STRATEGIC PLANNING PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

By

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DECLARATION

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

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SUPERVISORS APPROVAL

This work has been submitted for examination by my approval as the University Supervisor.

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DEDICATION

I would like to dedicate this Research proposal to my parents Mr. and Mrs. Peter Muriuki who have been of great support, sacrifice and help both spiritually and financially and also to my entire family who have supported me morally through the entire time and have taught me the values of integrity, hard work and determination.

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ABSTRACT

The study was carried out to determine the relationship between strategic planning practices and performance of commercial banks in Kenya. The objectives of the study were; to establish the strategic planning practices adopted by commercial banks in Kenya and secondly to determine the extent to which the strategic planning practices adopted by a bank influences the banks performance. The study was carried out using a survey and managed to study thirty eight banks in Nairobi where the respondents included officers in charge of strategy in these banks. Primary data was collected using questionnaires while secondary data was collected by scanning company records.

The analysis was done using percentages to determine demographics such as number of years of service at the bank, response rate and frequency of review of the vision and mission. Mean scores were computed to determine the extent to which strategic planning practices were adopted by commercial banks. Mean scores were also used to determine perceived organization performance and perceived market performance. Correlation coefficient was computed to determine the extent to which strategic planning practices adopted by a bank influences their performance

The finding was that strategic planning practice has a positive correction with performance where a proper plan is in place and has a direction, the organization performs. However a good strategy poorly implemented leads to disaster. Therefore a strategy needs to be well devised by selling clear direction and scope of the organization. All the banks in Nairobi are involved in strategic formulation, implementation and evaluation. Strategies are good and act as a road map guiding the bank through the competitive environment. However the bank performance is not uniform. The banks attract different class of customers, differ in deposits, in customer retention among others. This means that the driving force toward achievement of the desired level of performance is the manner in which the strategy is practiced.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Systematic strategic thinking helps you to find, and decide what to do about the handful of really big issues facing your business or any other organization. It is the size and impact of these strategic issues that gives rise to the importance of the strategic plan. To achieve the intended goals of the organization, the organization needs to have a strategic work plan directed towards achievement of superior financial performance and a desirable position.

Strategic planning involves determination of long term objectives of an organization and prescribes the course of action needed to get them (Cole, 2006). Strategic plan creates the ability to proactively initiate action and reflex. It requires broad – scale information gathering and exploration of alternatives and emphasis on the future long-range planning. Such planning is one of the most useful value based management practice in the manager’s tool kit. Strategic thinking can help keep the focus directed towards achievement of the short term and long term target of a firm (Microsoft, 2005).

1.1.1 Strategic Planning Practices

Strategic planning process involves formulation of vision and mission statement, performance of situational analysis and finally strategy formulation and choice(Pearce and Robinson,2008).Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of the functional areas in the organization and have a direct influence on the administrative and operational activities and are vitally important to the long term health of an organization(Shirley,1982).

Although strategic planning is important, what is more important is how it is practiced in different organizations. Many organizations keep on redefining their mission and vision statement, organize seminars and include consultants to formulate strategies (Kamau, 2008).According to John Yabs (2010) Strategic thinking and decision making are the essence of strategic management and should be directed towards three fundamental things. First, determining strategic direction and long –term performance of the firm. Secondly, providing a set of managerial decisions and finally guiding the priority use of resources and internal managerial decisions.

Formal strategic planning practices call for the analysis of the key strategic factors, identifying the major strategic issues and generation of alternative strategies. In order to achieve the objectives the process of strategic implementation Thompson et al (1995) assets that implementation is the key to important of performances. It puts the organization moving towards the intended direction. According to Bateman (1990), Strategic planning practices lead to customer focus, quality management, technology strategy, research and development, production operation strategy, Human resource strategies and financial strategies, performance of an organization achievement must be supported by strategic decision. Bateman (1990) supports strategic practice and states that strategy must be supported by decisions regarding the appropriate organizational culture, technology, human resources, reward system, information system, organizational culture and leadership style.

1.1.2 Organization Performance

Performance refers to thing accomplished-something that is carried out or accomplished (Horngren et al, 2003).Many organizations are employing multiple measures of performance as opposed to a single measure that might have been used in the past. According to Leslie (2003) organization performance is tested against the commitment that the management made in its management system. It measures the management plans of whether social, economic and ecological goals are being achieved. For example, in an employment context performance is the accomplishment of tasks that make up the employee job. It reflects how well an employee is fulfilling the requirement of the job.

Organization performance can be done by introducing Organizational Performance Management Systems. There are a number of major movements and methods that could increase the performance of an organization such as use of the balance score card, best practices and quality circles. Each one of these methods includes regular recurring activities that are used to establish the goals of the organization. These activities are also required to monitor the progress of the organization towards the goals. They are used to make adjustments to achieve the desired targets more effectively and efficiently.

The balance score card measures organization performance in both financial and non-financial terms. First, financial perspectives include indicators like operating profits and return on investment. Secondly, customer perspectives like market share customer retention, loyalty, customer acquisition, customer satisfaction and customer profitability. Thirdly, internal business perspective which focuses on internal processes that have the greatest impact on customer satisfaction and the organizations financial objectives which include innovation, operation and post sales services and processes. Lastly learning and growth perspective identifies the capabilities the organization must excel at to achieve internal processes that create value for customers and shareholders (Taracha, semptember to October 2007).

1.1.3 Strategic Planning Practices and Organization Performance

Organizations do not exist in a vacuum. Each organization is set in a particular environment to which it is inextricably linked. This environment provides multiple contexts that affect the organization and its performance, what it produces, and how it operates (Nabli and Nugent, 1989). However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

Strategic planning provides all the employees with clear objectives and directions to the future of the enterprise. Most people perform better (in quality and quantity) if they know what is expected of them and where the enterprise is going. Strong incentive, unified opinion, no conflicts, control and evaluation basis and others are the positive effects of Strategic planning (Loasby, 1987).Strategic planning practices enable an organization to perceive issues related to its performance in a competitive advantage dimension. Porter (2004) explains that the business environment is complex, dynamic and competitive. To establish your business within the industry to a performing level the organization needs to strategize and use strategic planning practices as keys aspects towards establishing or positioning themselves strategically in the market.

According to Porter (2004) organization performance is determined by its ability to find a unique position. Strategic planning practices provide tools for enabling an organization to establish a unique position to acquire a unique and competitive advantage. Organizational performance is about creating value for the primary beneficiaries of the organization. Strategic thinking and planning can help you to keep the focus of your team on this value creation, and not on management tools or practices for their own sake. For example, a SWOT Analysis is a useful tool in one of the essential stages or elements of such planning processes.

The concept of performance measurement attempts to answer the basic question of how much input is required to achieve a particular output which cannot be fully achieved without formal strategic planning. For example, Productivity strategic performance measurement is directed in establishing between productivity and profitability (Harrison, 1993). An organization accomplishment of the goal and objectives is assessed against its ability to maximize shareholders wealth.

1.1.4 Commercial Banks in Kenya

The banking in Kenya is governed by the companies act, the banking act, the central bank of Kenya act and the various prudential guidelines by the central bank of Kenya (CBK).The CBK which falls under the ministry of finance docket is responsible for formulation and implementation of monetary policies and fostering liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's financial institutions, interest rates and other publications and guidelines. The banks have an umbrella body known as the Kenya bankers association (KBA), which serves as a lobby for the banks interests and also addresses issues affecting its members.

