INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON THE GROWTH OF COMMERCIAL BANKS IN KENYA.

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DECLARATION

This research project is my own work, and has never been submitted by anyone to any institution for any award. Any other author's work has been clearly acknowledged.

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The research project has been submitted for examination with my approval as the university of Nairobi supervisor.

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DEDICATION

This project is dedicated to my husband and best friend, Kiruja Murithi for his encouragement, wisdom and for being very supportive throughout the study period and also to my son, Kiruja Kimathi who gave me the reason to burn the midnight oil. Most importantly to the Almighty God for giving me the strength and Grace to press forward when it was difficult.

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To God is the glory for the wisdom he bestowed upon me and for giving me the strength to start and complete my studies.

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ABSTRACT

Strategic management is a concept that concerns with making decisions and taking corrective actions to achieve long term targets and goals of an organization. The importance of strategic management in a firm can be answered by analyzing relationship between strategic management and organizational performance. Generally strategic management practices can improve efficiency in various organizations. The purpose of the study was to establish the influence of strategic management practices on the growth of the commercial banks in Kenya. The study adopted a descriptive census survey of all the commercial banks in Kenya. The population of interest was all the commercial banks in Kenya. The data was collected through primary data using semi-structured questionnaires containing both open and closed ended questionnaire. The data was analyzed using descriptive statistics such as means, standard deviation percentages and frequency distribution. Correlation analysis was also conducted to establish the influence of strategic management practices on growth of the commercial banks. The study established that commercial banks practice environmental scanning to a large extent and on specific environmental scanning customer analysis was indicated first as most practiced of the analysis. The study also established that commercial banks in Kenya have formulated various business growth strategies. These include differentiation and cost leadership as the main strategy, and others practiced to large extent are market penetration, market development, product development, and diversification strategies. The study concludes that the commercial banks experienced growth mainly in growth indicators like profitability, customer numbers branch network, Assets, technology and bank products. The study further concludes that the strategic management strategies formulated have a strong positive influence on the growth of these commercial banks.

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LIST OF ACRONYMS ABBREVIATIONS

BCG	Boston Consulting Group
CBK	Central Bank of Kenya
IO	Industrial Organization
KBA	Kenya Bankers Association.
KCB	Kenya Commercial Bank
PWC	Price Water House Coopers
SBU	Strategic Business Unit
SMP	Strategic Management Practices
SWOT	Strengths, Weaknesses, Opportunities, and Threats

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Banks contributes to growth of the economy both through increased investment and through enhanced efficiency in usage of resources since no growth can be achieved unless savings are efficiently channeled into investment. Banks are the single most important supplier of credit as they help state and local governments fund a variety of public improvements like schools, roads, water and sewer and public health facilities and are also a major players in financing the government as both dealers and holders of Treasury and agency debt securities. In each of these roles, banks support the creation of jobs and the growth of our economy.

The banking industry is under pressure in today's business climate. Banks have been various changes that have created opportunities but there is also increasing competition. For banks to complete successfully in this environment, banks continually scanning of the environment is necessary to purposely identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions, within a fit with the organization's internal capability. Banks need to have a clear understanding of both the external economic trends that directly or indirectly affect their industry because ultimately they will affect consumption patterns (Johnson and Scholes, 2002). As the environment changes firms must change their strategies so as to survive. In turbulent environment, strategic thinking enables organizations to be flexible enough to change accordingly.

Strategic management is an ongoing process that evaluates and controls the business and its industry, to assess the competitors and set goals and strategies to meet all existing and potential competitors, and then reassess each strategy to determine how it has been implemented and

whether it has succeeded or needs replacement by a new strategy (Lamb 1984). Proper strategic management practices (SMP) enable the organization to avoid a mismatch with the environment, it provides a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources, organizational structures and systems (Ansoff and McDonnell, 1990).

1.1.1 Concept of Strategic Management

Strategic management is defined as a process of determining the long-term direction and performance of an organization by ensuring a careful formulation, proper implementation and control strategies (Pearce and Robinson, 1997) this is done analyzing the environment a business operates in and matching the capabilities of the organization to the strategy chosen. Strategic management is the ongoing process of ensuring a competitively superior fit between the organization and its ever-changing environment (Teece, 1984). The managers have to continuously scan the environment looking for opportunities and threats they face.

The strategic management history dates back in the 1950s and 1960s. Among the numerous early contributors, the most influential were Peter Drucker, Philip Selznick, Alfred Chandler, Igor Ansoff, and Bruce Henderson. The word strategy comes from the Greek strategos, referring to a military general and combining the words "stratos‟ (the army) and "ago‟ (to lead). Strategy involved planned destruction of one's enemies through the effective use of resources. (Andrews, 1971; Hofer, 1975; Schendel and Hofer, 1979)

Drivers of strategic management include; Firstly, Industry analysis, the main purpose is to identify opportunities and threats posed by the state of the industry so as to match strategy with industry conditions. Secondly, competitor analysis is done to understand their competitor in

order to beat them and to identify opportunities and threats that need to strategic attention. Thirdly, is the customer analysis which aims at trying to understand the customer so that the firm can develop appropriate strategies to attract and retain the customers, and lastly are the internal analysis, a good strategy takes into account the strength and weakness to exploit opportunities and deal with threats. (Hitt *et al*., 2007).

1.1.2 Concept of Organization Growth

Growth will continue to be a desirable and indeed a necessary business objective (Drucker, 1974). Whetten (1987) noted that size is an absolute measure, whereas growth is defined as a relative measure of size over time. Growth refers to a positive change in size, often over a period of time. Hakkert & Kemp (2006) define Organization growth as an increase in certain attributes, such as sales, employment, and/or profit of a firm between two points in time. Growth means change and proactive change is essential in a dynamic business environment.

Studies measuring organizational growth have been criticized for focusing on a single dimension of change in size, rather than using multiple dimensions (Birley & West head, 1990). Kimberly (1976) identified several size measures used in literature, including employee assets, capacity, and sales. Ardishvili *et al*. (1998) and Delmar (1997) found similar growth indicators used in the empirical literature the financial or stock market value, number of employees, sales and revenue, productive capacity, value of production and added value of production.

According to Pearce and Robbinson (1997) growth strategies are comprehensive approaches guiding the major actions designed to achieve long term objectives. Some of the growth strategies used by organization is strategy of positioning, Porter (1985) looks at the two basic types of competitive advantage; cost leadership and differentiation. Treacy and Wiersema (1995)

offer another popular generic framework for gaining competitive advantage. Their framework, emphasize one of three “value disciplines”: product leadership, operational excellence, and customer intimacy. Secondly, is the strategy of spreading here, two strategies of growth are presented: expansion and diversification. Ansoff and McDonnell (1988) explains diversification main purpose is to allow the firm to grow by venturing into new businesses through development of new products for new markets. Markides and Williamson (1996) argue that diversification enhances performance only when it allows a business to obtain preferential access to strategic resources. Thirdly, is the operational strategy the most popular model used growth share matrix also known as Boston Consulting Group (BCG) matrix can be used to determine the strategy whether Liquidation, strategic alliance , joint venture among others.

