

**PARTICIPATORY STRATEGIC PLANNING AND
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
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DECLARATION

I, the undersigned, declare this project is my original work and that it has not been presented to any other university or institution for academic credit.

Signed

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

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DEDICATION

I dedicate this dissertation to my late dad Cornel, who passed on shortly after I started this programme. To my mum Dorothy, brothers and sisters without whom the completion of this work would not have been possible. To Ms. Nafuma, thanks for everything. Ms. Judith Omondi for inculcating in me a keen eye and analytical mind.

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ABSTRACT

Scholars and managers alike have argued in favour of organizations embracing strategic planning to positively influence organization performance. Past studies have mainly focused on the direct relationship between adoption of strategic planning and organization performance. The key focus of this study was to examine the influence of employee participation in the strategic planning process on the organization's performance. The study was done in the banking sector in Kenya where a total of 43 commercial banks were considered. A cross-sectional descriptive survey was adopted where a structured questionnaire was administered to gather information on employee involvement in strategic planning activities and how the same affect organizational performance. Study findings reveal that employee participation does positively influence the strength of the relationship between strategic planning and strategic planning outcomes and this influence is statistically significant. Given the research findings, policy makers and managerial practitioners should not only adopt strategic planning but also advocate for high employee involvement in strategic planning activities to realize better performance for their organizations. However, further research on this topic is recommended to validate and increase applicability of these study findings across many sectors of the economy.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today's businesses operate in a highly dynamic and ever changing operating environment. The business environment continuously changes to adopt new technologies or to respond to meet new customer needs or to match competition. For these reasons, Strategic Planning which is concerned with formulation of organization's vision, mission, core values, objectives, strategies and plans for implementation and control to achieve these organizational objectives is used to help organization adapt to these changes. Strategy implementation, monitoring and control are undertaken by staff of the organization thus their success depends on the extent to which the staff understand the corporate plans, objectives and general vision and thus work towards achieving it.

Robbins and Coulter (2009) have advanced Von-Bertalanffy's theory of open systems to explain operations of business organizations. They suggest the use of strategic planning by these organizations to survive the political, economic, social and technological changes in the environment by taking advantage of the opportunities emerging from the surrounding as well as reducing the effect of threats from the environment. Robbins and Coulter (2009); Summers and Hyman (2005); Taylor (1995); Thompson, Strickland and Gamble (2007) take it further when they suggest involvement of the employees in the strategic planning is vital when they advance organization behaviour to explain the success of strategic planning in helping the organization better survive in the ever changing environment. Organizational behaviour is concerned with behaviour or actions

of people at work and employee attitude or job satisfaction attitude which is employee's general attitude towards her or his job.

A commercial bank in Kenya operates in an environment where it affects the environment by the outputs it produces like products and services and is also affected by the same environment through government regulations, competition from other commercial banks, inputs from its suppliers, consumption of output by its customers et cetera. It's therefore appropriate to look at its operations using open systems theory. Commercial banks in Kenya experience turbulence therefore may adopt strategic planning to cope with these changes by scholars in the previous paragraph. However, it's our view that strategic planning will have a greater positive impact if and only if it enlists the participation and buy-in of all people who matter at all levels of the organization. The extent of the worker participation will hence determine the success of the strategic planning goals which will consequently define the overall organization achievement of its vision. The extent to which the organization achieves its vision through the set goals and objectives is defined as organizational performance.

1.1.1 The Concept of Participatory Strategic Planning (PSP)

Business experts define strategic planning in a variety of ways. Though there may be no universal definition both scholars and business managers agree that it is a process concerned with formulation of plans, goals, objectives, strategies which if well implemented enable an organization to achieve its vision. They also agree that it comes about to help the organization select the best course of action among many alternatives that is best to help the organization navigate the dynamic business environment.

