market place. The following are the meanings of the four culture types:

Control: This culture is all about certainty. It fundamentally exists to ensure certainty, predictability, safety, accuracy, and dependability. Fundamental issue in a control culture is to preserve, grow, and ensure the wellbeing and success of the organizations per se. The organization as a system comes first. Accordingly, the design and framework for information and knowledge in the control culture is built essentially around the goals of the organization, and the extent to which those goals are met. This culture is centered on organization’s goal attainment.

Collaboration: This culture is all about synergy. It fundamentally exists to ensure unity, close connection with the customer, intense dedication to the customer. Experiential knowing means that the fundamental issue in a collaboration culture is the connection between people’s experience and reality. The organization moves ahead through the diverse collective experience of people from inside and outside the organization. Collaboration culture people know something when diverse collective experience has been fully utilized. This culture is centered on unique customer goal attachment.

Competence: This culture is all about distinction. It fundamentally exists to ensure the accomplishment of unparalleled, unmatched products or services. This is the culture of uniqueness per se, of one-of-a-kind products or services. Conceptual systematism means that the fundamental issue in a competence culture is the realization of conceptual, goals, particularly superior, distinctive conceptual goals. The framework for information and knowledge is built essentially around the conceptual system goals of the organization and the extent to which these goals are met. This culture is centered on conceptual goal attainment.

Cultivation: This culture is all about enrichment. It fundamentally exists to ensure the fullest growth of the customer, fulfillment of the customer’s potential, the raising up the
customer. This culture is all about the further realization of ideals, values and higher order purposes. Evolutional knowing means that the fundamental issue in the cultivation culture is the connection between the values and ideals of the organization and the extent to which these values and ideals are being operationalized. The key emphasis in this culture is the connection between what is espoused and what is put into operation. This is culture on value-centered goal attainment.

2.3 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). The performance of any business organization is affected by the strategies in place within that organization (Mutuku, 2005). Hunger and Wheelen (1995) say that strategies determine the long-term performance of the firm. Business managers must therefore monitor customer needs and preferences, competitors’ actions, technology development, and the performance of internal processes, as well as the overall financial condition of the business and develop appropriate strategies.

Performance is normally measured using standards which are usually detailed expressions of strategic objectives. They are also the measures of acceptable performance results. Measures used to assess organizational performance depend on the organization and the objectives that need to be achieved. These objectives are normally established in the strategy formulation stage of the strategy management process and they could include: profitability, market share and cost reduction among others (Hunger and Wheelen, 1995). Thompson et al. (2007) identified two distinct performance yardsticks. They are those relating to financial performance and those relating to strategic performance. Those relating to strategic performance are the outcomes that indicate if a company is strengthening its market standing, competitive vitality and future business prospects.
Conventionally an organization’s performance can be gauged using its current financial data. However, Venkatraman and Ramanujam (1986) proposed that strategy-level performance measurement should include both financial and operating measures. Chakravarthy (1986) studied firms operating in the computer industry and concluded that financial performance measures are inadequate indicators of a broader construct, ‘excellence’. This is partly due to the fact that financial indicators largely ignore the interests of stakeholders other than stockholders. Chakravarthy argued that future-oriented indicators, such as investment in R&D, should also be part of the measurement and control system. A study by Ernst and Young’s Center for Business Innovation (Daly, 1996) found that investment analysts who considered non-financial as well as financial performance indicators were more accurate in their earnings estimates than those who just used financial indicators. This suggests that a comprehensive performance evaluation system has greater predictive validity than one that is purely financially oriented.

In view of the above, most studies on organizational performance use a variety of financial and non-financial success measures.Researchers employ financial measures such as profit (Saunders and Wong, 1985; Hooley and Lynch, 1985; Baker et al., 1988), turnover (Frazier and Howell, 1983). Non-financial measures include innovativeness (Goldsmith and Clutterback, 1984) and market standing (Saunders and Wong, 1985; Hooley and Lynch, 1985). The most commonly used measures of corporate performance according to Hunger and Wheelen (1985), are the rate of return on investment (ROI), earnings per share (EPS) and rate of return on equity (ROE). A study by Manyuru (2005) on corporate governance and performance considered turnover, net profit and market share price (MSP) as the measures of performance.

Return on investment (ROI) is the result of dividing net income before tax by total assets. Earnings per share (EPS) is equal to the earnings available to common stockholders divided by the weighted average number of shares of common stock outstanding. Return on equity (ROE) shows the relationship of net income to average stockholders equity
(Hermanson et. Al., 1989). Turnover is the sales or gross revenue of the company during the financial period under review. A higher or growing turnover implies increased volume of sales due to quantities sold or increased prices. Higher volume of sales will most likely result from increased demand for the company’s products or services which reflects growth of the company. Quoting Drobotz (2004), Manyuru says that data on turnover has been used by many companies in assessing corporate performance. However, on its own it does not reveal the level of efficiency in production and other cost related areas.

Net profit is the realizable income net of all deposits, interest on debt or tax and it shows how well a company has controlled its costs in the effort to maximize on shareholders wealth. Market share price is one of the stock market-based indicators which are considered most appropriate or sensitive measure as they reflect the wealth generation for shareholders.