According to market intelligence report (2006) and central bank of Kenya(2008),the banking industry is broken down into 45 commercial banks in Kenya, one non –bank financial institution(prime capital an credit ltd) and two mortgage finance companies(housing finance of Kenya-HFCK and saving and loans ltd –S & L).There are 52 operational foreign exchange bureaus. Among the 45 commercial banks in Kenya competition is very stiff and this has seen many of them open branches country wide to cash on the improving Kenya economy and have repackaged their products and services.

The Kenyan banking industry has improved significantly as compared to 10 years ago. The central bank deserves credit for the improvement in the regulatory processes that have resulted in Kenyans having more faith in the banking industry and thus increasing their burrowing and total deposits. According to the central bank report (2007), total assets in the banking sector grew from ksh.328b in 1997 to 746b in 2007 a 132% increase, profitability also increased from ksh.15b in 1997 to 27b in 2007.But the key question remains whether this growth has been brought about by the strategic planning practices that the commercial banks engage in.

According to Muli (2008), the banking sector has played a major role in financing agriculture, the main key of Kenya's economy with the highest reach to the Kenyan poor. Emergence of micro-credit institutions such as k-rep bank, Family bank and Equity bank targeting small and medium enterprises as well as small scale farmers especially in the rural areas has lead to significant growth of the Kenyan economy. These banks have grown compared to other banks over the period they have been in existence. Banks now have direct sales representatives countrywide specifically to increase their customer deposits and lending power in both rural and urban areas.

A number of challenges have been experienced in the banking industry in Kenya.Mulei (2003) acknowledges that the countries financial system has acute crises involving the collapse of banks and other financial institutions. The key cause of bank failures is usually mismanagement often linked to fraud and abuse by management. Also with inflation, bank failures occur because those who have burrowed and failed to repay their loans are mostly the rich in the society while the depositors who lose their money are the poor in the society. Insecurity has also seen the banks losing out especially since the banks have to transport money using private security firms and this has led them to lose billions every year. Infrastructure in Kenya is also very expensive, in poor conditions, power, roads and communications need to be addressed. For example, according to KCB report (2008), the bank spends kshs.15million a month on security guards which is not prudent. If the security situation improved, Kenyan banks would not have to pay as much for security. Lastly the judiciary, it takes years for cases of fraud to be heard and all banks have backlogs of pending cases, while others are postponed endlessly.

1.2 Statement of the Problem

An organization practicing strategic planning involves the following, defining the organizational vision and mission, environmental scanning, setting of objectives, generating strategic option, evaluating and deciding on the strategic methods to monitor progress. For an organization to achieve it desired goal and maximize profits it needs to follow the step of corporate strategic planning. Performance is ensured and a clear vision is set that avoids confusion between the activities of the business. Organizational performance is about creating value for the primary beneficiaries of the organization. Strategic thinking and planning assists firms to keep the focus of their team on this value creation, and not on management tools or practices for their own sake. Through strategic planning, the firm is able to achieve overall organization performance in areas such as human resources, production, finance and marketing.

Commercial banks in Kenya have established short term, middle term and long range strategic planning. However they continue to face strong competition from other financial Institutions. They have not been able to establish competitive advantage by positioning themselves in a unique manner in the market. This raises the question, how does strategic planning practice relate to performance.

There are numerous studies done in Kenya in the banking industry but focused on different aspects other than strategic planning practices and performance (Masiga, 2008: Anyango, 2008).Mittra (2001) and Kamau (2008) have done studies in strategic planning practices in hotel, tours and travel companies respectively. They did not cover strategic planning practices and performance in the banking industry. This therefore fills in the gap in literature by addressing the following questions, what are the strategic planning practices adopted by commercial banks in Kenya? And how does strategic planning practice influence performance of commercial banks in Kenya?

1.3 The Objectives of the Study

The objectives of the study were:

i) To determine the strategic planning practices adopted by commercial banks in Kenya

ii) To establish the extent to which the strategic planning practices adopted by a bank influences the bank's performance.

1.4 Significance of the Study

The finding of the study will equip commercial banks, micro credit institutions, some government institutions such as treasury and non-governmental institutions with the skills to understand the underlying forces of competition in the banking industry, also with the skills of corporate strategic planning practice facilitating establishment of a unique position that census competitive advantage. The study finding provides a useful reference document for stakeholders and shareholders in the banking industry and academic institutions in their endeavor to formulate work plans to meet the performance goals.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic planning practice and its relationship with performance. It gives insight into strategic planning, strategic process and practices, strategic planning challenges, Organizational Performance and the relationship between strategic planning practice and organizational performance.

2.2 Strategic Planning

Corporate strategies are Strategies that address which businesses the organization will be in and how resources will be allocated among those businesses (Markides, 1999). Grant (2000) States that corporate strategies are sometimes called grand strategies. They are established at the highest levels in the organization, and they involve a long-range time horizon. Corporate strategies are concerned with the overall direction of the time horizon, specifically tied to mission statements, and generally formulated by top corporate management. Four basic corporate strategy types are recognized: growth, stability, defensive, and combination.

Growth strategies are used when the organization tries to expand in terms of sales, product line, number of employees, or similar measures. Under this concept, an organization can flow through concentration of current businesses such as vertical integration and diversification. Kellogg and McDonald's use concentration strategies – focusing on extending the sales of their current products or services very successfully

Stability strategies are used when the organization is satisfied with its present course. Management will make efforts to eliminate minor weaknesses, but generally its actions will remain the status quo. Stability strategies are most likely to be successful in unchanging or very slowly changing environments. Growth is possible under a stability strategy, but it will be slow, methodical, and non aggressive. Most organizations elect a stability strategy by default rather than by any conscious decision or plan (Smith, 1994).

According to Osbone (1992) Defensive or retrenchment strategies are used when a company wants or needs to reduce its operations. Most often they are used to reverse a negative trend or to overcome a crisis or problem. The three most poplar types are turn – around (designed to reverse a negative trend and get the organization back to profitability), divestiture (the company sells or divests itself of a business or part of a business), and liquidation (the entire company is sold or dissolved). These strategies became popular in the 1990s to reverse the excesses of the 1980s and focus on new directions for corporate growth.

Combination strategies are used when an organization simultaneously employs different strategies for different parts of the company. Most multibusiness companies use some type of combination strategy, especially, those serving several different markets. Coca – cola, for example, pursued a combination strategy in 1989 when it divested its Columbia Pictures division while expanding its soft drink and orange juice businesses (Langley, 1988).

Strategic planning involves the determination of the long term objectives of an organization and prescribes the course of action needed to get them (Cole 2006).Strategic planning creates the ability to proactively initiate action and reflex. It provides fundamental decisions and actions that shape and guide what the organization is, what it does and why it does it. It requires broad – scale information gathering and exploration of alternatives and emphasis on the future or long range planning. According to Chandler (1962) strategy is the determination of basic long term goals and objectives of an organization and the adoption of services of action and allocation of resources for carrying out these goals.

Steiner (1979) provided a thorough conceptualization of strategic planning. According to Steiner, planning is an attitude and a process concerned with the future consequences of current decisions. Formal strategic planning links short, intermediate and long range plans. Strategic planning does not attempt to make future decisions or even forecast future events. It need not replace managerial intuition and judgment with massive, detailed sets of plans. Steiner (1979) argued for the importance of strategic plans, providing keen insight into overcoming the barriers and biases associated with planning failures. However, research by Steiner and others is founded in the critical assumption that planning is important. But the debates range in on the literature. The key question remains: is there really a link between planning and performance?