1.1.3 Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (PWC, 2012).

The sector comprised 43 commercial banks, 1 mortgage finance, 6 microfinance institutions, 5 offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus. The banks have come together under the Kenya Bankers Association. (KBA), which serves as a lobby for the banking sector’s interests. KBA serves a forum to address issues affecting members. A significant recent development in the banking sector has been the licensing of agent banking. As at the end of 2011, eight commercial banks had 9,748 licensed and active agents who facilitated

more than eight million transactions worth Kshs43 billion. (Central Bank of Kenya, 2012). Banks offering agency banking are: Equity Bank; Co-operative Bank (Co-op Kwa Jirani); KCB Bank; Post Bank; Family Bank (Pesa Pap); Chase Bank (Chase Popote); Consolidated Bank (Conso Maskani); Diamond Trust Bank; Citibank and NIC Bank (Kiragu, 2012).

1.1.4 Commercial Banks in Kenya

A commercial bank is a type of bank that provides services such as accepting deposits, offer loans, and basic investment products. They are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines. They are the dominant players in the Kenyan Banking system. There are there are 43 licensed commercial banks. Out of these, 40 commercial banks are Private where 27 are local financial institution and 13 have foreign ownership and 3 are public financial institutions. (Central Bank of Kenya, 2013)

Commercial banks are an important part of the Kenya financial landscape they also offer a wide variety of services, customer deposits , lending they also provide market-making activities in municipal, government and corporate bonds. Banks provide consulting and advisory services to customers as well as safekeeping and trust. Kenya’s commercial banks like any other organization are open systems operating in a turbulent environment. Their continued survival depends on the ability to secure a “fit” with the environment (Central Bank of Kenya, 2010).

The commercial banks in Kenya are liable to many forms of risk which have triggered occasional systemic crises. These include liquidity risk where many depositors may request withdrawals in excess of available funds), credit risk (the chance that those who owe money to the bank will not repay it), and interest rate risk (the possibility that the bank will become

unprofitable, if rising interest rates force it to pay relatively more on its deposits than it receives on its loan (Central Bank of Kenya, 2011).

1.2 Research Problem.

Organizations today operate in fairly competitive environment which makes it necessary for them to put in place strategies that enhance their competitiveness. A considerable number of scholars have already discussed the presumed relationship between strategic management practice and firms growth. However, empirical research results appear to be limited and even somewhat contradictory, while a number of studies suggest that strategic management practice enhances growth in firms (Bracker et al., 1988; Lyles et al., 1993), other researchers have found insignificant or negative effects in this context (Gibson and Cassar, 2002). Thus, there still seems to be a need to shed more light on the influence of strategic management practice on organization growth.

Commercial banks in Kenya face challenges due to the dynamism of the environment in which they operate. Some of the challenges include declining interest margins, global financial crisis, increasing levels of inflation, exchange rate volatility, increased competition from banks and non-banks, technological changes, product improvement, and new regulations. Despite these challenges faced by the commercial banks, generally, the Kenyan banking industry is more stable currently than it has ever been. The sector has improved not just in size but also in terms of product offerings and service quality. (CBK 2012).

A number of studies have been done on strategic management practices. These include international studies in Germany by Jradi. (2009), studied strategic management in the German Banking Industry. McAlexander and Becker (1993) conducted an empirical study focusing on

healthcare professions and specifically on practicing dentists in the USA and found a significant correlation between positioning strategies and financial performance. In USA, a study by Muogbo (2013) studied on the impact of strategic management on organizational growth and development. Some of the local studies done on strategic management practice include study by Kivuja (2011) Strategic management in SME's at Kariobangi light industries. Lwova (2013) Strategic management practices of savings and credit coop societies in Mombasa County. Mbondo (2011) Strategic management practices at the Kenya police staff Sacco. Ng'ang'a (2001) Real time strategic management practices in the Kenyan companies quoted at the Nairobi Stock Exchange. However, there has been no documented study on the influence of strategic management practices on organizational growth in the commercial banks. To this effect, this study attempts to analyze how strategic management practices influence the Commercial Banks to effectively derive plans for its growth and intends to fill the gap by providing answers to the following questions. What is the strategic management practices adopted in the banking industry? And what is the influence of strategic management practices on growth of the banking industry spirits in Kenya?

1.3 Research Objectives

The objectives of this study were;

i) To determine the strategic management practices adopted in the banking industry.

ii) To establish the influence of strategic management practices on growth of the banking industry.

1.4 Value of the Study

Banks contributes to growth of the economy both through increased investment and through enhanced efficiency in usage of resources by channeling savings into investment. This study provides the Government agencies with a point of reference on strategic management practices adopted in the banking industry that will assist in making integrated banking-sector and multi-sector decisions that will enable growth of banking industry.

Policy and Decision makers at various levels of management will gain value added information on the strategic management practices in the banking sector in response to changing competitive environment in banking industry. For instance, the managers responsible for strategy may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting strategic practices that enhance growth.

The findings of this study will also be helpful to managers of companies in other industries of the Kenyan economy as they will understand how to manipulate strategic management practices to suit their industries. Also, the findings will provide the opportunity for the individual firms to compare and assess their strategic management practices with other firms in banking industry in Kenya. That will help the commercial banks identify their shortcomings and strengths of their strategic management practices. Academics and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic management and organization growth which are concepts under the study. The chapter will review different strategic management theories, strategic management practices, Organization growth, Organization growth measures and Strategic management practices and organization growth.

2.2 Theoretical Foundation of the Study

There are many theories done by academicians regarding strategic management theory, however three strategic management theories will be discussed namely profit-maximizing and competition- based theory, the resource-based theory and contingency theory.

Strategic management is defined as a systematic process for managing the organization and its future direction in relation to its environment in a way that will assure continuous success as well as secure from surprises (Ansoff, 1984; Berry 1995). On the other hand, Hamel and Prahalad (1993) define strategic management being partly about stretching the organization to gain leverage from its distinctive competencies and its ability to change them. According to (Haim Hilman Abdullah, 2005; Mohd Khairuddin Hashim, 2005; and Abdul Kadir, 2012) strategic management theories stem mainly from the systems perspective, contingency approach and information technology approach. Among the common strategic management theories noted and applicable are the profit-maximizing and competition- based theory, the resource-based theory and contingency theory. (David, 2005 and Mohd Khairuddin Hashim, 2005)

The profit-maximizing and competition-based theory, which was based on the notion that business organization main objective is to maximize long term profit and developing sustainable

competitive advantage over competitive rivals in the external market place. The industrial-organization (I.O.) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional IO perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

On the other hand, the resource-based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

Finally, the contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. Therefore, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision.