Another commonly used but non-financial measure of performance is benchmarking. To achieve best practices and to stay competitive, many companies realize that it is no longer enough to benchmark against their own previous performance or to rely solely on financial statistics; they must benchmark against their peer groups to gain an exceptional understanding of their current and future levels of performance. Smart goal setting and consistent measurement using devices such as indexes give a company that flexibility it will surely need to survive and thrive tomorrow (Stollsteimert, 2000).

Benchmarking can first and foremost be helpful in understanding what level of performance one can reasonably expect. From there, a company can begin to quantify the gap between goals and current performance. Knowing where the problems are is tantamount to solving them, and finding solutions is easier when you know where to look. Benchmark ratios are measurable and comparable, which makes them ideally suited for management-by-objective incentive programs. They help keep the company focused on the controllable aspects of a business. Success and failure can be easily evaluated.
Focus should be placed on improving the operational activities that directly affect cash position, profitability, and productivity. Operational activities such as inventory accuracy, bill-of-material accuracy, and planning and scheduling are the key drivers of manufacturing. By understanding, quantifying, and tracking these drivers, manufacturers stand to gain efficiencies of enormous magnitude (Stollsteimert, 2000).

Stollsteimert (2000) argues that benchmark ratios provide an objective standard by which to measure performance. By tracking key measurements at regular intervals, busy executives can pay closer attention to those key factors that affect the company’s bottom-line performance. At a minimum, the executive team should review progress monthly and manage performance until goals are achieved. As with most things in business, the value of this process grows dramatically as the appropriate attention and resources are dedicated to it. The more times this process is executed (Benchmark, set goals, review process, repeat), the more proficient a company becomes at realizing improved performance.

2.4 Corporate Strategy, Culture and Performance

Studies on the link between culture and organization’s performance are a relatively recent phenomenon. Thomas Peters and Robert Waterman (1982) told managers that an organization’s success depends on having a strong culture, and laying down a formula for such a culture. They state that without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. Moreover, the stronger the culture and the more it was directed to the marketplace, the less was the need for policy manuals, organization charts, or detailed procedures and rules.

A company’s strategic actions typically reflect its cultural traits and managerial values. In some cases, a company’s core beliefs and culture even dominate the choice of strategic moves. This is because culture-related values and beliefs become so embedded in
management’s strategic thinking and actions that they condition how the enterprise responds to eternal events. Such firms a culture-driven bias about how to handle strategic issues and what kinds of strategic moves it will consider or reject. Strong cultural influences partly account for why companies gain reputations for strategic traits as technological leadership, product innovation, dedication to superior craftsmanship, proximity for financial wheeling and dealing, desire to grow rapidly by acquiring other companies, strong people-orientation, or unusual emphasis on customer service or total customer satisfaction (Thompson and Strickland, 1996).

Scholars of organization’s culture have sought to find the key to unlock the mystery and power of culture and its influence on the performance of organizations and groups. (Barrett and Bass, 1976) observed that, most research in industrial and organization’s psychology is done within one cultural context. This context puts constraints upon both our theories and our practical solutions to the organization’s problems.

Lahey (2001) researched on the impact of strategic planning on organization’s effectiveness and culture. This study never addressed the need to align culture to strategy and how this impacts on performance. Gregory (2003) carried out a research on the impact of formal strategic planning on financial performance in the food processing sector. Whereas the results of the strategic planning tools used in his study revealed a positive financial performance as measured by the three-year pre-tax return on assets, he first never considered the cultural perspective on performance, and second, took only a sectoral analysis.

Blackburn (1989) researched on the strategic and operational planning uncertainty, and performance in small firms. This study also stressed on the relationship between strategic planning and financial performance. Performance of a company includes the level of satisfaction by other stakeholders- customers, employees, shareholders, suppliers, the community, the government, investors, creditors, et cetera.
Peters and Waterman (1982) wrote: “without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. Moreover, the stronger the culture and the more it was directed toward the market place, the less need was there for policy manuals, organizational charts, or detailed procedures and rates”. In these companies people way down the line and know what they are supposed to do in most situations because the handful of guarding values is crystal clear.

However, close to Kenya, in the south and central Africa countries of south Africa, Zambia, and Zimbabwe, Frese et al (2003) carried out three different studies on the psychological action strategy characteristics in African business owners and success in. This study identified four psychological strategy characteristics: Complete planning (planning ahead and actively structuring the situation), critical point strategy (working on and planning the most difficult and most important point first), opportunistic strategy (proactive orientation on opportunities with little planning and deviation from any goals when new opportunities are perceived), and reactive strategy (which implies that one reacts to the situation; thus the owner is neither proactive nor planning). The two underlying dimensions in this study are proactivity and planning. A reactive strategy is not proactive and does not plan. Opportunistic strategy does not plan, but is highly proactive in finding opportunities to be exploited. Critical point plans to a certain extent and is proactive to a certain extent, and finally complete planning is both proactive and planning (Frese et al, 2003).