The literature is inundated with the apparent advantages of planning, most notably its ability to improve the fit between the organization and its external environment (Gosiwalla et al, 1981). Others have argued that planning aids in the identification of future marketing threats and opportunities, elicits an objective view of managerial problems, creates a frame work for internal communication, promotes forward thinking, and encourages a favorable attitude to change (Hausler, 1968; Loasby, 1967; Stern, 1966;). Further, there are intrinsic benefits that accrue as a result of the planning process, including the positive effects of planning on local employment and the economy (Greenley 1986).

According to Roach et al (1983), the strategic planning process is the product of the best minds inside and outside the corporation. The process considers future implications of current decisions; adjustment plans to the emerging business environment, manages the business analytically, and links, directs, and controls complex enterprises through a practical working management system. This process plays a vital role in a firm's performance (Roach et al, 1983). Cartwright (1987) suggested that effective planning is not as rational and analytical as it has been portrayed in the literature. He argues for the lost art (rather than science) of planning. He contends that planning is both a generic activity whose success determines is partially independent of the areas in which it is applied, and an area where judgment, intuition, and creativity are still important.

Robinson et al (1984) argued that formal strategic planning is a conceptual activity suited solely to large firms and therefore has no effect on the financial performance of small firms. Wortman (1986) reviewed a set of small business planning performance studied in the context of a broad survey of the methodologies employed in the small business literature. Wortman developed typologies, but did not focus on the particular issue of the effect of formal strategic planning on small firm's performance. However, he clearly addressed the need for continued refinement in planning and performance relationships and recommended the use of sophisticated statistical techniques foe addressing such substantive research questions.

Greenley (1986) agreed with Robison et al but provided an alternative perspective, suggesting that there may not even be a positive relationship between planning and performance. Specifically, Greenley noted that face validity of the planning-performance linkage, but reports that existing empirical data has not yet substantiated the relationship.

Ramanujam et al (1987) provided limited support for Greenley's contention. However, their empirical analysis of high and low performing firms elicited significant differences between the groups that relate to the planning process. Specifically, their research examined the quality of the planning. For example, high performing firms tend to commit resources to planning and promote line staff cooperation substantially more than low performing firms. Low performers may plan; they just may not plan effectively.

Pearce et al (1987) examined the perceived substantive contributions of each of eighteen existing studies, concluding that empirical support for the normative suggestions that all small firms should engage in formal strategic planning has been inconsistent and often contradictory. In a similar view Schwenk et al (1993) recently meta-analyzed fourteen studies on formal strategic planning and performance in small firms. While they did not find that planning necessarily improves performance, they argued against the assertion that strategic planning is only appropriate for large firms. As such, they concluded that strategic planning promotes long range thinking, reduces the focus on operational details, and provided a structured means for identifying and evaluating strategic alternatives. Since this was the first review that clearly demonstrated the planning-performance link across studies, it strengthened the case for recommending the use of strategic planning in all firms, regardless of size. Sinha (1990) appears to have empirically established some kind of a planning-performance linkage. Sinha examined 1087 decisions made by 129 fortune 500 firms between 1987 and 1986. He concluded that characteristics of the decisions accounted for 15 percent of the variance in data and therefore should be regarded as important determinants of the contribution planning makes in decision making. However, Sinha (1990) concedes that the quality of planning is critical to the relationship.

2.3 Strategic Planning Process and Practices

Strategic planning usually involves all departments of an organization and is often a fundamental part of the strategic management process. Strategic planning often leads to major changes in the way the enterprise is managed and operated. This change is aimed at management excellence and an organization must exhibit such excellence in execution of strategy because, the results of the strategic planning can affect the well being or the failure of the enterprise in its industry (Thompson: 1997; Glueck et al: 1984 & 1988).

Steiner (1979) and Barry (1986), argue that strategic planning and management, regardless of whether public or not profit organization engage in it, can help an organization achieve clarity of future direction, think strategically and develop effective strategies, establish priorities, deal effectively with rapid changing circumstances, build teamwork and expertise, and solve major organizational problems, and improve organizational performance. Strategic management is directed towards determination of strategic direction, long-term performance of the firm, providing managerial decisions and allocation of resources (Yabs, 2010).

Ansoff (1984) clarifies that the first step in the evolution of strategic planning process is known as strategic formulation, it began in 1950s when firms started to invent a systematic approach in deciding on how and where the firms will do its future business. The process by which mangers jointly formulated the strategy was known as strategic planning. The term strategic management was subsequently introduced to include environment assessment and strategy implementation. Thus, strategic management is defined as being where strategic planning is coupled with strategy implementation.

Different organizations emphasize different parts of this process (Bateman and Zeithaml: 1990). Internal assessment involves review of current strategy and internal resource analysis. While reviewing current strategy, decision makers identify current goals and strategies and determine whether the organization is moving in the appropriate direction. The second step focuses on an analysis of the strengths and weaknesses of major functional areas within the organization. this analysis provides strategic decision makers with an inventory of the organization's skills and resources and its overall and functional performance levels.

According to Bateman (1990), environmental analysis begins with an examination of the industry followed by organizational stakeholders. Stakeholders include buyers, suppliers, competitors, government and regulatory agencies, unions and employee groups, the financial community and trade associations. This analysis provides a map of these stakeholders and the ways they influence the firm. Environmental analysis is cornerstone in the formulation of appropriate strategies for the future.

Strategy formulation begins with the summary of the major facts and forecasts derived from first stage. This leads to a series of statements that identify strategic issues confronting the organization. These issues may be opportunities, problems, or threats that require strategic action. Managers develop major strategic alternatives. These alternatives are then evaluated. From this process, a set of specific strategic recommendations, revised statement of the organization's mission, strategic decisions are normally taken with regard to the external environment as opposed to internal operating factors.

According to Thompson and Strickland (1997), the implementing function consists of seeing what it will take to make the strategy work and to reach the targeted performance schedule. The job of implementing strategy is primarily a hand-on close- to-the scene administrative task. This stage follows strategy formulation. Strategy must be supported by decisions regarding the appropriate organizational structure, technology, human resources, reward systems, information systems, organization culture, and leadership style. Strategy must fit the multiple factors responsible for its implementation. (Bateman and Zeithaml: 1990).

According to Steiner (1998) and Bateman et al (1990), evaluation and control is concerned with determining what the actual performance of the firm is and ensuring that it is consistent with organization roles, objectives and expected performance. This stage must allow the organization to take corrective actions when the plans have been implemented improperly. The features of this stage include measurable performance indicators related to the goals, information systems that processes data related to performance indicators, budgets and schedules that guide and evaluate the process of the work unit.

However, Mentzberg (1998) tells us that no matter how well the organization plans its strategy, a different strategy may emerge. Starting with the intended or planned strategies, he related the strategies in the following manner, Intended strategies that get realized; these may be called deliberate strategies. Intended strategies that do get realized; these may be called unrealized strategies and realized strategies that were never intended; these may be called emergent strategies.