2.3 Strategic Management Practices

Strategic management as a practice originated in the 1950's and 60's with significant contributors being Alfred Chandler, Ignor Ansoff, Michael Porter, and Peter Drucker. Chandler (1962) defined corporate strategy 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 achieve these goals. Strategic management practice has both financial and non-financial benefits. Financial benefits include; improvement in sales, profitability and productivity. A good strategic management can achieve the mission, objectives of the company, the profits will come naturally. Some of the non-financial benefits include; understanding of competitors strategies, understand the difference with our competitors, including the awareness of threats, it allows reducing resistance to change, It defines the management problems objectively, provides a framework for a company to coordinate and control the activities, promotes the communication among the employees and managers and finally it encourages having a strategic think, inspiring people to think about more about the future of a company. (Fred, 2011)

Thompson and Strickland (2003) identified five major tasks of strategic management that include developing a strategic vision and business mission, setting objectives, crafting a strategy to achieve the objectives, implementing and executing the strategy, evaluating performance. Similarly, Wheelen & Hunger (2008) state that Strategic management consists of four basic elements, these are environmental scanning, strategy formulation, strategy implementation and evaluation.

2.3.1 Environmental Scanning

Environmental scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within a company. It takes into account both internal and external environment by looking at the macro and micro environment in light of a variety of factors external to the firm or those parameters outside the business organizations that will directly and indirectly affect the conduct of the business. Some of the factors include Social, political, Cultural, legal, economic technological and geographical considerations. (Wheelen and Hunger 2008; Rayport and Jaworski 2001). Environmental scanning assists managers in acquisition and use of information about events, trends and relationships in an organization's external environment, the knowledge of which will assist management in planning the organization future course of action (Aguilar, 1967)

Environmental scanning provides the following information. Firstly, Industry analysis, the main purpose is to identify opportunities and threats posed by the state of the industry so as to match strategy with industry conditions. Secondly, competitor analysis is done to understand their competitor in order to beat them and to identify opportunities and threats that need to strategic attention. Thirdly, is the customer analysis which aims at trying to understand the customer so that the firm can develop appropriate strategies to attract and retain the customers. And lastly are the internal analysis, a good strategy takes into account the strength and weakness to exploit opportunities and deal with threats. (Hitt *et al*., 2007)

2.3.2 Strategy Formulation

Strategy formulation is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting

the strategies that will afford the organization the best strategic positioning relative to its competitors (David, 2001; Steiner, 1997).

The process of strategy formulation basically involves six main steps; first, setting organizations' objectives, the key component of any strategy statement is to set the long-term objectives of the organization. Secondly, evaluating the organizational environment by evaluating the general economic and industrial environment in which the organization operates. Thirdly, Setting quantitative targets whereby an organization must practically fix the quantitative target values for some of the organizational objectives. Fourthly, departments aiming to achieve the set goals in context with the divisional plans. Which is done by the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. Fifthly, Performance Analysis which includes discovering and analyzing the gap between the planned or desired performance and lastly, Choice of Strategy. This is the ultimate step in Strategy Formulation where the best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities (Wheelen and Hunger 2008). Organizations thus scan the environment in order to understand the external forces of change so that they may develop effective responses which secure or improve their position in the future. They scan in order to avoid surprises, identify threats and opportunities, gain competitive advantage and improve long –term and short term planning (Sutton, 1998)

2.3.3 Strategy Implementation

Strategy implementation entails allocating the appropriate resources to ensure the selected strategies are properly executed (David, 2001; Steiner, 1997). It ensures that strategies and policies are put into action through the development of programs, budgets, and procedures.

Pearce *et al*., (2010) also describes strategy implementation as the action phase, actualization phase or execution phase. Strategy implementation precedes strategy formulation whereby the organizations articulate mission, goals or objectives after implementing strategies. An organization must not only formulate strategies but also implement its strategies effectively in order to achieve its objectives. Implementation is usually linked to goal setting practices, where, goal setting is a systemic practice very often associated with strategy in many real-life organizations and closely associated with management objectives. It is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives. (Mintzberg, 2008)

Implementation process involves firstly, align the initiatives, a new strategy means new priorities and new activities across the organization. Every activity must be reviewed against its relevance to the new strategy. Secondly, align budgets & performance each division can both allocate and manage the budgets, then the Performance measures are placed against strategic goals across the organization and each division and staff. Thirdly, Structure follows strategy by ensuring the structure of your organization allow strategy to cascade across and down the organization in a way that meaningfully and efficiently in order to deliver the strategy. Fourthly, engaging the staff, the key reason strategy execution fails is because the organization doesn't get behind it. If you're staff and critical stakeholders don't understand the strategy and fail to engage, then the strategy has failed. Engage staff by preparing them, communication and clarifications. Lastly, monitor and adopt. This can be done by ensuring documentation of the strategy and ensuring the strategy is flexible and can adopt change. (Hurbbad, 2009).

2.3.4 Evaluation and Control

Rossi *et al*., (2004), explain that evaluation and control is a systematic, rigorous, and meticulous application of scientific methods to assess the design, implement and improve outcomes of a strategy. It is a resource-intensive process, frequently requiring resources, expertise, labour, time and a sizeable budget. Stufflebeam & Webster (1980) defines evaluation and control as 'a study designed to assist organizations to assess a strategy's merit and worth.' In this definition the focus is on facts as well as value laden judgments of the programs outcomes and worth.

The process of involves two levels, tactical and strategic evaluation. Tactical evaluation compares performance against the plans and detects changes that should be made to the implementation or the strategy. It involves a review of the assumptions against what is really happening in the environment of the firm. The objective is to expose strategic assumptions that are no longer accurate or forecasted not to be accurate in the near future. (Lodato, 2014).

2.4 Organization Growth

Growth will continue to be a desirable and indeed a necessary business objective (Drucker, 1974). Whetten (1987) noted that size is an absolute measure, whereas growth is defined as a relative measure of size over time. Growth refers to a positive change in size, often over a period of time. Storey, (1994) Stresses the importance of growth in an organization by saying "Growth is a multi-faceted phenomenon that is commonly associated with firm survival, achievement of business goals and success or the scaling up of activities" Thompson and Strickland (2003) states that growing the business can be taken to mean crafting and implementing strategies that will bring profit to the business, attracting and pleasing customers, competing successfully with other competitors in the industry, conducting operations and improving the company's financial and market performance.