There is enough evidence revealing that a reactive strategy is negatively related to success. This means that those owners who react to the situation, who make decisions only after the market or other people tell them to, who do not attempt to influence their environment do worse in every environment. Results on planning are also relatively similar – planning is positive in Zambia and in Zimbabwe, although in South Africa only critical point planning is significantly related to success. The most important difference occurs with opportunistic strategy. This strategy is only significantly and positively related to success in South Africa but not so in the other two countries.
One possible interpretation is to look at cultural differences. In South Africa, there is a higher degree of uncertainty avoidance than in the other two countries. This would actually imply a culture mis-fit hypothesis. Uncertainty avoidance suggests that one should plan to overcome anxieties related to the future. South Africa is the only country in which a non-planning opportunistic strategy is positively related to success. Those who behave uncharacteristically for their culture (and do not plan, but go about things opportunistically) are better off than those who have a fit of their strategy and their culture (Frese et al. 2003).

Mahinda (2003) based her research on the influence of culture on Human resource practices by manufacturing firms registered by the Kenya Association of manufacturers. First, her research was industry specific and limited to manufacturing sector. Strategy is process and context sensitive. Research findings in the manufacturing sector may therefore be very different from those of other sectors such as agricultural, service, or financial.

In line with this setback she recommended further research based on other sectors / industries. Second, her research was limited in that it did not unearth the link, if any, between an organization adopting strategic planning on performance. Thirdly, she observed that a further research adding incision into culture and performance would perhaps improve research findings. Lastly, she notes that managers risk ignoring organization’s culture in the process of strategic decisions at their own peril. More importantly, strategy in one industry need not be the same in the other industry. Hence, the need to study these inter-industry differences.

Kariuki (2001) carried out a research investigating the aspects of culture and their effects on the marketing strategies in the beverage industry in Kenya. However, this study did not address the effect of culture on strategic planning and resultant performance.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design
The research design for the study was a survey. A survey was deemed more appropriate since this study involved relationships and comparative analysis. It was used to explore the relationship between organizational culture, strategy and performance in the commercial banking institutions.

3.2 Population

The population of study consisted of all the 44 (CBK list, 2008) commercial banking institutions operating in Kenya. Given that their number is not high, a census study was conducted. The list of the respondent banks is attached as appendix 2.

3.3 Data collection

Questionnaires with Likert-type scales were used to collect primary data. To increase the response rate, respondents were two managers- the head of planning and that of human resources or the head of finance as were applicable. This was to ensure that the questionnaires are answered by people who are knowledgeable on culture and / or planning. The questionnaire was divided into four parts. Part 1 was to solicit general information on the organizations; part 2, 3, and 4 focused on objectives I, II and III, respectively. Part 1 and 2 were filled by the human resource managers while part 3 and 4 by the planning managers.

All the questionnaires were enclosed with addressed return stamp envelopes. This was meant to increase the response rate. Financial performances were captured from the secondary data. The sources were Financial Reports.

3.4 Data Analysis
Data collected were analyzed using descriptive statistics such as mode, mean and frequencies. Tabular analysis using averages were used to identify the dominant cultures and strategy types. Return on investment was used to measure performance. Correlation analysis was used to establish the relationship between culture and performance and between strategy and performance. The moderating effect of culture on the relationship between strategy and performance was analyzed using tabular analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION
4.1 Introduction

The research findings are presented and discussed in this chapter. It begins by looking at the response rate._profiles of the banks are then looked at in terms of how long they have been operating in Kenya, their size and ownership. After the overview of the bank profiles, it then looks at dominant cultures and strategies at the banks. It finally analyses and discusses the relationship between cultures and strategies adopted by the banks and their influence on performance.

4.2 Overview of bank profiles

4.2.1 Years of operation

The number of years that the banks have been in operation is an important indicator of the growth trends in the industry. Table 1.1 shows the duration as follows:

<table>
<thead>
<tr>
<th>Years of operation</th>
<th>Frequency/No. of banks</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>6</td>
<td>19.4</td>
</tr>
<tr>
<td>6-10</td>
<td>1</td>
<td>3.2</td>
</tr>
<tr>
<td>11-15</td>
<td>5</td>
<td>16.1</td>
</tr>
<tr>
<td>Over 15</td>
<td>19</td>
<td>61.3</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in Table I, most of the banks surveyed (61.3%) have been operating in Kenya for over 15 years. However, it is also evident that a good number (19.4%) were established within the last five years. This indicates growth in the industry. This could be as a result of increased demand for banking services owing to improved economic activities as well as more awareness on the importance of banking.

4.2.3 Distribution of Banks by Size
The sizes of the banks in terms of asset base and profitability are as shown in Table 1.2:

**Table 1.2: Bank Size**

<table>
<thead>
<tr>
<th>Size of bank</th>
<th>Frequency/No. of banks</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Medium</td>
<td>20</td>
<td>64.5</td>
</tr>
<tr>
<td>Large</td>
<td>7</td>
<td>22.6</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The findings in Table 1.2 above indicate that most banks (64.5%) are of medium size, followed by large at 22.6% and lastly small banks at 12.9%.