According to Steiner et al (1990) strategic practices of evaluation and control determines what actual performance of the firm. It ensures it is consistent with the organizational notes objectives and expected performance. The practice of evaluation and control allows the organization to take corrective action. When the plan has been implemented improperly. The features of stage include measurable performance indicators related to the goals, information system, budget and schedules among others.

Matzberg (1988) tell us that however much an organization plans its strategy it cannot achieve its desired goal without its practice. The strategic formulation must consider customer care, Human resources, prizing strategy, technology, research and development, information management system, quality control among other. The ability to perform and operate effectively relies heavily on superior corporate strategic planning practices. The practices cover the major functional elements of management (kroll 1992). According to Hamel and Prahalad (1994) Human resource is the ultimate organizational resources. A strong organization must be supported by an effective Human resource management. Strategic Human resource according to mushnog (2006) involves total deployment of Human resources. The strategy practices include policies for interactions with the trade union, implicating of change and new technology and creation of an environment that call for flexible attitude and acceptance of new working practices. The practice of performance contracting is desirable and formulation of a fair and elaborate performance approval system.

Bhardwaj et al (1993) conclude that customer focus is a strategic practice that enhances performance of the organization. Sagimo (2002) states that organization should avoid making superficial assumptions on their clients needs. The organization customer care strategy makes sure the customer's needs are meet. Kotler (2003) Attention on the customer makes the customer important and valued. The customer need to feel service and trusted. The organization produced products will go to waste if they are not confirmed. To safeguard the customer the organization should not practice providing customers with bad products, relay and pratronice should be avoided. According to Ansoff (1984) technology is key in coping with dynamic competetive situation. Technological environment refers to the state to the state of scientific knowledge skills and techniques, production processes, tools and equipment those support systems available in the organization.

2.4 Strategic Planning Challenges

2.4.1Technology

Change of technology has posed a great challenge in the banking sector. Since the mid-1990s there has been a growing concern about the impact of technological change on the work of many firms. Even with change in technology, many business entrepreneurs appear to be unfamiliar with new technologies. Those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions. In most of the African nations, Kenya inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists (Muteti, 2005).

2.4.2 Staff Resistance

In the 1940's, social psychologist Kurt Lewin first introduced the idea of managing and removing "resistance" to proposed changes occurring within organizations. His early work focused on the aspects of individual behavior that must be addressed in order to bring about effective organizational change. Murphy (2002) states that: Lewin suggested that any potential change is resisted by forces in the opposite direction. The idea is similar to the dialectical principle that everything generates its opposite. But within Lewin's framework, the forces tend to be external to the change, holding situations in states of dynamic equilibrium. His solution was to advocate that successful change rests in "unfreezing" an established equilibrium by enhancing the forces driving change, or by reducing or removing resisting forces, and then "refreezing" in a new equilibrium state.

The first known published reference to research on resistance to change in organizations was a 1948 study conducted by Lester Coach and John R. P. French entitled, "Overcoming Resistance to Change." Their research, which generated a large body of work on the importance of employee involvement in decision making, was conducted at the Hardwood Manufacturing Company, a pajama factory located in Virginia. This study focused on the main questions (1) why do people resist change so strongly? and (2) What can be done to overcome this resistance? (Diamond and Khemani,1999). In 1950, Alvin Sander wrote, "Resistance to Change-Its Analysis and Prevention." His article made an early distinction between the symptoms of resistance, like hostility or poor effort, and the underlying causes for the behavior. Diamond and Khemani(1999) state, "Rather than providing a systems model, Sander equates resistance in organizations to that of a psychotherapist and a patient. His primary advice for practicing managers is to know what the resistance means so that they may reduce it by working on the causes rather than the symptoms"

2.4.3 Capacity and Technical Skills

According to Anyango (2008) A greater constraint in strategic planning arises from inadequate human resources. However to overcome this constraint may require a major training program, which again will take time, but may not necessarily deliver the pay-off anticipated. Expertise is required for interacting with vendors, to maintain the right path in implementation of the strategy would require having adequate management skills to optimize the strategy once established. Often this is insufficient to provide the required service to users. Faced with the poor pay scales mentioned previously, one solution is simply to pay retention bonuses.

2.5 Organizational Performance

Organizational performance is surrounded around the achievement or accomplishment of goals and objectives of the organization (Kootz, 2006). The accomplishment of goal may be financial and Non – financial. Armstrong (2006) state that financial achievement is increased in profitability and increasing the shareholders wealth by maximizing it. Non – financial measures objectives that have direct bearing on financial out come but cannot qualify in monitory form such as the re-engineering processes. Harrison (1993) The standard of performance in an organization is a quantifiable expression of an objective and is the focus of measurement. Organization performance according to Cole (2004) can be measured in terms of efficiency and efficiency that have bearing on the expected out come.

Ranchman (2006) states that a performance indicator is a measure of a performance criteria. It measures direction and extent of achievement in terms of cost reduction or savings compliance with budgetary targets, net win on capital gross profits or compliance with business plan .Sagimo (2002) rates performance with completion rate, output like completion of a report customer satisfaction, safety measures implementation and Incidences of reduction of corruption.

Microsoft (2005) measures performance in terms of service delivery. The service delivery is in terms of adhering to the promises and charters. For example an organization major objective this year is to maximize the shareholders wealth with 10%. At the end of the trading year the performance value will be measured in terms of how this has been delivered considering that the quality and status of the product have not been compromised. Strategic objectives establish the performance level to be achieved on priority in every organization.

2.6 Strategic Planning Practice and Organizational Performance

Strategic management has gained prominence in the world of business most of the current events covered in business publications such as the economist, weekly review; business weekly among others encompasses strategic management concepts. It is important for one to understand the basics of strategic management as domestic and foreign competition intensifies. Employees, supervisors and middle level managers ought to familiarize themselves on issues of strategic management. An appreciation of their organization's strategy helps them relate their work assignment more closely to the organizations direction, thereby enhancing their job performance and opportunity for promotion and making their organization more effective.

Systematic strategic thinking helps you to find, and decide what to do about, the handful of really big issues facing your business or any other organization. It is the size and impact of these strategic issues that gives rise to the importance of the strategic plan. Such planning is one of the most useful value-based management practices in the manager's tool kit. Few formal management practices have been proven by hard won experience, and confirmed by research, to enable organizations to improve their performance, and a logical formal process to produce a strategic plan is one of them.

Organizational performance is about creating value for the primary beneficiaries of the organization. Strategic thinking and planning can help you to keep the focus of your team on this value creation, and not on management tools or practices for their own sake. Over the past decade, researchers have investigated the effects of formal strategic planning on financial performance in organizations. Many have concluded that there is no consistent association between the strategic planning process and performance (Cappel, 1990, Greenley, 1986; Leontades et al, 1980; Orpen, 1985; Robinson et al, 1983). In response to studies highlighting the impact of strategic plans on firm's performance (Karger et al. 1975; Rhyne, 1986; Sapp et al, 1981; Welch, 1984), recent research has been a greater emphasis on the strategic process rather than on the strategy content that Hofer (1975) proposed in his early study.

Langley (1988) also provided support for the benefits of planning, identifying four roles of formal strategic planning. In the public relations role, formal strategic planning is intended to impress or influence outsiders. The information role provides input for management decisions. The group therapy role is intended to increase organizational commitment through the involvement of people at all levels of the organization in strategic planning. Finally, the direction and control role is fulfilled when plans serve to guide future decisions and activities towards some consistent ends.