There are many other reasons why firms would want to grow. These include being able to attain economies of scale which are generated when increasing production lowers the average cost of each unit of production. To capture economies of scope is another good reason to grow whereby the company will be dealing with a range of products hence a bigger market. A company should grow in order to attain market leadership whereby the organizations want to be leaders in their markets. A business may decide to grow in order to execute a scalable business model where they ask how high in terms of growth can the business go. Another reason would be for the business to gain influence, power and survivability. It could also be the need to accommodate growth of key customers thereby developing loyal customers. Developing loyal customers is a simple and proven tactic used by top performers to improve business growth in today's challenging economy. The business can also decide to grow so as to attract and retain talented employees (Barringer and Ireland, 2008).

2.5 Organization Growth Measures

The number of indicators of firm's size is rather vast, and is limited by the imagination of the researcher. Researchers must make a choice between different growth measures though there is little guide on which choice are most appropriate Employment and total sales, however, are the most commonly used indicators (Delmar *et al*., 2003). This is in part because data on employment and sales are the most easiest to obtain. A drawback on employment however is that indivisibility is substantial on small firms that have only a few employees. Sales are also taken as a frequent measure of size in firms. One disadvantage of sales is that sales does not necessary correspond to the actual value added of a firm. An example is where a firm buys an almost complete product that is modified or repackaged in a minor way and is therefore sold giving the firm huge volume of sales. (Weinzimmer *et al*., 1998; Wiklund and Shepherd 2005). With this

definition, Coad (2009) argues that value added is a better indicator of size that sales because it takes into account the cost of material used in production process. However, in practice data on value added is not always available. One cannot readily get this information.

There are several other measures of firm growth in use. Another popular measure is the total assets. Although this indicator will have difficulties in measuring if the firms in the sample have different capital intensities. The circumstances of companies often dictate their ratios. In addition, companies in different industries should not be compared to each other, since their industries likely dictate to some extent how capital intensive they must be. Buamol *et al*., (1970) speaks of organization growth referring to organization profits. Among the least conventional indicators one finds "acre of land" or "head of cattle" (Weiss 1998). Other authors looked at organization growth by its size, some investigation into the growth of young firms simply take size as an indicator of growth (Storey, 1994; Colombo and Grilli 2005). The justification for this is the initial size of a firm is zero, since your firm had zero size in initial period. In this case however, Coad (2009) argues that the growth rate in the initial stage is abnormally high when scaled down by initial size. Freedman (1999) recommends that the growth rates are scales down by the average size or perhaps final size. Davis *et al*., (1996) measures growth relative to average size rather than initial size. Though there various measure and arguments between the suggested measures, the five most common measures are sales, employees, profit, assets and equity.

Again different methods of computing the measures are used, absolute, and relative. Wiklund and Davidsson, (2000) describe Absolute growth as to annual change in monetary units or number of employees while relative growth refers to annual percentage change. The choice of absolute or relative growth is especially important for the relationship between size and any other measure correlated with size and growth. Absolute measures tend to ascribe higher growth to

larger firms whereas smaller firms more easily reach impressive growth in percentage using relative terms.

2.6 Strategic Management Practices and Organization Growth

Organizations implement various strategies to achieve growth. Some common growth strategies in business include cost leadership, differentiation, market penetration, market expansion, product expansion, diversification and mergers & acquisition. According to Kotler (2005), organizations today work in a dynamic and competitive environment which requires them to devise mechanisms that makes them unique. With the market flooded with similar products and services companies must pursue relevant positioning and differentiation. Porter (1980) looks at the two basic types of positioning that is competitive advantage; cost leadership and differentiation. Cost leadership is a concept developed by Michael Porter, used in business strategy. It describes a way to establish the competitive advantage. Strategy used by businesses to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of others in the industry. The other strategy is by differentiating itself whereby a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It is rewarded for its uniqueness with a premium price. (Porter, 1985)

The Ansoff matrix which is also referred to as the market/product matrix is designed by Igor Ansoff. It classifies and explains different growth strategies for a company and explains the four alternative growth strategies which hinge on whether products are new or existing. The four strategies are market penetration, product development, market development and diversification. Market penetration occurs when a company penetrates a market with its current products. It is

important to note that the market penetration strategy begins with the existing customers of the organization. This strategy is used by companies in order to increase sales without drifting from the original product-market strategy. Product development is another strategic option for an organization is to develop new products. It occurs when a company develops new products catering to the same market. Product development refers to significant new product developments and not minor changes in an existing product of the firm. Market development occurs when a company follows the market development strategy, it moves beyond its immediate customer base towards attracting new customers for its existing products. Diversification strategy is distinct in the sense that when a company diversifies, it essentially moves out of its current products and markets into new areas. It is important to note that diversification may be into related and unrelated areas. (Ansoff and McDonnell, 1988)

A merger is a transaction involving two or more corporations in which stock is exchanged but in which only on corporation survives. Mergers occur between firms of the same size and usually friendly. The resulting firm is likely to have a name derived from its composite firms. An acquisition is the purchase of a company that is completely absorbed as an operating subsidiary or division of the acquiring corporation. Acquisition occur between firms and can be either friendly or hostile (Wheelen and Hunger, 2008). Mergers and acquisitions involves combining the operations of the companies in order to achieve operating economies, strengthen companies" competencies and competitiveness and open avenues of new markets and opportunities. The main aim of mergers and acquisitions is to expand a company geographic coverage, extend the

business into new product categories and also to gain quick access to new technologies or other resources and competitive capabilities (Thompson et al, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology that was used in the collection of data. The methodology includes; the research design, population of the study, sampling and sample size, data collection and data analysis methods that was used.

3.2 Research Design

The study adopted a cross sectional descriptive survey. The study was deemed appropriate to collect information as some variables cannot be quantified and can only be expressed. Collection of this information enabled identification of patterns or trends in a situation and some of the causal linkages among its different elements from the respondents help in generating hypothesis on which further research may be based.

3.3 Population of the Study

The population of interest was all the commercial banks in Kenya. All commercial banks represented in Nairobi are considered including foreign owned, private and public owned banks. According to Central Bank of Kenya (CBK) weekly bulletin, there are 43 commercial banks in Kenya today obtained from CBK website as at the end of December 2013. A census study was conducted due to the small size of the population (Appendix ii).

3.4 Data Collection

Primary data was used for the purpose of this study. The primary data was collected using semi-structured questionnaire containing both open and closed ended questions. The questionnaires were administered to the managers of the commercial bank and the questionnaires were sent to them by the drop- and -pick method.

The questionnaire was divided into three Sections; Section A, comprised of background information of the respondent and Commercial Bank, Section B, covered questions on Strategic management practices adopted by the commercial banks and Section C contained questions on Organization growth.