**4.2.4 Ownership**

The ownership of any bank is very important because it determines how strategy is formulated and adopted. In addition, it determines the culture prevailing within the bank. The respondents were asked to provide information on the size of their respective workforces. The results are presented in Table 1.3 as follows:

**Table 1.3: Ownership**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>15</td>
<td>48.4</td>
</tr>
<tr>
<td>Foreign</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Local/Foreign</td>
<td>12</td>
<td>38.7</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

Findings on Table 1.3 indicate that out of the banks surveyed, (15)48.4% are locally owned, (12) 38.7% are both locally and foreign owned while the rest (4)12.9% are purely foreign owned. It is evident from the above that most of the Kenyan commercial banks are locally owned.

**4.3 Culture Types**
The researcher used questions (a) to (y) as detailed in the questionnaire to determine the extent to which the various culture types are being practiced by the banks. Each question was measured from a scale of 1 (not at all) to 5 (to a very great extent). The categorization of the questions is shown in Table 1.4:

**Table 1.4: Culture Types Analysis Schedule**

<table>
<thead>
<tr>
<th>QUESTIONS IN THE QUESTIONNAIRE</th>
<th>CULTURE TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)-(h)</td>
<td>Control</td>
</tr>
<tr>
<td>(i)-(m)</td>
<td>Collaboration</td>
</tr>
<tr>
<td>(n)-(s)</td>
<td>Competence</td>
</tr>
<tr>
<td>(t)-(y)</td>
<td>Cultivation</td>
</tr>
</tbody>
</table>

The researcher considered the averages of the responses to the questions under each culture type as shown in categories in Table 1.4. The category with the highest mean score is deemed to represent the dominant culture type within the bank. The results of the mean scores for different culture types with respect to each bank are given in table 1.5. The dominant culture is then identified for each bank.

**Table 1.5: Culture types**
The frequencies of the dominant cultures are presented in Table 1.6 as follows:

**Table 1.6: Dominant cultures**

<table>
<thead>
<tr>
<th>CULTURE TYPE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration</td>
<td>12</td>
<td>38.70</td>
</tr>
<tr>
<td>Cultivation</td>
<td>10</td>
<td>32.26</td>
</tr>
<tr>
<td>Control</td>
<td>6</td>
<td>19.35</td>
</tr>
<tr>
<td>Competence</td>
<td>3</td>
<td>9.68</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>
From Table 1.6, it is evident that twelve or 38.70 per cent of the respondent banks practice Collaboration culture, ten or 32.26 per cent cultivation, six or 19.3 percent control and lastly three or 9.68 per cent practice competence culture.

4.4 Strategy Types

The researcher used the characteristics of the Miles and Snows’ strategy types to frame questions (i) to (xxx) as detailed in the questionnaire. Each question was measured from a scale of 1 (not at all) to 5 (to a very great extent). The categorization of the questions to determine the strategy type that was being practiced by the banks that were surveyed is shown in Table 1.7 below:

Table 1.7: Strategy Types Analysis Schedule

<table>
<thead>
<tr>
<th>QUESTIONS IN THE QUESTIONNAIRE</th>
<th>STRATEGY TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)-(vi)</td>
<td>Prospector</td>
</tr>
<tr>
<td>(vii)-(xii)</td>
<td>Defender</td>
</tr>
<tr>
<td>(xiii)-(xvii)</td>
<td>Analyzer</td>
</tr>
<tr>
<td>Xix-xx</td>
<td>Reactor</td>
</tr>
</tbody>
</table>
The researcher considered the averages of the responses to the questions under each strategy as shown in categories in Table 1.7. The category with the highest mean score is taken to represent the dominant strategy type within the bank. The results are given in Table 1.8.