Pearce II, Robinson Jr. and Mital (2008) define strategic management as the set of decisions and actions that result in formulation and implementation of plans that are designed to achieve a company's objectives. De Kluyver and Pearce II (2003) say business strategy is about positioning an organization for sustainable competitive advantage. Thompson and Strickland (1999) define it as a game plan. They define it as a plan management has for positioning the company in its chosen market arena for competing successfully, pleasing customers, and achieving good business performance. Tiem (2004) defines it as a process by which an organization envisions its future and develops the necessary goals and procedures to achieve that vision.

From the foregoing, it's vital to note that to achieve maximum benefit from the opportunities from the environment and deal effectively with threats from the same environment workers need to know where the organization is going as a corporate and thus the concept of participatory approach to strategic planning. Strategic planning calls for definition of the organizational objectives where as participatory strategic planning puts forth individual worker's objectives which when achieved are aggregated to create the organization strategic planning goals hence overall organizational performance.

1.1.2 Organizational Performance

Organizational performance has been defined differently by different people; however, there appears to be a consensus that it's a multidimensional concept. Initially organizations measured their performance based on financial outcomes only. Financial

information is associated with traditional planning and control cycles (Nanni, Dixon & Vollman, 1992). Johnson and Kaplan (1987) argue that financial performance as a measure of organization performance has become inadequate for the new reality of organizations given accelerated changes in technology, needs for innovation, flexibility, shortened product life cycles.

Gradually, performance measurement frameworks began to reconcile the use of financial and nonfinancial measures; examples include the balanced scorecard (Kaplan and Norton, 1992, 1996), integrated performance measurement by Nanni et al. (1990), stakeholder model by Atkinson, Waterhouse and Wells (1997), and performance management framework by Otley (1999). In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions namely: financial performance or shareholder return, customer service, social responsibility and employee stewardship. Consolidating the above definitions, organizational performance can thus be defined as a measure of how well an organization achieves its own vision through the fulfillment of its set goals and objectives which may be financial and/or non- financial that is a measure of organization's actual output or results against its intended outputs (or goals and objectives).

1.1.3 The 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 CBK is responsible for formulating and implementing

monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. During the period ended April 30th 2014, the sector comprised of 43 commercial banks, one mortgage finance company, six deposit taking microfinance institutions, two credit reference bureaus, three representative offices and 124 foreign exchange bureaus (PriceWaterhouseCoopers, 2014).

The Banking Sector recorded improved performance as indicated by the size of assets which stood at Kshs. 1.9 trillion, loans and advances of Ksh. 1.1 trillion, deposits of Ksh.1.4 trillion and profit before tax of Kshs. 40.8 billion. Equally, the number of bank customer deposit accounts stood at 12.8 million with a branch network of 1,102, while the bank loan accounts were 2.1 million (Central Bank of Kenya, 2014). Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering (Central Bank of Kenya, 2014).

The growth has been mainly been underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services with emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players (Central Bank of Kenya, 2014).

There have been two major policy developments in this sector which are likely to be a source of competition. First, the launching of Credit Reference Bureaus for credit information sharing. The uptake of credit reports by banks is expected to increase as use

of credit referencing is entrenched in banks credit appraisal processes. Secondly, the roll out of Agency Banking model. The introduction of agent banking is intended to enable institutions to provide banking services more cost effectively to customers. It is expected that this initiative will enhance financial access for those people who are currently unbanked or under banked (Central Bank of Kenya, 2014).

1.1.4 Commercial Banks in Kenya

Central Bank of Kenya (2014) reports that during the period ended March 31st 2014, the sector comprised of 43 commercial banks. Looking at branch network, 19 of them had less than ten branches, 20 had branches in the range 10-50 while six had branches 50-165. Only three had branches over 100. The majority of the commercial banks were founded in Kenya with only a few being international corporations.

Central Bank of Kenya (2014) further notes that quite a number of the locally founded banks have an expansion to East African Community (EAC) strategy in their plans with a number already pitching tend in Uganda, Southern Sudan and Rwanda. In addition to expansion, about 30% of the commercial banking sector players have upgraded their technology to serve their customers' new and emerging needs thus opening up a new front for the sector competition.