3.5 Data Analysis

Data and information obtained through the questionnaire was first checked for completeness. The questionnaires found correctly filled and fit for analysis, data was summarized, coded and tabulated. Descriptive statistics such as means, Standard deviation, percentages and frequency distribution was used to analyze the data. Simple regression and correlation analysis was also conducted to establish the influence of strategic management practices on organization growth.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data findings, analysis and interpretation. The main objective of the study was to find the out the influence of strategic management practices on the growth of commercial banks in Kenya. To achieve the objective of the study, the research was conducted through questionnaire which was used to obtain the required information. The questionnaire was divided into three sections; section one sought to find background information of the respondent and the Commercial Banks, the second section sought to find data on the Strategic management practices adopted by the commercial banks while the third section was on Organization growth.

4.2 Response Rate

Primary data collection was done through the use of a semi-structured questionnaire containing both open and closed ended questions which was administered by "drop and pick" to respondents of the study. The study targeted 43 questionnaires from the commercial banks in Kenya. Out the 43 questionnaires to commercial banks, 35 questionnaires were returned and used in the analysis. The study therefore managed to achieve 81.4% valid response rate which is significant enough to provide a valid and reliable conclusion about influence of strategic management practices on the growth of commercial banks in Kenya.

4.3 Information of the respondents.

4.3.1 Experience

The study sought to determine the number of years the responding managers have served in the bank. The findings are presented in Table 4.1

Table 4.1: Experience of responding managers

Experience in current	**Frequency**	**Percentage**
Less than 5 years	18	52%
6-10 years	12	34%
11-20 years	5	14%
Over 21 years	0	0.0%
Total	**35**	**100.00%**

Source: Research Data, (2014)

Table 4.1 shows the experience of various respondents in their organizations. According to the findings 52% of respondents have served in the bank for less than 5 years, 34 % of the managers have served in the bank for 6-10 years, and 14% have a total experience of 11-20 years. The findings showed that most respondents have worked in their respective institutions for 5 years and above and hence have been involved in the implementation of strategic change in their institutions and therefore understand and appreciate the role of middle level managers in the implementation of strategic change. They were therefore found to be competent in filling the questionnaires.

4.4 Demographic Characteristics of the Bank

4.4.1 Age

The study sought to determine the number of years the commercial banks have been in operation in Kenya. The findings are presented in Table 4.2.

Table 4.2: Age of the Bank

Period of existence in years	**Frequency**	**Percentage**
Less than 10 years	4	11%
11-20 years	3	9%
21-30 years	11	31%
Over 30 years	17	49%
Total	**35**	**100%**

Source: Research Data, (2014)

Table 4.2 above indicates that 49% of the commercial banks have been operational in Kenya for a period of over 30 years. It can therefore be concluded that most commercial banks in Kenya have been in existence for quite a long period of time. Thus making it a good area of study in order to understand how they have been managing change over the years.

4.4.2 Ownership Structure of the Bank

The study sought to determine the ownership structure of the commercial banks in Kenya. The findings are presented in Table 4.3

Table 4.3: Ownership structure of the Bank

Ownership	Frequency	Percentage
Private Locally owned	20	57%
Foreign owned	3	9%
Public locally owned	12	34%
Total	**35**	**100%**

Source: Research Data, (2014)

Privately locally owned banks are the majority (57%). It can therefore be concluded that most commercial banks in Kenya are locally owned.

4.5 Strategic management practices adopted by the commercial banks

The study sought to examine the strategic management practices adopted by the commercial banks in a bid to survive the turbulent business environment. This section presents the findings on strategic management practices in the banking sector in Kenya.

4.5.1 Environmental scanning

The respondents were asked to rate the extent to which their banks conducted environmental scanning using a five point Likert scale, where 1 meant not at all and 5 to a very large extent.

The findings are contained in Table 4.4.

Table 4.4: Environmental scanning

Analysis	Freq/ %	Very Large extent	Large extent	Fairly large extent	Small extent	Not at all	**Mean**	**Std Dev**
Industry Analysis	F	17	14	3	1			
	%	49%	40%	9%	3%	0%	**4.3**	**0.77**
Competitor Analysis	F	24	3	6	2			
	%	69%	9%	17%	6%	0%	**4.4**	**0.96**
Customer Analysis	F	24	7	3	1			
	%	69%	20%	9%	3%	0%	**4.5**	**0.78**
Internal Analysis	F	14	14	6	1			
	%	40%	40%	17%	3%	0%	**4.2**	**0.82**
Overall Means Score							**4.4**	

Source: Research Data, (2014)

A shown in table 4.4, on specific environmental scanning, customer analysis was rated number one with a mean score of 4.5 followed by competitor analysis with a mean score of 4.4, industry analysis 4.3 and finally internal analysis with a mean score of 4.2. Overall the banks practiced Commercial banks practice environmental scanning to a very large extent with a mean score 4.4. The findings is in line with the focus of scanning is on market-related environmental sectors, with information about customers, competitors, and suppliers being the most important (Ghoshal & Kim, 1986; Lester & Waters, 1989, Choo & Auster, 1993).

4.5.2 Strategy Formulation

There are various issues to consider in making an organization strategic plan. Strategic plan means a change in organization structure or move towards change. This can be articulated through the mission vision statements of the organization. Vision and mission statements set the goals of the organization and strategy explains how to achieve the objective. All the 35 Commercial banks confirmed that they had a Vision and Mission statements that guide them to achieving goal of the bank.

The study sought to determine the extent to which various strategies were formulated in their commercial banks the findings are presented in Table 4.5

Table 4.5: Strategy Formulated

Strategy formulated	Very Large extent	Large extent	Fairly large extent	Small extent	Not at all	**Mean**	**Std Dev**
Cost leadership	60%	26%	11%	3%	0%	**4.4**	**0.81**
Differentiation	51%	40%	9%	0%	0%	**4.4**	**0.65**
Product Development	31%	40%	20	9%	0%	**3.9**	**0.94**
Market Penetration	43%	26%	26%	6%	0%	**4.1**	**0.97**
Diversification	26%	43%	26%	6%	0%	**3.9**	**0.87**
Market Development	20%	60%	20%	0%	0%	**4.0**	**0.64**
Mergers and Acquisition	9%	14%	11%	23%	43%	**2.2**	**1.37**
Overall Means Score						**3.9**	

Source: Research Data, (2014)

As shown in table 4.5, on specific strategies formulated, majority of the respondents indicated that cost leadership strategy and product and development strategy as number one both with a mean of 4.4. Market penetration was next with a rating of 4.1 followed by Market development with a rating of 4.0. Diversification and product development then followed with a rating of 3.9 and lastly mergers and acquisition with a rating of 2.2. Overall, the strategic management

practice strategies formulated in the commercial banks had a mean score of 3.9. This implies that, all the strategies were practiced to a large extent except for mergers and acquisition which was practiced to a small extent. The findings are in line with Porter's generic strategies that describe how a company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. (Porter,1985). The finding also agrees with Barney and Clark (2007) who pointed out that to create more value that its rivals, an enterprise must produce greater net benefit through superior differentiation and/ lower cost.