**Table 1.8: Strategy Types**

<table>
<thead>
<tr>
<th></th>
<th>Prospector</th>
<th>Defender</th>
<th>Analyzer</th>
<th>Reactor</th>
<th>Dominant strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>3.00</td>
<td>3.17</td>
<td>3.50</td>
<td>3.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B2</td>
<td>3.67</td>
<td>3.33</td>
<td>3.50</td>
<td>1.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B3</td>
<td>4.33</td>
<td>4.33</td>
<td>4.50</td>
<td>3.50</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B4</td>
<td>3.83</td>
<td>3.17</td>
<td>3.00</td>
<td>2.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B5</td>
<td>3.67</td>
<td>3.33</td>
<td>4.17</td>
<td>2.50</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B6</td>
<td>3.17</td>
<td>4.17</td>
<td>4.00</td>
<td>4.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B7</td>
<td>3.67</td>
<td>3.50</td>
<td>2.83</td>
<td>3.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B8</td>
<td>3.33</td>
<td>4.12</td>
<td>4.00</td>
<td>3.50</td>
<td>Defender</td>
</tr>
<tr>
<td>B9</td>
<td>4.67</td>
<td>4.33</td>
<td>4.50</td>
<td>2.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B10</td>
<td>3.33</td>
<td>3.33</td>
<td>3.50</td>
<td>3.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B11</td>
<td>3.50</td>
<td>4.00</td>
<td>3.50</td>
<td>1.50</td>
<td>Defender</td>
</tr>
<tr>
<td>B12</td>
<td>3.83</td>
<td>3.83</td>
<td>4.33</td>
<td>2.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B13</td>
<td>4.67</td>
<td>4.33</td>
<td>4.83</td>
<td>3.50</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B14</td>
<td>2.83</td>
<td>2.83</td>
<td>3.00</td>
<td>2.50</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B15</td>
<td>4.33</td>
<td>4.83</td>
<td>4.33</td>
<td>2.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B16</td>
<td>3.67</td>
<td>3.67</td>
<td>4.00</td>
<td>1.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B17</td>
<td>3.00</td>
<td>3.83</td>
<td>3.50</td>
<td>2.50</td>
<td>Defender</td>
</tr>
<tr>
<td>B18</td>
<td>3.83</td>
<td>4.00</td>
<td>3.83</td>
<td>1.50</td>
<td>Defender</td>
</tr>
<tr>
<td>B19</td>
<td>3.17</td>
<td>3.17</td>
<td>3.50</td>
<td>2.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B20</td>
<td>3.50</td>
<td>3.17</td>
<td>4.00</td>
<td>3.50</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B21</td>
<td>4.00</td>
<td>3.67</td>
<td>3.67</td>
<td>2.00</td>
<td>Prospector</td>
</tr>
<tr>
<td>B22</td>
<td>3.83</td>
<td>3.50</td>
<td>3.33</td>
<td>1.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B23</td>
<td>4.00</td>
<td>3.33</td>
<td>4.33</td>
<td>4.00</td>
<td>Analyzer</td>
</tr>
<tr>
<td>B24</td>
<td>4.00</td>
<td>4.17</td>
<td>3.83</td>
<td>1.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B25</td>
<td>4.00</td>
<td>4.50</td>
<td>4.33</td>
<td>4.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B26</td>
<td>4.00</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>Prospector</td>
</tr>
<tr>
<td>B27</td>
<td>3.33</td>
<td>4.33</td>
<td>2.83</td>
<td>3.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B28</td>
<td>3.67</td>
<td>3.83</td>
<td>3.67</td>
<td>1.50</td>
<td>Defender</td>
</tr>
<tr>
<td>B29</td>
<td>1.67</td>
<td>2.50</td>
<td>2.17</td>
<td>1.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B30</td>
<td>3.50</td>
<td>4.50</td>
<td>3.33</td>
<td>1.00</td>
<td>Defender</td>
</tr>
<tr>
<td>B31</td>
<td>2.67</td>
<td>3.67</td>
<td>2.83</td>
<td>3.00</td>
<td>Defender</td>
</tr>
</tbody>
</table>

The frequencies of the dominant strategy types are presented in Table 1.9:

**Table 1.9: Strategy Types Frequencies**
<table>
<thead>
<tr>
<th>STRATEGY TYPE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defender</td>
<td>13</td>
<td>41.90</td>
</tr>
<tr>
<td>Analyzer</td>
<td>11</td>
<td>35.50</td>
</tr>
<tr>
<td>Prospector</td>
<td>7</td>
<td>22.60</td>
</tr>
<tr>
<td>Reactor</td>
<td>None</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 1.9, it is evident that thirteen or 41.90 per cent of the respondent banks practice defender strategy, eleven or 35.50 per cent Analyzer, seven or 22.60 percent prospector and none practices reactor strategy.

4.5: Performance

Table 2.0 shows the performances of the respondent banks as at 31st December, 2008. The Return on investment (ROI) is the result of dividing net income before tax by total assets.

Table 2.0: Return on Investment
Table 2.0 shows the return on investment for each of the thirty one banks that participated in this research. This performance measure was then used to analyze the relation between the Miles and Snows’ Strategy types, Culture types, and the resultant performance as detailed in Table 2.1.

### 4.6 Culture, Strategy Types and Performance

The researcher seeks to establish the effect of the various culture and strategy types on performance.

**Table 2.1: Culture, Strategy Types, Performance, and performance ranking**

<table>
<thead>
<tr>
<th>BANK</th>
<th>DOMINANT CULTURE</th>
<th>DOMINANT STRATEGY</th>
<th>RETURN ON INVESTMENT</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>Cultivation</td>
<td>Analyzer</td>
<td>0.76</td>
<td>26</td>
</tr>
<tr>
<td>B2</td>
<td>Control</td>
<td>Prospector</td>
<td>3.98</td>
<td>8</td>
</tr>
<tr>
<td>B3</td>
<td>Cultivation</td>
<td>Analyzer</td>
<td>1.82</td>
<td>23</td>
</tr>
</tbody>
</table>
Table 2.1 details the dominant culture and strategy types of each of the thirty one banks that participated in this study. The table also shows return on investment which were used in ranking the banks to determine the relationship, if any, between the use of specific culture and strategy types, on the resultant performance. From the results shown in the table, a look at the top five ranked banks shows various culture and strategy types across all of them. It is apparent that the first two banks practice prospector strategies and cultivation cultures. In order to establish the relationship further between the various
strategies and cultures, the researcher looked at the average returns on investment for each strategy type as shown in Table 2.2:

### Table 2.2: Strategy Types Performance

<table>
<thead>
<tr>
<th>STRATEGY TYPE</th>
<th>AVERAGE RETURN ON INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospector</td>
<td>3.59</td>
</tr>
<tr>
<td>Defender</td>
<td>1.71</td>
</tr>
<tr>
<td>Analyzer</td>
<td>1.64</td>
</tr>
<tr>
<td>Reactor</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Findings on Table 2.2 indicate that banks practicing prospector strategy perform better than banks practicing defender, analyzer and reactor strategies. This is evidenced by the high performance achieved by banks practicing prospector strategy.