1.2 Research Problem

Most researches in this area have been on the relationship between strategic planning and organizational performance or strategic decision making and productivity and many of them have been done outside Africa. Armstrong's (1982) reviewed twelve studies on

strategic planning and performance and concluded that formal planning benefitted firms. Shrader, Taylor, and Dalton (1984), however, came to a different conclusion from Armstrong; that there is no apparent systematic relationship between formal planning and performance and that there is great disparity in the measurement of formal planning across studies.

Florida and Goodnight (2005), Papadakis, Lioukas and Chambers (1998), Wooldridge and Floyd (1990) on strategic decision making and management noted that the greater the participation of workers has a positive impact on organizational performance. Other studies have been carried out in Africa to document strategic management practices according to Aosa (2011) who cited Woodburn (1984), Adegbite (1986) and Fubara (1986) as examples of such studies on the relationship between strategic planning and organizational performance. Arasa and K'obonyo (2012) in Kenya also considered the same topic and agree with the others that firms that practiced strategic planning recorded better performance compared to non-planners. Aosa (1992) observed that companies reporting high managerial involvement were significantly more successful in implementing strategic decisions than those in which involvement was low. His study was within large private manufacturing firms in Kenya. On the other hand Arasa, Aosa and Machuki (2011) considered the participatory orientation of strategic planning on firm's performance in the insurance sector in Kenya. In their study they indicate that employee participation did influence the strength of the relationship between strategic planning and strategic planning outcomes and that influence was statistically significant.

Imaana (2011) observed that competitive strategies affect performance for commercial banks. His study was in commercial banks operating in Kenya's Meru town. Sakhasia (2012) observed that corporate governance; an arm strategic planning had a significant effect on performance of one of Kenya's commercial banks, Kenya Commercial Bank. None of these studies was on participatory strategic planning in commercial banks in Kenya and given strategic planning is fast being embraced in the developing countries, it is important that the implications of this practice is researched and documented within the context of a developing economy. What is the relationship between participatory strategic planning and performance of commercial banks in Kenya?

1.3 Research Objectives

The objectives of this research were:

- i. To establish the extent of participatory strategic planning in Commercial Banks in Kenya
- ii. To investigate the influence of participatory strategic planning on performance of commercial banks in Kenya.

1.4 Value of the Study

This research is a source of knowledge and contributes to theory building. It's possible for future researchers to borrow knowledge from the findings of this research for academic purposes. The research finding enhances the long held theory that organizations operate in an open system which they interact with. The way they interact with the environment determines their future survival.

Secondly, insights generated from this research will shape policy development in that it will now be possible to advise the organizations on whether participatory strategic planning has a positive influence on organizational performance based on empirical evidence. Decision makers in public institutions, private firms, government agencies or projects and non-governmental organizations will shape their actions on staff inclusion in planning programmes based on findings of this research. Policy makers should make deliberate efforts to include relevant employees in strategic planning process to enhance organizational performance.

Thirdly there will be benefits accrued for utilization in managerial practice. Managers can now choose to either involve or not involve employees at all levels of their organization during strategic planning knowing full well the effect of such decision. Managers should include staff from all levels of the organization in strategic planning process to reap full benefits in terms of organization strategic planning outcomes.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review literature on the subject matter. First, we will look at the theoretical underpinnings of this study. This will be followed by a section on strategic planning process. Here we will describe the strategic planning process. Next, we will look at the participatory strategic planning. The following section will review literature on organization performance and finally the link between participatory strategic planning and organizational performance.

2.2 Theoretical Underpinnings of the Study

Open systems theoretical arguments are in support of strategic planning as a key to organizational success. Although this has been demonstrated statistically, more and more researchers now argue for employee participation in the strategic planning basing their reasoning on the organizational behaviour as a critical factor in the firm's performance. Participatory strategic planning is the involvement of people who matter at all levels in the organization.