4.5.3 Strategy Implementation

Strategy Implementation is the process that puts plans and strategies into action to reach goals. It involves assigning individuals to tasks and timelines that will help an organization reach its goals. O'Regan and Ghobadian (2002) identified several barriers to strategy implementation, the respondents were asked to rate each barrier to the extent it affects implementation.

The study sought to find out whether the commercial banks were experiencing the barriers in strategy implementation. The findings are presented in Table 4.6

Table 4.6: Barriers in strategy implementation

Barriers in Strategy Implementation	To a great	To a considerable extent	To a moderate extent	To a small extent	Not at all	Mean	Std Dev
Overall strategic goals were not well enough understood by the staff	6%	46%	17%	17%	14%	**3.1**	**1.21**
Crises distracted attention from implementation	3%	14%	29%	40%	14%	**2.5**	**1.01**
Inadequate leadership and direction by departmental managers	9%	9%	9%	51%	23%	**2.3**	**1.18**
Insufficient employee training and instruction	9%	20%	20%	34%	17%	**2.7**	**1.23**
Implementation much longer than anticipated	11%	34%	26%	20%	9%	**3.2**	**1.16**
Inadequate communication	9%	11%	26%	34%	20%	**2.5**	**1.20**
Coordination of implementation not effective enough	3%	20%	34%	26%	17%	**2.7**	**1.08**
Inadequate information systems for control activities	0%	26%	17%	37%	20%	**2.5**	**1.09**
Overall Means Score						**2.7**	

Source, Research Data, (2014)

As shown in table 4.6, the study findings only two barriers identified were considered to a moderate extent as being barriers to strategic management practices by the respondents. Barrier where the implementation of strategy takes much longer than anticipated was indicated to a moderate extent with a mean of 3.2 and where the overall strategic goals were not well understood by the staff was also indicated to a moderate extent with a mean of 3.1. All the other barriers were indicated as to a small extent with a mean score below 3.0. This implies that the study finds almost no influence of these barriers to strategy implementation of the commercial banks.

4.5.4 Evaluation and Control

This is the final stage in strategic management. In evaluation and control one determines whether chosen strategy is achieving organization objective by reviewing internal and external factors, measuring performance and taking corrective action.

Table 4.8: Evaluation and Control practices

	To a great extent	To a considerable extent	To a moderate extent	To a small extent	Not at all	**MEAN**	**STD EV**
The targets set to evaluate the performance are appropriate and will help to achieve the strategic goals.	71%	20%	9%	0%	0%	**4.6**	**0.65**
The existing process of evaluation can evaluate individual performance, and the overall performance of the organization.	37%	54%	9%	0%	0%	**4.3**	**0.62**
With the process of performance evaluation, I can also be penalized (financially or not) if performance targets are not met.	26%	20%	31%	17%	6%	**3.4**	**1.22**
I consider that the components adopted by the organization for management, control and performance evaluation are extremely strong and consistent.	17%	51%	26%	6%	0%	**3.8**	**0.80**
I consider that the dynamics of the organization and the environment in which it operates enables performance evaluation be changed depending on these factors.	31%	46%	17%	6%	0%	**4.0**	**0.86**
I receive the formal and informal information necessary to monitor my performance evaluation (targets).	34%	46%	9%	6%	6%	**4.0**	**1.10**
The performance evaluation ensures access to rewards (financial /or non-financial) in a fair and balanced way if performance targets are met.	26%	40%	23%	11%	0%	**3.9**	**0.96**
Overall mean score						**4.0**	

Source, Research Data, (2014)

According to the findings the respondent agreed to a very great extent that target set to evaluate the performance is appropriate with a mean score of 4.6. On whether the evaluation process can evaluate individual and organization performance the respondents agreed to a large extent with a mean score of 4.3. The respondents agreed to a large extent that the dynamics of the organization and the environment in which they operate enables performance evaluation to be change depending on the factors with a mean score of 4.0. The respondents also agreed to a large extent that they receive formal and informal information necessary to monitor their performance evaluation targets. It was also agreed to a large extent that the performance evaluation ensures access to rewards in a fair and balanced way if the performance targets are met with a mean score of 3.9. Finally the evaluation and control practice agreed upon by the respondents to a large extent was that the components adopted by the organization for management, control and performance evaluation are extremely strong and consistent with a mean score of 3.8. The performance evaluation system indicates the need for improvement especially on effectiveness and fairness of the evaluation and the possibility of penalty were identified as ineffective and should be improved in the commercial banks to ensure commitment in the practices.

4.6 Organization Growth

The study sought to find out if there has been growth in the various commercial banks in the last ten years in terms of profitability, branch network, customer numbers, assets, bank products and technology. The findings are presented in Table 4.9

Table 4.9: Growth in the Commercial banks

Bank Growth	To a very great extent	To a great extent	To a moderate extent	To a small extent	Not at all	**MEAN**	**STDEV**
Profitability	60%	20%	17%	0%	3%	**4.3**	**0.97**
Branch network	54%	14%	20%	9%	3%	**4.1**	**1.17**
Customer numbers	49%	37%	11%	3%	0%	**4.3**	**0.80**
Assets	46%	34%	20%	0%	0%	**4.3**	**0.78**
Bank Products	49%	26%	14%	11%	0%	**4.1**	**1.05**
Technology	49%	40%	6%	6%	0%	**4.3**	**0.83**
Overall mean score						**4.2**	

Source, Research Data, (2014)

On specific indicators of growth, Profitability, Customer numbers, Assets and Technology the respondents indicated that they have growth to a great extent with a mean score of 4.3. in relation to branch network and Bank products respondents further indicated they also registered growth to a great extent with a mean score of 4.1 for both.

Overall, all the growth indicators were rated to a large extent with a mean of 4.2.The findings are in line with the CBK 2013 report on overview of the banking sector performance where, CBK advised the Kenyan Banking Sector registered improved performance with the size of assets the sector's aggregate balance sheet expanded by 2.7 percent from Kshs. 2.35 trillion to Kshs. 2.42 trillion. Deposits, which form the main source of funding for the banking sector the deposit base grew by 0.8 percent from Kshs. 1.76 trillion to Kshs. 1.78 trillion mainly due to branch expansion and the banking sector profit before tax for the quarter ended December 2013 stood at Kshs. 33.28 billion representing an increase of 34.2 percent from the Kshs. 24.7 billion registered in the first quarter of 2012. (CBK, 2013).