#### 4.6.1 Correlation Analysis

The results shown in Table 2.2 are replicated by correlation analysis results as indicated in Table 2.3. Spearman’s rank correlation coefficients were calculated after ranking strategy types and performance in descending order starting from the best performers in both aspects. From the correlation results, it is evident that prospector, analyzer and defender have positive correlation to performance. The correlation of reactor strategy type to performance is however negative. The strategy type with the strongest positive relationship to performance is prospector followed by defender strategy and then analyzer strategy.

### Table 2.3: Correlations

<table>
<thead>
<tr>
<th></th>
<th>CONTROL</th>
<th>COLLABORATION</th>
<th>COMPETENCE</th>
<th>CULTIVATION</th>
<th>PROSPECTOR</th>
<th>DEFENDER</th>
<th>ANALYZER</th>
<th>REACTOR</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTROL</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COLLABORATION</td>
<td>0.26</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPETENCE</td>
<td>0.14</td>
<td>0.27</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 2.4: Strategy-Culture Interactions, average returns, Spread and Frequency

<table>
<thead>
<tr>
<th>STRATEGY-CULTURE INTERACTIONS</th>
<th>AVERAGE RETURN ON INVESTMENT</th>
<th>SPREAD (HIGHEST, LOWEST RETURNS)</th>
<th>FREQUENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospector-Cultivation</td>
<td>5.44</td>
<td>3.96 (7.05, 3.09)</td>
<td>3</td>
</tr>
<tr>
<td>Prospector-Control</td>
<td>2.78</td>
<td>2.40 (3.98, 1.58)</td>
<td>2</td>
</tr>
<tr>
<td>Prospector-Collaboration</td>
<td>1.62</td>
<td>1.57 (2.40, 0.83)</td>
<td>2</td>
</tr>
<tr>
<td>Prospector-Competence</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Analyzer-Cultivation</td>
<td>2.08</td>
<td>4.46 (5.10, 0.64)</td>
<td>4</td>
</tr>
<tr>
<td>Analyzer-Control</td>
<td>-3.14</td>
<td>13.04 (3.38,-9.66)</td>
<td>2</td>
</tr>
</tbody>
</table>

### 4.6.2 Strategy-Culture Types Interactions and their Effect on Performance

In order to establish the role of culture in the Strategy-Performance relationship, the researcher went further to look at all the strategies and cultures practiced in the respondent banks. The results are presented in Table 2.4 as follows:
Looking at the strategy-culture combinations, it is observed that the most dominant combination by commercial banks is Defender-Collaboration as evidenced by the high frequency of occurrence. This is followed by Analyzer-Collaboration, Analyzer-Cultivation and Prospector-Cultivation. Out of these dominant combinations, the highest return is associated with Prospector-Cultivation combinations. The banks which adopt Prospector-Cultivation combinations, also register a smaller spread in returns.

With respect to returns, the second best combination after Prospector-Cultivation is Analyzer-Competence. However, only one bank has adopted this kind of strategy. The third highest average return is associated with Defender-Control, followed by Analyzer-Collaboration. In addition, with respect to returns, the second best combination after Prospector-Cultivation is Analyzer-Competence. However, only one bank has adopted this kind of strategy. The third highest average return is associated with Defender-Control, followed by Analyzer-Collaboration.

In the same light, with respect to spread, or variability of returns, the best performing banks are those which have adopted Defender-Control, followed by Defender-Competence, then Prospector-Collaboration, and finally Prospector-Control. It is clear from Table 4.6 that the worst performing banks are those which practice Analyzer-

<table>
<thead>
<tr>
<th>Strategy-Culture Combinations</th>
<th>Analyzer – Collaboration</th>
<th>Analyzer -Competence</th>
<th>Defender-Cultivation</th>
<th>Defender-Control</th>
<th>Defender-Collaboration</th>
<th>Defender-Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.81</td>
<td>4.64</td>
<td>9.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5.05,0.41)</td>
<td>(3.45, -5.77)</td>
<td>12.4 (4.75, -7.65)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.75</td>
<td>4.75</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4.21,3.45)</td>
<td></td>
<td>(2.98, 2.12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Control, Defender-Collaboration, Prospector-Collaboration and Defender-Cultivation. Banks which practice these combinations also happen to have the highest spread in returns except for Prospector-Collaboration.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter sets out first to revisit the objectives of the researcher as they were set in the research proposal and whether they have been achieved. Second, it highlights the drawbacks that were encountered in the research process. Finally, the researcher makes recommendations for further research.
5.2 Conclusions

As was explained in chapter four, it was observed that 41.90 per cent of the 31 banks that responded to the research survey practice defender strategy. 35.50 and 22.60 per cent practice Analyzer and prospector strategies in that order. None practices reactor strategy. On the other hand, 38.70 per cent practice collaboration culture. 32.26, 19.35 and 9.68 per cent practice cultivation, control and competence cultures respectively. Since 68.9 per cent response rate was realized, this can be taken as a representative sample. Therefore, we can comfortably address the role of organizational culture in the relationship between strategy and bank performance from the research findings.