Those in support of inclusion of top management (corporate leadership) in strategic planning include the following; Thompson et al. (2007) argue that strategic leadership instills high levels of commitment to strategic success and creates an atmosphere where there is constructive pressure to perform and this is done through shaping values, molding culture and energizing strategy accomplishment. Kermally (2002) argues that a leader in any organization should provide resources to show commitment, share the vision and

involve people in strategy formulation and listen for various possibilities. Kermally further postulates that an effective leader has to focus on organizational culture and influence the performance of every individual and consequently organizational performance. Another scholar on commitment is David (1997) who argues that through involvement in the process managers and employees become committed to supporting the organization.

Other scholars support the inclusion of middle level management in strategic planning for multiple of reasons as follows; Robert (1991) points out that managers have difficulties in coping with strategic issues in situations where strategy is developed by outside consultants without involving the managers. Day (1984) studying capabilities of market driven organizations observed that commitments come from widespread involvement of managers in decision-making. Guth and MacMillan (1986) have a view that involvement of middle managers enhances success in implementing strategy. Papadakis, Lioukas and Chambers (1998) investigating the relationship between the process of strategic decision making and management noted that the greater the participation especially of middle managers has a positive impact on organizational performance. This is so because the involvement of more people in decision making process increases the level of consensus among managers, produces a common understanding of joint tasks, creates a climate of shared effort and facilitates smooth implementation of strategic decisions. On the other hand lack of involvement of other employees in the process creates implementation problems including sabotage.

While some scholars argue for involvement of people at all levels of the organization (especially the foot soldiers) in strategic planning, these are; Hooper and Potter (2000) hold the view that strategy on its own is worthless unless it can be turned into positive action and therefore management needs workers to translate it into results. Participation increases the potential for decisions to be implemented as employees help make and own the decision and offers the possibility of reducing employee skepticism. Ansoff and McDonnell (1990) note that strategic planning concentrated at the corporate levels of management produced an unworkable solution. They further argue that a strategic staff is needed to support line executives at both levels to design and supervise the planning process, provide environmental inputs, identify new portfolio opportunities, analyze portfolios and develop investment and divestment plans and budgets. Employee participation enables workers to have a shared organization direction. People have an idea of the firm's intended direction or else they dissipate their energies, resources and eventually cease to exist. Workers need to have an idea of where they are going, whilst at the same time being aware of the results they are creating in order to adjust both the strategy and performance accordingly.

Hamel (1992) argues strategy should not just be the province of the top management; instead should take into account both the energy of youth and the wisdom of age. Hamel further notes that participation creates an environment that encourages listening and sharing of a variety of viewpoints and opinions before a decision is made on the direction to be pursued. Papadakis, Lioukas and Chambers (1998) noted that strategic decision making processes in successful firms are more a product of a shared effort than

deliberation by one person. Florida and Goodnight (2005) observed that successful companies tapped the creativity of workers from a wide range of disciplines to become more innovative and efficient.

2.3 Strategic Planning

Alkhafaji (2003), Kaplan and Norton (2006), and Thompson et al (2007) agree that strategic planning is the first phase of strategic management process. It is the foundation on which strategy management stands. It starts with data and information gathering on internal and external operating environment of the firm. This information is evaluated and synthesized in line with firm's vision.

The second step of strategic planning consists of determining the organization's mission, goals, objectives and strategies. The main goal of this step is to give forth an appropriate strategy which when implemented best achieves the firm's vision. It is at this stage that many strategies are crafted analyzed and the best strategy selected. Strategy formulation involves much research and decision making to establish where an organization wants to go. Crafting the strategy can be thought of as a continuous effort to develop a set of directions, draft a blueprint or draw a road map.

Thirdly, Strategic planning will formulate implementation, evaluation and control plans for the selected strategy. This stage will yield plans that translate the chosen strategy into organizational action so as to achieve strategic goals and objectives. The plans will ensure that strategy implementation is carried out in the manner in which an organization

should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage (Alkhafaji, 2003; Kaplan and Norton (2006).

It will also provide plans of strategy evaluations and control. Evaluation plans will throw light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in today's dynamic world with socio-economic, political and technological innovations. Strategic evaluation planning is significant because of various factors such as developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice et cetera (Alkhafaji, 2003).