There are many reasons that have been given by executive and researchers as to why firms should use strategic management method. The condition of most businesses changes so fast that Strategic planning is the only way to anticipate future problems and opportunities. The method thus allows an organization to make its decisions based on long-range forecasting, not spar-of-the moment reactions, it allows the firm to take action at an early stage of a new trend and to consider the lead time for effective management. Change is anticipated and direction and control for the enterprise is provided by Strategic planning. Risk is reduced as the firm innovates in good time to take advantage of new opportunities in the environment.

Strategic planning practice provides all the employees with clear objectives and directions to the future of the enterprise. Most people perform better (in quality and quantity) if they know what is expected of them and where the enterprise is going. Strong incentive, unified opinion, no conflicts, controls and evaluation basis among others are the positive effects of Strategic planning (Loasby, 1987).It assists managers in assigning of roles, duties and responsibilities in an effective and efficient way.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methods that were used to collect data that generated information on strategic planning practices and performance of commercial banks. The chapter also describes and explains the research instruments that were used in the study. The chapter is thus, outlined into research design, target population and description of research instrument, data collection procedure and data analysis technique.

3.2 Study Design

This research study was best studied through a survey. Descriptive survey research portrays an accurate profile of persons, events, or situations (Robson, 2002). A survey allows for the collection of various data from a sizable population in a highly economical way. Surveys have also been successfully used in other studies on commercial banks; also it allows one to collect quantitative data, which can be analyzed quantitatively using descriptive and inferential statistics (Saunders et al., 2007). Also allows for comparison which this study intends to do. A survey is appropriate for the study as the variables were studied in their natural setting and the researcher has no control over them.

3.3 Target Population

The target population was officers in charge of strategy. This study was carried out on 45 commercial banks in Nairobi (central bank report ,2008).It is important to note that although these banks have branches across the country, their strategy officers are located in Nairobi.

3.4 Data Collection

The study relied on primary data collected using semi-structured questions. The questionnaire consisted of part A, which included general information, Part B included questions on strategic planning practices and Part C contained performance questions. The questionnaire was carried out by pick and drop method. Secondary data was collected through observations and scanning company records.

3.5 Data Analysis

The analysis was done using percentages to determine demographics such as number of years of service at the bank, response rate and frequency of review of the vision and mission. Mean scores were computed to determine the extent to which strategic planning practices were adopted by commercial banks. Mean scores were also used to determine perceived organization performance and perceived market performance. Correlation coefficient was computed to determine the extent to which strategic planning practices adopted by a bank influences their performance.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

The research aimed at assessing the relationship between strategic planning practices and performance of banks in Nairobi. The chapter used descriptive research design and questionnaire with both structured and unstructured questions were used as the instrument for data collection. The findings and interpretation were categorized based on study objectives. The research targeted 45 banks in Nairobi which the research managed 38. This chapter gives insight into the questionnaire response, demographic information of the respondents.

4.2 Bank Demographics

The questionnaire had questions on the number of years the respondents had served in their organizations and also measured the response rate, the results were tabulated using percentages as shown in Table 4.1

Table 4.1 Number of Years of Service in the Bank

The respondents included officers in charge of strategy as indicated in Table 4.1

Years	Frequency	Percent
Less than three years	8	21
3-5	17	44.7
6-8	7	18.5
9-11	6	15.8
Total	**38**	**100**

From the data presented by the Table 4.1 majority of managers have served in their bank for a period of three to five years represented by 44.7%. Only 21% have served for less than five years.

4.2.1 Response Rate

As shown in Table 4.2, From the 45 commercial banks visited by the researcher, three commercial banks stated that they did not wish to participate in the research, two other questionnaires were returned incomplete, while two more were returned unaswered.The data collected from the respondents was from 38 commercial banks out of the 45 commercial banks.

Table 4.2 Response Rate

Response Rate	Frequency	Percentage
Did not respond	3	6.7
Returned incomplete questionnaires	2	4.4
Returned blank questionnaires	2	4.4
Completed questionnaires fully	38	84.5
Total	**45**	**100**

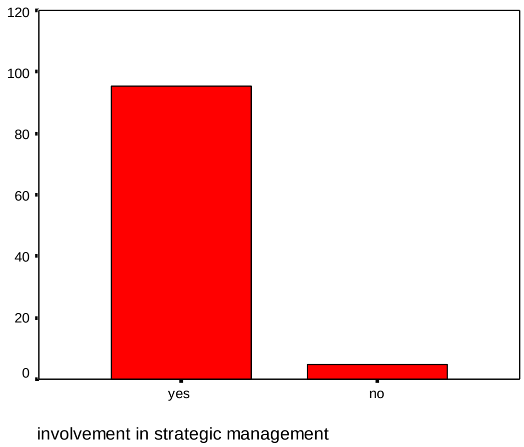
4.3 Strategic Planning Practices

The first objective of the study was to find out the strategic planning practices adopted by commercial banks in Kenya. The questionnaire had various indicators to measure this, the strategic planning practices were measured using a five point likert scale where 1=not at all while 5=to a very great extent. The results were presented using mean scores and standard deviation.

4.3.1 Frequency of Strategic Management

The questionnaire had indicators on the involvement of strategic planning, review of vision and mission and respondents were to answer on the frequency as indicated by Figure 4.1 and Table 4.3.

Figure 4.1 Frequency of Strategic Planning



It shows that 95% of the banks are actively involved in strategic management while 5% were not actively involved.

Table 4.3 Frequency of Vision and Mission Statement Review

Table 4.3 above shows that mission and mission are reviewed from time to time. Review after five years is represented by 42%, 39.5% after 10years and three years 11.9%. This means that majority review the document after five years.

Review Interval	Frequency	Percent
after every five years	16	42.1
annually	1	2.6
quarterly	3	7.9
after 10 years	15	39.5
after 3 years	3	7.9
Total	**38**	**100**

4.3.2 Situational Analysis

The respondents were also asked the extent to which their banks were involved in internal and external analysis, evaluation of strategic options, establishment of strategic direction and strategy implementation as shown in Table 4.4.

Table 4.4 Situational Analysis

Analysis	Mean Score	Standard deviation
External analysis	4.66	2.08
Internal analysis	4.68	2.09
Strategy findings -Evaluation of strategic options	3.85	1.72
evaluation of strategic risks	2.96	1.32
Establishing strategic direction	3.73	1.67
Strategy formulation	4.76	2.13
Strategy implementation	2.43	1.09
Strategy implementation monitoring	2.83	1.27

It is evident from the table that that external analysis, internal analysis and strategy formulation are considered to a great extent at a mean of 4.66, 4.68 and 4.76 respectively. On the other end evaluation of strategic risk, strategy implementation and strategy implementation monitoring are considered moderately at a mean of 2.96, 2.43 and 2.83 respectively.

4.3.3 Involvement in SWOT Analysis

SWOT analysis is practiced in commercial banks but the extent to which it is done varies from one bank to the other. Senior management, consultants, head of departments, employees and Chief executive officers were involved as shown in the table below.