An analysis based on correlation analysis of the relationship between culture and performance reveals that collaboration culture is negatively correlated to performance. Moreover, the researcher established that control, cultivation and competence cultures are positively correlated to performance. Hence the first objective of the research was attained.

The second objective of the research was to establish the relationship between strategy and performance. The researcher established that a reactor strategy is negatively correlated to performance in Kenya’s commercial banks. In the same note, the analyzer, defender and prospector strategies are positively correlated to performance.

The third objective of the research was to establish the effect of culture on the relationship between strategy and performance. The researcher determined this using tabular analysis. It led the researcher to conclude that banks which perform well are those practicing prospector strategies and cultivation culture. In the same light, banks stand to lose if they practice Analyzer strategy with control culture.

Even though the researcher cannot rule out other factors determining performance such as marketing campaigns, the confidence the public have for the bank, differentiated products
offered et cetera, it can be concluded from the foregoing that strategy and culture play a significant role in influencing the performance of banks in Kenya.

5.3 Limitations and Recommendations

The researcher conducted a survey of all the commercial banks operating in Kenya. He used drop and pick method, and return by post of the questionnaires. However, it was difficult to ensure that only the targeted respondents fill the questionnaires. In addition, the targeted respondents were busy employees who did not have time for filling questionnaires leading to a response rate of 68.90 per cent. A further census study aimed at face-to-face interview of the respondents would perhaps increase the response rate and results of these findings.

Research on specific banks would perhaps be important to study in-depth the culture and strategies and any relationship with performance. This is because the researcher was not able to interview all departmental heads to gain a much broader view of aspects of culture as well as their valued strategies which they may not want to divulge or were not captured by the questionnaire. Case studies in specific cultures and strategies adopted by banks are recommended for further research.

A research using performance for a different period or over a longer time period would be encouraged to confirm any changes in culture and strategy choices and their resultant effect on the performance of the banks. This is because strategy is sensitive to time.
REFERENCES


International Labour Organization (2005): Online publication


Lahey, P.R., (2001): Evaluating the Impact of Strategic Planning on Organization’s Effectiveness and Culture, Institute for Court Management, Newfoundland, Canada.


Manyuru, J.P. (2005): Corporate Governance and Organizational Performance; The Companies Quoted at the NSE. Unpublished MBA project, School of Business, University of Nairobi.


Quinn, J.B (1980): Strategies for Change; Logical Incrementalism. Homewood, IL, Irwin


Schneider, B; Gunnarson, S.K and Niles-Jolly, K (1994): Creating the Climate and Culture of Success, Organizational dynamics, 23(1), 17-29.


APPENDIX 1

QUESTIONNAIRE

RELATIONSHIP BETWEEN STRATEGY, CULTURE AND PERFORMANCE IN COMMERCIAL BANKS IN KENYA

PART 1: General Information
(Please tick as appropriate)

1. Name of the organization .................................................................

2. Your current job position .................................................................

3. Is your bank
   Purely locally owned ( ) purely foreign owned ( )
   Both locally & foreign owned ( )

4. How long has your bank been operating in Kenya?
   A. 1 – 5 Years ( )
   B. 6 – 10 Years ( )
   C. 11 –15 Years ( )
   D. Over 15 Years ( )

5. What is the size of your bank in terms of level of profitability
   Small ( )
   Medium ( )
Large ( )

6. How long have you worked in this bank?
   A. Below two years ( )
   B. From two to five years ( )
   C. From six to ten years ( )
   D. Over ten years ( )

7. Currently, which department are you working in?
   A. Planning ( )
   B. Finance ( )
   C. Human Resource ( )
   D. Operations ( )
   E. Others (specify) .................................................................

8. Which job category do you belong to in your current organization?
   A. Senior management ( )
   B. Middle level management ( )
   C. Management trainee ( )

9. Is this your first employment?
   Yes ( )
   No ( )

10. For how long have you been with your current employer?
    A. 1 – 3 years ( )
    B. 4 – 5 years ( )
    C. 5 – 10 years ( )
    D. More than 10 years
PART 2: ORGANIZATIONAL CULTURE

Please rate the extent to which each of the following statements best describes your organization. The scale ranges from 1 to 5. One (1) stands for ‘’not at all’’ and five (5) ‘’stands for ‘’to a very great extent’’

a) Top management fundamentally ensures that certainty, predictability, safety, accuracy and dependability of this bank are attained

1. Not at all 2. To a less extent 3. To a moderate extent 4. To a great extent 5. To a very great extent

b) Everybody in this bank is cost conscious

1. Not at all 2. To a less extent 3. To a moderate extent 4. To a great extent 5. To a very great extent
c) Meeting times are kept punctually in this bank

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

d) Employees are told when good job is done and rewarded accordingly

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

e) I can do almost anything I want without consulting my boss

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

f) Even small matters have to be referred to someone higher up for a final answer

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

g) This bank is a good place for a person who likes to make his own decisions

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>
h) The needs of this bank come first