4.7 Correlation between Strategic Management Practices and Organization Growth

Correlation describes the degree of relationship between two variables. Pearson correlation coefficient (r) is used to measure the strength of association between the variables of interest. 2-tail test tests the possibility of a relationship in both directions and is what was used in the study.

Table 4.10: Correlation between Strategic management practices and organization growth.

S/No	Independent Variable		Dependent Variable (Bank Growth)
1	Differentiation	Pearson Correlation	.936**
		Sig. (2-tailed)	.000
		N	35
2	Cost Leadership	Pearson Correlation	.910**
		Sig. (2-tailed)	.000
		N	35
3	Market Penetration	Pearson Correlation	.909**
		Sig. (2-tailed)	.000
		N	35
4	Product Development	Pearson Correlation	.871**
		Sig. (2-tailed)	.000
		N	35
5	Diversification	Pearson Correlation	.851**
		Sig. (2-tailed)	.000
		N	35
6	Market Development	Pearson Correlation	.798**
		Sig. (2-tailed)	.000
		N	35
7	Merger And Acquisition	Pearson Correlation	.498**
		Sig. (2-tailed)	.000
		N	35

**. Correlation is significant at the 0.01 level (2-tailed).

According to the findings the correlations between strategic management practices and organization growth was as follows;

4.7.1 Differentiation and Organization growth

As indicated in Table 4.10, a strong positive correlation was found between differentiation and the banks growth (.936, $p<.01$). The banks adopt this strategy by differentiating the products/services in some way in order to compete successfully. The strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Therefore, this implies adopting strategies that aim at affluent the customers, having Islamic banking among others had a positive impact on the banks growth.

4.7.2 Cost Leadership Strategy and Organization growth

Also, a strong positive correlation was found between cost leadership strategy and bank growth (.910, $p<.01$). This implies that there is a strong positive influence in organization growth and cost leadership, where organization use this strategy to create a low cost of operation within their niche in aim of gaining an advantage over competitors by reducing operation costs below that of others in the same industry therefore the consumers end up subscribing to more products thus increasing capital base of the bank.

4.7.3 Market penetration and Organization growth

Also there was a positive significant correlation between market penetration and bank growth (.909, $p<.01$) when a company penetrates a market in which current or similar products already

exist by gaining competitors' customers or by attracting non-users of your product or convincing current clients to use more of your product/service. This implies that the strategies employed by advertising, sales stimulation programs had a positive influence on the banks growth.

4.7.4 Product development and organization growth

Also a strong positive correlation was found between product development and banks growth (.871, $p<.01$). This implies a significant positive influence of developing new products to its market by increasing loyalty thus profit growth of the banks. The strategy of creating new products or modifying existing products so they appear new, and offering those products to current or new markets requires keen attention to competitors and customer in order to understand their needs for now and in the future.

4.7.5 Diversification and Organization growth

Diversification also had a strong positive correlation with the banks growth (.851, $p<.01$). Banks adopt diversification as a corporate strategy which is used to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. This implies that banks products like mobile banking, bank assurance, online banking, and agency banking among other strategies formulated under diversification have a positive influence on the banks growth.

4.7.6 Mergers & Acquisition and organization growth

A positive correlation was found between mergers and acquisition and banks growth though it was marginally lower than on other strategies formulated (.498, $p<.01$) This strategy occurs where banks combine their operations in order to achieve operating economies, strengthen the

bank, improve competencies and competitiveness and open avenues of new markets and opportunities this strategy also had a positive influence in the growth of the banks.

In summary a significant positive correlation was found between the identified strategic management practices strategies and banks growth. There is a significant relationship between the SMP strategies and banks growth as indicated by their high means also strengthens the results of the correlation of variables in Table 4.10

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary of the findings, draw conclusions based on these findings appropriate recommendations will be made and insight provided in the areas for further research.

5.2. Summary of findings

The study identified only one objective which was to investigate the influence of strategic management practices on the growth of commercial banks in Kenya. According to the findings of this study, all interviewees were unanimous that their organization uses strategic management practices in their banks in a bid to survive the turbulent business environment present in the banking sector. Environmental scanning is practiced to a large extent especially customer analysis which aims at trying to understand the customer so that the firm can develop appropriate strategies to attract and retain the customers. another analysis practiced to a very large extent is competitor analysis which is done to understand their competitor in order to beat them and to identify opportunities and threats that need to strategic attention.

The study also established that the banks had formulated various strategies in order to act on the analysis they have conducted. The strategies formulated include Cost Leadership, Differentiation, Product Development, Market Penetration, Diversification, and Market Development. Most banks did not formulate strategy of mergers and acquisition where banks combine their operations in order to achieve operating economies, strengthen company's competencies and competitiveness and open avenues of new markets and opportunities. Cost leadership and Differentiation were the most highly rated strategies used by the banks.

The study also establish that there were various challenges experienced by the banks while

formulating the strategic management practices such as ability to gather correct information while performing the environmental scanning, slow adoption to change by the staff members especially where the strategic goal is not clearly understood and where the strategy implementation takes longer than anticipated either lack of financing, internal disagreements on strategy to pursued or effectiveness and efficiency of implementation team.

The study findings revealed that evaluation and control is conducted by the banks after implementation of strategy to determine whether the chosen strategy is achieving objective and taking corrective action is not attaining the set out goals. Evaluation and control according to the study is mainly prompted by the business being uncertain how well they are performing and also where they are not sure if they are making the most out of the market opportunities. The controls practices also revealed that the tools used by the banks in evaluation and control as being very effective. The study findings revealed that the existing process in evaluation and control can evaluate individual performance and the overall performance of the organization.

The study also confirmed that the banks receive formal and informal information necessary to monitor their performance evaluation target. This is important to enable them know if their on track with the set out goal. Penalization on targets not met was low rated compared to other setup controls providing conducive environment for strategy implementation thus enhancing organization performance.

The study established that Kenyan Banks have realized tremendous growth over the years. Growth was experienced on indicators such as Profitability, Branch network, Customer numbers, Assets, Bank Products, and Technology. It established that the factors that influence the adoption and implementation of strategic management practices in Kenyan banking industry is by factors

such as the needs to develop both strategic and tactical skills in the banking industry, the changing industry patterns and management, sociological evolution of the business through new product development, expansion into new national and international markets. Other factors that influence the adoption and implementation of strategic management practices include: the need to obtain the economies of scale, exploitation of new business opportunities, to enhance competitive advantage, to protect against adverse business conditions, to gain economic and market power, to raise profits and creating resources for further reinvestment into business, to enhance optimum utilization of resource and to secure subsidies, tax concessions and other incentives offered by the government.

5.3. Conclusions

The study concludes that the Kenya banking industry has adopted strategic management practices to enhance their banks performance and overall growth of the bank. Customer analysis and competitor analysis were the highly rated analysis by the respondents on environmental scanning conducted by the banks.