2.4 Participatory Strategic Planning

In its simplest terms, a participatory approach is one in which everyone who has a stake in the intervention has a voice, either in person or by representation. Staff of the organization that will run it, members of the target population, community officials, interested citizens, and people from involved agencies, schools, and other institutions all should be invited to the table. Everyone's participation should be welcomed and

respected, and the process shouldn't be dominated by any individual or group, or by a single point of view.

Peters and Waterman (1982) argue that forms of employee participation have flourished in the 1980s in the guise of managerial policy initiatives inspired by the new 'excellence' movement and have been expounded as a key instrument in the creation of Human Resource Management (HRM) strategies. In recent years, inspired by Japanese management practice, various forms of team-working based around customer care and Total Quality Management (TQM) programmes have witnessed a considerable rise in popularity.

There are a number of perspectives on the increasing interest in participation in the commercial sector. Guest and Knight (1979) argue that it represents part of the search for a new means of overcoming industrial and economic problems, changing market conditions internationally, rising expectations of the workforce, and interest in the concept of industrial democracy. The emphasis on changing environmental conditions is taken up by Lawler (1986) who insists that the societal, business, product, and work force changes that have occurred argue strongly for a change in management style, and he believes that in most situations some form of participative management is the best answer.

However, the increased interest in participation cannot simply be seen as stemming from changed contextual factors and a desire for greater work humanization. An instrumental

view of participation - that greater participation will lead to greater efficiency, and consequently greater profits - is fundamental in the commercial sector (Beardwell & Holden, 1994). That participation is linked to better enterprise decisions is evident from Ouchi (1981) who states: decision-making by consensus has been the subject of a great deal of research in Europe and the United States over the past twenty years, and the evidence strongly suggests that a consensus approach yields more creative decisions and more effective implementation than does individual decision-making.. Another strong supporter for employee participation is Senge (1990), who points out that the organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels of an organization, such organizations he termed them 'learning organizations'.

2.5 Organizational Performance

Organization performance has been a topic of interest to both business practitioners and scholars. There have been majorly two schools of thought on what should constitute performance of an organization; financial versus non-financial metrics in measurement of performance.

In support of financial school of thought are scholars mainly from economics and finance backgrounds who advanced various arguments and theories. The efficient markets theory, Fama (1971), argue that stock prices continually reflected all the relevant public information about companies' performance and principal-agent theory by Jensen and Meckling (1976) urged companies to provide more financial incentives to senior

executive teams, especially incentives based on financial performance, the typical “outcome” measure assumed in principal-agent models. Jensen and Meckling (1976); Fama and Jensen (1983) crystallized the two theories suggesting that executives’ compensation could be better aligned with owners’ interests through expanded use of stock options and other equity rewards.

The second school of thought was to combine and give weight to both financial and non-financial metrics in organization performance measurement. Lewis (1955) project on General Electric (GE) recommended that divisional performance be measured by one financial and seven nonfinancial metrics namely Profitability, Market share, Productivity, Product leadership, Public responsibility, Personnel development, Employee attitudes and Balance between short-range and long-range objectives. Drucker (1954) supported inclusion of non-financial metrics in performance measurement when he introduced management by objectives. Drucker argued that all employees should have personal performance objectives that are aligned strongly to the company strategy. Anthony (1965) argued that although management control systems have financial underpinnings, it does not follow that money is the only basis of measurement, or even that it is the most important basis other quantitative measurements like market share, yields, productivity measures, tonnage of output are useful.

Kaplan and Norton (1992) put forth The Balanced Score Card and argue that it retains financial metrics as the ultimate outcome measures for company success, but supplements these with metrics from three additional perspectives – customer, internal

process, and learning and growth – that they proposed as the drivers for creating long-term shareholder value. The Balanced score card is an organization's performance measurement framework combining benefits of other frameworks and it will be the tool used on the banking sector in this research.