Table 4.5 Involvement in SWOT Analysis

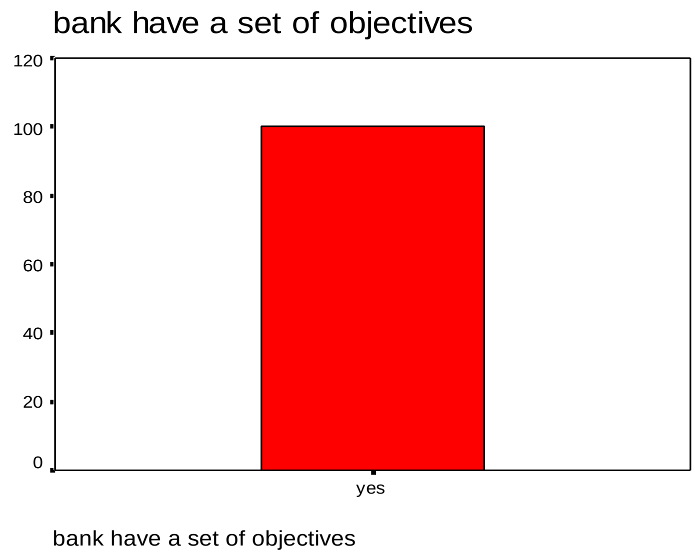
Analysis	Mean Score	Standard deviation
Senior Management	4.52	2.02
Consultants	2.65	1.18
Head of Departments	3.25	1.45
Employees	3.45	1.54
CEO	4.85	2.17
Share Holders	2.83	1.27

From the table 4.5,it is clear that CEO,s are responsible for SWOT analysis to a great extent at 4.85% and senior management at 4.52%,heads of departments and employees were involved moderately at 3.45 and 3.25while consultants were the least involved at 2.65.

4.3.4 Awareness of Set Objectives

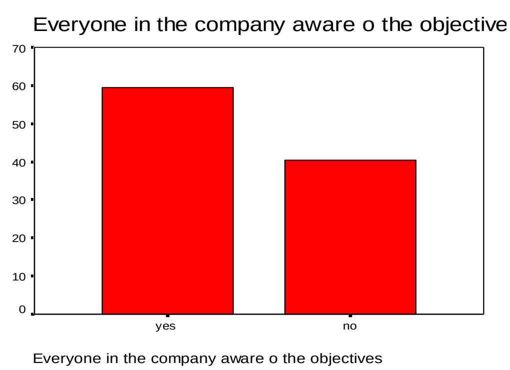
From the study it was apparent that all commercial banks have a clear set of objectives for their organization's and employees are aware of the objectives which act as indicators of strategic planning practices and performance.

Figure 4.2 Have a Set of Objectives



From Figure 4.2 all banks have a set of objectives which are clearly measurable where staff members are aware of the overall objectives and specific objectives.

Figure 4.3 Awareness of Set Objectives



It is evident from Figure 4.3 that majority of the staff members are aware of the objectives of the bank represented by 60% while those not aware consists of 40%

4.3.5 Influence in Setting Objectives

The questionnaire had indicators on whether the CEO, senior management, strategic planning groups, shareholders, consultants and employees had influence on the setting of objectives .Using a five point likert scale where 1 indicated no opinion and 5 indicated very influential.

Table 4.6 Influence in Setting Objectives

Analysis	Mean Score	Standard Deviation
CEO	4.95	2.21
Senior management	4.45	1.99
Strategic planning groups	2.35	1.05
Shareholders	3.95	1.77
Consultants	1.23	0.55
Employees	3.35	1.50

From the above table CEO's had the most influence in setting objectives at 4.95, shareholders were moderately influential at 3.95 while strategic planning groups were least influential at 2.35.Consultants had no opinion in setting of objectives.

4.3.6 Strategic Formulation Process

The questionnaire had indicators to determine the extent to which political, economic, legal and technological changes influence strategic planning practices using a five point likert scale

Table 4.7 Factors considered in Strategic Formulation

Factors	Mean Score	Standard Deviation
Political factors	4.63	2.07
Legal developments	4.73	2.12
economic	4.86	2.17
Technological changes	3.94	1.76
Social cultural trends	3.64	1.63
others	2.55	1.14

From the table it is evident that political, legal, economic factors are considered to a very great extent when forming strategic planning practices while technological and social cultural factors are considered to a great extent.

4.3.7 Measures used to Improve Planning Process and to get Optimal Results from the Strategic Planning Process

Using a five point likert scale, the questionnaire also measured measures applied by the banks to improve the planning process and to get optimal results from the strategic planning process.

Table 4.8 Strategic Planning Process

Measures	Mean Score	Standard Deviation
Management team treats strategic planning as part of its daily responsibilities	2.63	1.18
Ensure that all planning participants have a solid understanding of the business, its strategy and the underlying assumptions	4.96	2.21
Run a tailored planning process	3.74	1.67
Structure environment for analysis into different segments and sub segments	4.63	2.07
Middle managers can contribute their knowledge to the setting of the strategic agenda	2.54	1.14
Top managers support a new strategy and express this clearly	4.93	2.20
All corporate units have to make their contribution to strategy implementation	3.85	1.72
Strategy development is combined with capital allocation	4.64	2.08
Feedback mechanism is a part of the strategy implementation	4.73	2.12

It is evident that the banks ensure all planning participants have a solid understanding of the business, its strategy and underlying assumption, structure the environment for analysis, top managers support a new strategy and express it clearly, strategy development is combined with capital allocation and feed back mechanism is part of strategy implementation.

4.4 Organization Performance

The questionnaire had various organization performance indicators. The respondents were asked to compare the organization performance of their organizations on these indicators over the past 5 years to that of other organizations in the same kind of business using a five point likert scale.

Table 4.9 Perceived Firm Performance

Indicators	**Mean Score**	**Standard Deviation**
Quality of products and services	2.38	1.06
Development of new products and services	2.46	1.10
Ability to retain essential employees	2.63	1.18
Ability to attract essential employees	2.14	0.96
Satisfaction of customers	2.63	1.18
Relationship between employees	2.63	1.18
Retention of customers	1.81	0.81

From the table above ability to retain essential employees, relationship between employees and satisfaction of customers was good at a mean of 2.63.The frequency at which the banks developed new products was at 2.46 while quality of products and services was at 2.38.Retention of customers was poor at a mean of 1.81

Table 4.10 Perceived Market Performance

The firm had market performance indicators in terms of profitability, market share, capital level, customer base and total deposits.

Indicators	Mean Score	Standard Deviation
profitability	3.13	1.40
Market share	3.16	1.41
Capital level	2.88	1.29
Customer level	3.16	1.41
Total Deposits	2.85	1.27

From the table above customer base and market share for the banks was good at a mean of 3.16.Profitability at 3.13.While total deposits and capital level was average at 2.85 and 2.88 respectively.

4.5 Strategic Planning Practices and Performance

Correlation was used to determine the strategic planning practices and performance the indicators included the relationship between setting objectives and perceived overall performance, situational analysis and market performance and strategic formulation and perceived firm performance.

The relationship in strategic planning practices and performance is as shown in Table 4.11.

Table 4.11 Strategic Planning Practices and Performance

Response	Correlation
Setting objectives and perceived performance	0.45
Situation analysis and perceived market performance	0.42
Strategic formulation process and perceived performance	0.48

It is evident that there is a positive relationship between strategic planning practices and performance. Majority of the managers agree that strategic planning gives desired results as represented by correlation of 0.45. The managers' state that strategic planning provides a road map, gives direction, analysis the risks, provides a criterion for implementation In addition it enables the managers to monitor progress and review by making timely corrections. While 0.42 states that having the strategy in place cannot provide desired results automatically. Employees and other stakeholders must be trained on the implementation of the strategy through formulation of work plans and support programmes.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter aims at establishing the finding of the relationship between strategic planning practices and performance of banks in Nairobi. It gives insight into the summary of the major findings, conclusion and recommendations.