It is noted that the strategic management practices have influenced growth of the commercial banks in a positive way, strategies formulated such as cost leadership where the price rationalization/discounting are enhanced influencing consumer perceptions of the advertised offers. Consumers end up subscribing to more products thus increasing capital base of the bank. The banks practice strategic management practice strategy of differentiation as seen by various banks like Advantage banking by KCB, Barclays Premier banking, CBA Platinum, where their main aim to attract the affluent customers. Market expansions strategy has been adopted to realize larger customer base. Banks are now operating beyond Kenyan borders and are providing diaspora banking to Kenyans in other country. Other methods of market penetration observed are

agent banking, mobile banking, and online banking among others to ensure growth to the commercial banks especially in reaching the unbanked by agency banking strategy used to expand access to financial services, especially in remote areas where it has been expensive for banks to maintain a presence, owing to smaller volumes.

The study established that Kenyan Banks have realized tremendous growth over the years and have also expanded to the East African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. Such as Online banking which enables the customers to transact anytime anywhere increasing the number of transactions done by the customer and reducing operational costs like teller costs, man hours among other that will have been incurred if the customers were to all transact at the branch.

5.4 Recommendations for Policy and Practice

From the research study findings it is recommended that all the staff members should be involved and be recognized as the cog in the wheel of implementation of strategic management practices. It would be detrimental for organizations to sideline some staff members during implementation of the strategic practices resulting to failure of strategies as they may not understand the strategic goal. The respondents also noted that lack of involvement and by members not understanding the overall goal can lead to barriers in implementation to a large extent. Therefore the managers should ensure adequate leadership and direction to the staff members and ensure that they effectively communicate on the strategies to ensure achievement of the goal.

5.5 Recommendation for Further Research

Findings revealed that banking industry is dynamic and greatly influenced by the environmental factors. In order to survive in a competitive business environment, the bank's strategy makers need to position by adopting strategies that will keep them competitive. The study recommends that banks should adopt strategic management practices strategies to improve performance and become competitive.

Given that the study focused on one industry, a similar kind of study and research approach can be used to investigate the strategic management practices of other industries and sector in Kenya such as micro finance, insurance companies, non-banking lending companies, leasing companies among others to enable findings of whether the same influence is experienced by adopting strategic management practices in other industries.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

A SURVEY ON INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON GROWTH OF COMMERCIAL BANKS

The Questionnaire below seeks to establish the strategic management practices adopted by Commercial Banks in Kenya and the influence they have to its growth.

PART A: BACKGROUND: RESPONDENT AND COMMERCIAL BANK

1. Interviewee Name (optional) ____________________
2. Position held__________________________________
3. Period serves in the bank? Tick the appropriate box: [ ]

Below 5 yrs.	6-10 yrs.	11-20 yrs.	over 20 yrs.

4. Name of bank_________________________________
5. In which category would you classify the ownership of your bank? - Tick the appropriate box: [ ]

Public Owned	Privately owned	Other - Specify

6. How long has your bank operated in Kenya? Tick the appropriate box: [ ]

Below 10 yrs	10-20 yrs	20-30 yrs	Above 30 yrs

7. How would you measure the size of the bank?
   Number of employees ……………………………………………
   Branch network …………………………………………………..

Asset base ………………………………………………………

Customers' numbers ……………………………………………..

PART B: STRATEGIC MANAGEMENT PRACTICES ADOPTED BY THE COMMERCIAL BANK

a) ENVIRONMENTAL SCANNING

(i) How important to your organization are trends and events in each analysis?

Using a rating scale tick the extent that best indicate your response.

Analysis	Very Large extent	Large extent	Fairly large extent	Small extent	Not at all
Industry Analysis					
Competitor Analysis					
Customer Analysis					
Internal Analysis					

(ii) What challenges does your bank face while responding to changes identified in the above analysis?

b) STRATEGY FORMULATION

(i) What is the Vision of your bank _________________________________

(ii) What is the Mission of your bank_________________________________

(iii) Which strategy/strategies have been formulated into your bank?

Using a rating scale tick strategies that have been used by your bank to grow its portfolio:-

Strategy formulated	To a great extent	To a considerable extent	To a moderate extent	To a small extent	Not at all
Cost leadership					
Differentiation					
Product development					
Market penetration					
Diversification					
Market development					
Mergers and Acquisition					
Any others (Please specify)					

c) STRATEGY IMPLEMENTATION

(i) Have you participated in implementation of strategic change in your organization?

Yes/No.________________________________

If Yes, briefly explain the role that you played________________________

(ii) What are the Barriers to the strategic planning implementation?

Using a rating scale tick the extent to which the following barriers contribute to implementation

	To a great extent	To a considerable extent	To a moderate extent	To a small extent	Not at all
Overall strategic goals were not well enough understood by the staff					
Crises distracted attention from implementation					
Inadequate leadership and direction by departmental managers					
Insufficient employee training and instruction					

Implementation much longer than anticipated					
Inadequate communication					
Coordination of implementation not effective enough					
Inadequate information systems for control activities					

d) EVALUATION AND CONTROL

(i) Does your bank conduct review of its strategic plan? Yes/No________________

If YES, what prompts the review? Using a rating scale tick the extent to which prompts review

(ii) Using a rating scale tick the extent to which the evaluation and control in strategic management apply.

	To a great extent	**To a considerable extent**	**To a moderate extent**	**To a small extent**	**Not at all**
The targets set to evaluate the performance are appropriate and will help to achieve the strategic goals.					
The existing process of evaluation can evaluate individual performance, and the overall performance of the organization.					
With the process of performance evaluation, I can also be penalized (financially or not) if performance targets are not met.					
I consider that the components adopted by the organization for management, control and performance evaluation are extremely					

strong and consistent.					
I consider that the dynamics of the organization and the environment in which it operates enables performance evaluation be changed depending on these factors.					
I receive the formal and informal information necessary to monitor my performance evaluation (targets).					
The performance evaluation ensures access to rewards (financial /or non-financial) in a fair and balanced way if performance targets are met.					

PART C: ORGANISATION GROWTH

(i) Would you say that in the last ten (10) years there has been growth in your bank?

Yes [ ]

No [ ]

(ii) If Yes, which of the following areas would you say have grown more compared to the past?

	To a great extent	**To a considerable extent**	**To a moderate extent**	**To a small extent**	**Not at all**
Profitability					
Branch network					
Customer numbers					
Assets					
Bank Products					
Technology					

THANK YOU.

APPENDIX I1: LIST OF LICENSED COMMERCIAL BANKS IN KENYA

1. African Banking Corporation Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank (Kenya)
6. CFC Stanbic Holdings
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. Housing Finance Company of Kenya
29. I&M Bank

30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank.

Source: CBK Supervision Annual Report (2013)