2.6 Participatory Strategic Planning and Organizational Performance

It's argued that by embracing employee participation in strategic planning across the firm leads to better performance by the firm. It is perceived that workers will want to work harder and more efficiently as a result of greater organizational commitment, support, buy-in which stimulates quality output. Cooke (1994), Hamel (1992) argues that through participation workers have opportunities to know and take part in designing the most efficient way(s) of organizing their work, resulting in optimum productivity since decisions made benefit from collective wisdom, opinions and experiences. Jones (1987), Bryson and Millward (1997), deepen this argument by noting that management has a chance of benefiting from the addition of valuable information about work tasks and the ability to access worker talents in decision-making through involvement of workers in the decision-making process.

Other academics with the view that staff participation in planning activities positively affects organization performance include; Aosa (1992) on managerial involvement observed that companies reporting high involvement were significantly more successful in implementing strategic decisions than those in which involvement was low. Wooldridge and Floyd (1990) argue that involvement of line managers in strategy

development was associated with improved performance. Florida and Goodnight (2005) further noted that an interactive process stimulates people's minds, invigorating mental work which eventually leads to superior organization performance.

This study examined the influence of employee participation on the expected relationship between strategic planning and strategic planning outcomes in the commercial banking sector in Kenya. The study looked at employee participation in strategic planning activities namely decision making, vision crafting, objectives setting, strategies generation and selection versus their impact on organization performance measure(s) like customer satisfaction, shareholder satisfaction, financial outcome, staff satisfaction and organization branch network growth.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on how this study systematically solved the research problem identified. It gives the research techniques and instruments used to conduct this research as well as the logic or reasoning for the choice of the particular method and not the other in the context of this study. Research design is described first. A research design encompasses the methodology and procedures employed to conduct scientific research and study type. The section that follows will define population of the study. Data collection and Data Analysis will follow in that order.

3.2 Research Design

Cross-sectional descriptive research methodology was employed for this research. A cross-sectional descriptive study involves measuring different variables in the population of interest at a single point in time (Frankfort-Nachmas, 1996). He argues that this type of research can be used to describe characteristics that exist in a population, but not to determine cause-and-effect relationships between different variables. These methods are often used to make inferences about possible relationships or to gather preliminary data to support further research.

The simultaneous data gathering is often thought of as a snapshot of conditions present at that instant. This research gathered information at a single point in time about involvement of employees in strategic planning activities among commercial banks in Kenya and how the same affect their performance making it appropriate for this study.

Arasa et al. (2011) study on the participatory orientation of strategic planning in insurance in Kenya employed the same research design.

3.3 Population of Study

Population of study is a group of individuals or objects taken from the general population who share a common characteristic under investigation. The target population for this study was all commercial banks licensed by Central Bank of Kenya and operating in Kenya up to the period ending March 31st 2014.

There were 43 commercial banks in Kenya at this point in time and all the 43 banks were considered under this study making it a census. This study targeted respondents from the top level management of each commercial bank on the inclusion of workers in strategic planning and how the same affects the banks performance.

3.4 Data Collection

Data collection process is necessary as it ensures that data gathered are both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid (Frankfort-Nachmas, 1996). The process provides a baseline from which to measure various variables under study. Data collection was by use of a structured questionnaire whereby primary data was collected directly from respondents.

The respondents were asked to indicate their perception on a scale of 1-5 where 1 denoted strongly disagree, 2- Disagree, 3- Neutral, 4-Agree and 5- Strongly Agree on the participation of employees in strategic planning activities. The same scale was used to

gather information how this participation in turn affected organizational performance. Information was sought from heads of departments in charge of enterprise strategy, enterprise planning, financial strategy. The questionnaires were given to respondents to fill and picked up later. Self-administered questionnaire was chosen for this research due to its moderate cost, ease of administration, high quality data and speed to reach many respondents in short period of time.

3.5 Data Analysis

This study had two variables. Data analysis helped this research establish the extent of participatory strategic planning in commercial banks in Kenya by the use of likert's five point scale. These data was analyzed using statistical techniques to establish patterns of distribution and the relationships between variables. From the analysis, it was not possible to conclude that variables are causally related because there other possible explanations for the relationships.