5.2Summary of the study

The following are the summary of the research findings from which the conclusion and recommendation are drawn. Most of the bank managers have relevant experience to spearhead performance in their respective banks. Majority had served in the bank for more than 5 years represented by 44.7%. In addition at the rate of 95% bank are actively involved in formulation implementation and monitoring strategic plans.

Strategic management documents are contained in company records and well displayed in offices and in banks letter heads a clear indication of their importance in the process of performance management. All the key elements of strategic management planning are strongly considered by the banks. Internal analysis is considered in the processes of strategic planning at the rate of 4.68, external analysis 4.66, evaluation of strategic options 3.85, evaluation of strategic risk at the rate of 2.96, establishment of strategic direction, formulation implementation and monitoring also at the rate of 3.73, 4.76 and 2.83 respectively.

SWOT analysis enables the organization to identify its actual position in terms of strength, weakness opportunities and threats. All the key play namely consultants, senior management, Heads of department employees and CEO are involved in Swot analysis. However not all stakeholders poses the technical knowledge to conduct Swot Analysis.

The strengths of the banks were identified and are a variety. The major strengths of the banks were in its capital represented by 2.88 qualified staff 2.63 and customer base represented by 3.16. The three major ones constitute a cumulative 71.4%. The other minor strengths were in continuous growth 11.9% developed system of work 7.1% and low interest rate at 9.5%. The bank weakness range from high turnover 21.4% few branches 21.4% and low capital base 19.5% are the major weakness of the bank. The other weaknesses are related to low customer base and aim problems.

All banks have well constructed set of objectives. The objectives are only clear to 59.5% who are aware while 40.5% are not aware of the objectives. The study also established that CEO and senior mangers influence greatly the setting of objectives compared to the moderately influential of strategic planning groups and shareholders. Employees who participate in implementing the objectives are not influential in their formulation and setting.

The formal planning process is characterized by informal process represented by 61% availability of the preparation time table 83% and existence of a clear ant-responsibility for planning. During the process of strategic formulation process political factor is considered at the rate of 4.63, legal factor 4.73, economic factor 4.86, technological changes 3.64 while social and cultural factors command less than 40%. This indicate that the preferring economic situation in relation to market trends, purchasing power, interest rate and levels of inflation and considered at a greater extent.

The performance of the banks is important and is measured in term of various parameters. Quality of product or service to the customer, profitability of the firm and the ability to attract qualified and essential employees are the major factor that require strategic approach the strategic management issues are complex in nature and required specialized knowledge to facilitate effective and efficient implementation of the program.

5.3 Discussions

No organization stays in the position for ever, triggers from the external and internal environment keep on changing forcing the organizations to keep on reinventing themselves. Such factors such as increase in cost of production, increase in cost of raw materials, increase in cost of living resulting to demand of higher salaries, increased competition require the bank to make a bigger change. The change needs to be strategic by ensuring all the elements of strategic planning process are considered. Although the major factors considered in strategic formulation are vision, mission the external and internal factors the bank need first to engage on staff training and attitude change to support the introduction of strategic for achievements.

Strategic planning practice has a positive correction with performance where a proper plan is in place and has a direction, the organization performs. However a good strategy poorly implemented leads to disaster. Therefore a strategy needs to be well devised by selling clear direction and scope of the organization. All the banks in Nairobi are involved in strategic formulation, implementation and evaluation. Strategies are good and act as a road map guiding the bank through the competitive environment. However the bank performance is not uniform. The banks attract different class of customers, differ in deposit, in customer retention among others. This means that the driving force toward achievement of the desired level of performance is the manner in which the strategy is practiced.

5.4 Conclusions

From the finding of the study the research makes the following conclusion; The study has established that utmost all banks in Nairobi are involved in strategic planning. The major elements considered in strategic formulation process are also considered particularly by the big banks compared to the banks that have been elevated from microfinance class.

Most of the banks involve all stakeholders in formulation and implementation of strategic planning and its practice. However majority include only the elected representative and top management. All stakeholders in the organization namely employees, senior management, consultants are involved in strategic management and Swot analysis. Involving all stakeholders require them to poses the knowledge and skills required to analysis. Where all are included it may take long time expensive and may not improve the performance of the banks.

All the banks set board objectives but only know to 59.5%. In addition senior managers and CEO are the most influential persons in the setting of the objectives the employment are least influential. The major factors considered in strategic formulation are political legal economic and technological changes. Its important to not the economic factor is strongly factored in the process.

The banks measure its performance mainly on quality service to the customer, profitability ability of the organization to attract essential customer. Those are important factor however retention of the customer, relationship of the employee who works with the customer is too significant. Other such as capital is prime which bank consider minor. Strategic practices would provide sufficient results to the bank are there administration is done professionally and all stakeholders involved in the process of formulation implementations and monitoring. The feedback mechanism that allow for identification of defect is not factor without feedback the process cannot be complete.

5.5 Recommendations for Policy and Practice

On the basis of the findings of the study, the following recommendations are important to facilitate improvement of performance in the banking sector in relation strategic planning practices. All the managers employed by the bank are should not be allowed to work in the same station for more than three years. Managers should be rotated within the organization to ensure that they become familiar with other duties and responsibilities as these will lead to overall improvement of performance. Also will improve in the implementation of strategy.

All the stakeholders in the bank need to be involved in all the stages of strategic management process. This will allow the worker to identify themselves with the process and practice and will facilitate performance of the banks in Nairobi. Also it will create autonomy within the employees, reduce conflict, help in performance appraisal and reduce resignation of employees.

A specialized team should be formed to conduct Swot analysis. The team that is qualified to conduct the analysis should be selected by top management to aid in the process. A consultant is best suited to carry out swot analysis as they are not biased against any party. Due to the complex nature of strategic planning qualified staff need to be employee though expensive for the practice to produce results the alternative would be to hire the service of a consultant through the process of out sourcing.

All important factors need to be considered in measuring of the performance of the organization not merely profitability employees and profitability. The bank should develop a strategy on how to overcome its weakness. The employee should be involved in the whole process and be educated about the process. To ensure result broad objectives should be structured to specific objectives and communicated to all members of the staff.

5.6 Recommendations for Further Research

The research is not exhaustive and the researcher recommends the following areas for further research. Challenges of implementation of strategic planning practices. From the research it is evident that employees are not fully involved in strategic planning, so there may be challenges when implementing the strategy. Further research should therefore be done to find out how strategic planning is implemented and the challenges that banks face when implementing the strategy.

Comparative analysis to cover all financial institutions in Nairobi. A comparative analysis to cover all financial institutions would be of great help to willing investors, customers, employees of financial institutions and the government. This would give information for competitive advantage, public image, performance both financial and non financial. These would help all stakeholders in making the correct decisions, increase healthy competition and create more awareness.

An assessment of the impact of strategic management in enhancing customer retention in the bank. It is also evident from the study that all the banks are competing for customers and value their customers so the banks keep on reinventing themselves over and over again.