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

i) This bank is extremely dedicated to the customer

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

j) Managers struggle to keep good employees in their departments

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

k) There is cooperation and trust between departments

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

l) Employees are secretive and tend to withhold information
m) This bank’s management makes every attempt to ensure unity, close connection with and intense dedication to the customer

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

n) Genuine mistakes are tolerated in this bank

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

o) Only very competent employees are retained in this bank

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

p) Job competence is the only criterion for hiring people in this bank

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

q) Results more important than relationships in this bank
r) The culture of this bank is all about excellence, uniqueness per se and of one-of-a-kind products or services

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

s) The framework for information and knowledge at this bank is built essentially around its goals and the extent to which those goals are met

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

 t) This bank’s culture mainly centers on its values and ideals and the extent to which they are adhered to

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

u) There is concern for personal problems of employees in this bank

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

v) People’s private life is their own business in this bank
1. Not at all | 2. To a less extent | 3. To a moderate extent | 4. To a great extent | 5. To a very great extent

**w) This bank is socially responsible**

1. Not at all | 2. To a less extent | 3. To a moderate extent | 4. To a great extent | 5. To a very great extent

**x) A lot of emphasis is placed on meeting customer needs in this bank**

1. Not at all | 2. To a less extent | 3. To a moderate extent | 4. To a great extent | 5. To a very great extent

**y) This bank stays close to the customer**

1. Not at all | 2. To a less extent | 3. To a moderate extent | 4. To a great extent | 5. To a very great extent
PART 3: STRATEGY

I. We actively develop new products

| 1. Not at all | 2. To a less extent | 3. To a moderate extent | 4. To a great extent | 5. To a very great extent |
II. This bank constantly seeks new market opportunities

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

III. Short term performance is emphasized

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

IV. Future concerns are emphasized so much

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

V. In our bank, key executives usually come from outside the organization

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

VI. We make an effort to put into practice new technological practices

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>
VII. There can be little action taken here until a supervisor approves a decision

1. Not at all  2. To a less extent  3. To a moderate extent  4. To a great extent  5. To a very great extent

VIII. We pursue long range programs in order to acquire banking capabilities in advance

1. Not at all  2. To a less extent  3. To a moderate extent  4. To a great extent  5. To a very great extent

IX. There is a lot of emphasis on cost minimization in this bank

1. Not at all  2. To a less extent  3. To a moderate extent  4. To a great extent  5. To a very great extent

X. Our products are the cheapest in the market

1. Not at all  2. To a less extent  3. To a moderate extent  4. To a great extent  5. To a very great extent

XI. This bank aggressively maintains prominence within its chosen market segment

1. Not at all  2. To a less extent  3. To a moderate extent  4. To a great extent  5. To a very great extent
XII. The bank emphasizes efficient use of resources

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

XIII. The planning process at this bank is controlled at the top

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

XIV. The budget is devolved to different units

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

XV. The bank monitors environmental conditions, trends, and events.

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a moderate extent</th>
<th>4. To a great extent</th>
<th>5. To a very great extent</th>
</tr>
</thead>
</table>

XVI. This bank practices successful imitation through extensive marketing surveillance

<table>
<thead>
<tr>
<th>1. Not at all</th>
<th>2. To a less extent</th>
<th>3. To a</th>
<th>4. To a great extent</th>
<th>5. To a very</th>
</tr>
</thead>
</table>

74
**PART 4: PERFORMANCE**

<table>
<thead>
<tr>
<th>extent</th>
<th>moderate extent</th>
<th>extent</th>
<th>great extent</th>
</tr>
</thead>
</table>

XVII. This bank practices an intensive and comprehensive planning

1. Not at all
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

XVIII. This bank uses a coordination that is both simple and complex

1. Not at all
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

XIX. The predominant characteristic of this bank include the failure by management to articulate a viable bank’s strategy.

1. Not at all
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

XX. Reactive responses are common in our bank

1. Not at all
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent
Kindly indicate the average performance of your bank in terms of annual revenues, total costs incurred and the value of assets invested.

**Average Annual Revenues (In Millions)**

Below 500 (Please specify)
501- 1,000
1,001-1,500
1,501-2,000
2,001-2,500
2,501-3000
Above 3001 (Please specify)

**Average Annual Total Costs (In Millions)**

Below 100(Please specify)
101-500
501-1000
1001-1500
1501-2000
2001-2500
Above 2,501(Please specify)

**Total Assets (In Millions)**

Below 500(Please specify)
501-1000
1001-1500
1501-2000
2001-2500
2,501-3000
Above 3,001(Please specify)
APPENDIX 2

LIST OF RESPONDENT BANKS

- Bank of Africa
- Co-operative bank
- Consolidated bank
- Chase bank
- Bank of India
- Prime bank
- Fina bank
- Gulf African bank
- Equity bank
- Development bank
- Oriental bank
- Eco bank
- Barclays bank
- Commercial bank of Africa
- Bank of Baroda
- Family bank
- K-Rep bank
- NIC bank
- Diamond trust bank
- Dubai bank
- Citibank
- CFC bank
- First community bank
- Standard bank
- Transnational bank
• Kenya commercial bank
• National bank of Kenya
• ABC bank
• Habib bank
• Giro commercial bank
• Credit bank