Further study to assess how strategic management enhances customer retention would assist these organizations in their marketing, research and development strategies

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APPENDICES

Appendix 1: Letter of Introduction

Dear respondent

Re: Questionnaire on Analysis of the Relationship between Strategic Planning Practices and Performance of Commercial Banks.

I am carrying out a research for the purpose of establishing the strategic planning practices adopted by the bank and their effect on overall performance of the bank. The study is significant as it will enable banks to establish their weakness, strength and opportunities. The results will form a useful reference document for the bank in their process of formulating plans that place them in a unique position in the banking industry and to minimize competition. The information you provide will contribute to the study and the findings will be used to improve the situation. You have been requested to answer all questions as honestly as possible. You are also assured that the information you provide will be treated with absolute confidentiality. Your willingness to help will be sincerely appreciated.

Yours sincerely

Sophia W. Muriuki

MBA Student

University of Nairobi

Appendix 11: Research Questionnaire

Part A: General Information

1. Name of the Bank____________________________________

2. Number of years in operation ________________________________

3. Number of branches _____________________________________

4. Number of years of service at the bank______________________

Part B: Strategic management Practices

Section A: Vision and Mission

5. Is your bank actively involved in strategic management?

Yes ( ) No ( )

6. A) Does your bank have formal documentation of vision and mission statements?

Yes ( ) No ( )

B) If your answer is yes in 6a, please tick those who are involved in the formulation of the company's mission and vision.

CEO ( )

Directors ( )

Consultants ( )

Shareholders ( )

Staff ( )

Others? Please specify______________________________

7. How is your vision and mission developed?

CEO ( )

Consensus ( )

Inherited ( )

8. How often are the vision and Mission statements reviewed?

After every 5 years ( )

Annually (   )

Semi annually (   )

Quarterly (   )

Any other period? Please specify____

Section B: Situation Analysis

9. Describe the extent to which the following apply in the strategic planning process.

Use a 5 point scale where

1=not at all

2=a little extent

3=moderately extent

4=great extent

5=very great extent

Step	**1**	**2**	**3**	**4**	**5**
External analysis					
Internal analysis					
Strategy findings - Evaluation of strategic options					
evaluation of strategic risks					
Establishing strategic direction					
Strategy formulation					

Strategy implementation					
Strategy implementation monitoring					

10. To what extent are the following involved in SWOT analysis?

Use a 5 point scale where

1=not at all

2=a little extent

3=moderately extent

4=great extent

5=very great extent

	1	**2**	**3**	**4**	**5**
Senior Management					
Consultants					
Head of departments					
Employees					
CEO					

11 a) what do you consider to be your company's strengths?

____
____
____
____
____
____

b) Weaknesses?

____
____
____
____
____
____

Section C: Objectives

12. Does your bank have a set of objectives?

Yes ( )   No ( )

13. Is everyone in your company aware of the objectives?

Yes ( )   No ( )

14. To what extent do the following influence setting of objectives?

Use a 5 point scale where

1= No opinion

2=Not influential

3= Least influential

4= moderately influential

5=Very influential

	1	**2**	**3**	**4**	**5**
CEO					
Senior Management					
Strategic planning groups					
Shareholders					
Consultants					
Employees					

Section D: Strategic Choice

15. Indicate whether the following features characterize your planning process.

	Yes	No
Informal planning process		
Time tables for preparation plans		
Clear cut responsibilities for planning		
Existence of planning		

departments		

16. How is the strategic planning communicated across the organization?

a) Circulars ( )

b) Word of mouth ( )

c) Posters ( )

d) Others specify ( )

17. Indicate the extent to which the following factors are considered in the strategic formulation process.

Use a 5 point scale where

1=not at all

2=a little extent

3=moderately extent

4=great extent

5=very great extent

Factor	**1**	**2**	**3**	**4**	**5**
Political factors					
Legal developments					
economic					

Technological changes					
Social cultural trends					
others					

18. To what extent does your organization apply the following measures to improve the planning process and to get optimal results from its strategic planning process?

Use a 5 point scale where

1=not at all

2=a little extent

3=moderately extent

4=great extent

5=very great extent

Measures	**1**	**2**	**3**	**4**	**5**
Management team treats strategic planning as part of its daily responsibilities					
Ensure that all planning participants have a solid understanding of the business, its strategy and the underlying assumptions					
Run a tailored planning process					

Structure environment for analysis into different segments and sub segments					
Middle managers can contribute their knowledge to the setting of the strategic agenda					
Top managers support a new strategy and express this clearly					
All corporate units have to make their contribution to strategy implementation					
Strategy development is combined with capital allocation					
Feedback mechanism is a part of the strategy implementation					

Part C: Firm Performance

Perceived organization performance

19. How would you rate the organization performance on the following attributes over the past 5 years to that of other banks?

Use a 5 point scale where

1=very poor

2=poor

3=average

4=good

5=very good

	1	**2**	**3**	**4**	**5**
Quality of products or services					
Development of new products or services					
Ability to retain essential employees					
Ability to attract essential employees					
Relationship among employees					
Satisfaction of customers					
Retention of customers					

Perceived Market Performance

20. Compared to other banks, how would you rate your banks performance over the last 5 years?

Use a 5 point scale where

1=very poor

2=poor

3=average

4=good

5=very good

	1	**2**	**3**	**4**	**5**
Profitability					
Market share					
Capital level					
Customer level					

Total deposits					

Appendix 111: List of Commercial Banks in Kenya

1. AFRICAN BANKING CORPORATION LTD
2. AKIBA BANK
3. BANK OF AFRICA KENYA LTD
4. BANK OF BARODA
5. BANK OF INDIA
6. BARCLAYS BANK OF KENYA
7. CFC/STANBIC BANK
8. CHARTERHOUSE BANK LTD
9. CHASE BANK(K) LTD
10. CITIBANK N.A KENYA
11. CITY FINANCE BANK LTD
12. COMMERCIAL BANK OF AFRICA

13. COOPERATIVE BANK OF KENYA
14. COSOLIDATED BAK OF KENYA LTD
15. CREDIT BANK LTD
16. DELPHIS BANK LTD
17. DEVELOPMENT BANK OF KENYA LTD
18. DIAMOND TRUST BANK (K) LTD
19. DUBAI BANK KENYA LTD
20. ECO BANK
21. EQUATORIAL COMMERCIAL BANK LTD
22. EQUITY BANK LTD
23. FAMILY BANK
24. FIDELITY COMMERCIAL ABNK LTD
25. FINA BANK LTD
26. GIRO COMMERCIAL BANK LTD
27. GUARDIAN BANK
28. HABIB BANK A.G ZURICH
29. HOUSING FINANCE LTD

30. IMPERIAL BANK

31. INVESTMENT AND MORTAGAGE BANK

32. KENYA COMMERCIAL BANK

33. K-REP BANK

34. MIDDLE EAST BANK (K) LTD

35. NATIONAL BANK OF KENYA LTD

36. NATIONAL INDUSTRIAL CREDIT BANK LTD

37. ORIENTAL COMMERCIAL BANK

38. PARAMOUNT UNIVERSIAL BANK LTD

39. PRIME BANK LTD

40. PRIME CAPITAL AND CREDIT LTD

41. SOUTHERN CREDIT BANKING CORP LTD

42. STANDARD CHARTERED BANK LTD

43. TRANSNATIONAL BANK LTD

44. UNITED BANK OF AFRICA

45. VICTORIA COMMERCIAL BANK LTD