According to Frankfort-Nachmas (1996), regression analysis is a method of specifying the nature of a relationship between two interval variables using a linear function. This method was employed to establish the relationship between the two variables that is relationship between worker participation in planning (if any) and firm's performance. $Y=f(X)$ where Y is firm performance and X is Participatory Strategic Planning.

The independent variable was made up of information gathering, decision making, vision crafting, objectives setting, strategies generation, strategy selection, strategy

monitoring, evaluation and control while dependent variable included organization performance measure(s) that include growth in customer base, shareholder satisfaction, financial outcome, staff satisfaction, branch network expansion and achievement of organization's set goals and objectives. For ease of tabular presentation the symbols in table 3.1 were adopted to represent each sub-variable where X_1 - X_6 together make participatory strategic planning and Y_1 - Y_7 organizational performance measures in commercial banks.

Table 3.1: Variable symbol and Description

Variable Symbol	Symbol Description/ What the Symbol stands for
X_1	Vision and Mission for Strategic Planning
X_2	Objective Setting for Strategic Planning
X_3	Decision Making for Strategic Planning
X_4	Internal/External information gathering for Strategic Planning
X_5	Monitoring, Evaluation and control of Strategy
X_6	Formulation, Interrogation and Selection of Strategy
Y_1	Achievement of organization goals and objectives
Y_2	Growth in the customer base
Y_3	Shareholder returns/satisfaction
Y_4	New competitive products
Y_5	Employee satisfaction
Y_6	Branch expansion
Y_7	Financial Returns

Therefore each measure of performance, $Y_i = B_0 + B_1X_1 + \dots + B_nX_n$ till Y_n was estimated by equations below.

$$Y_1 = B_0 + B_1X_1 + B_2X_2 + \dots + B_nX_n \quad \dots \dots \dots (i)$$

$$Y_2 = B_0 + B_1X_1 + B_2X_2 + \dots + B_nX_n \quad \dots \dots \dots (ii)$$

⋮

$$Y_n = B_0 + B_1X_1 + B_2X_2 + \dots + B_nX_n \quad \dots \dots \dots (iii)$$

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The main focus of this chapter was to critically analyze, interpret and present the results of the research study. Descriptive statistics such as frequency tables, percentages regression analysis were used to collate analyze and present responses to various items in the questionnaire. The target population for the study was a census on the 43 banks that form commercial banking sector. Forty three questionnaires were administered for the field study which resulted in a response rate of 88% where 38 out of 43 respondents in the target population responded. This chapter looks at respondent's management level in the bank followed by evaluation of existence of participatory strategic planning in commercial bank. We then examine the relationship between participatory strategic planning and organizational performance finalizing the chapter with a discussion which compares this study's findings with other existing studies in the same area.

4.2 Respondents' Management Level in the Bank

This research targeted employees in charge of corporate strategy in their respective banks. Respondent's position in the bank was important because this study needed a corporate perspective of the topic under investigation which could only be gotten from top management. The field study interaction revealed that few banks in the market have full-fledged divisions tasked with this onus task. Most banks in fact have strategic

planning as a part of duties of the head of finance and administration division who reports to the CEO or Managing Director.

The results indicate high response from middle level management and High level management. This is partly because these groups head the corporate strategy and also as one respondent explained that due to tight schedule it was proper to delegate some tasks like filling questionnaire given people under him had equally good grasp of the vision and tasks of the department.

Table 4.1: Respondents management level in the bank

Management Level		Frequency	Percent	Cumulative Percent
CEO/MD	1	3	7.9	7.9
High level	2	16	42.1	50.0
Middle level	3	11	28.9	78.9
Low level	4	7	18.4	97.4
Employee	5	1	2.6	100.0
	Total	38	100.0	

Source: field data.

Data in table 4.1 indicate that 78.9% of questionnaires were filled by managers at the middle level, high level and CEO. Only 18.4% of respondents were from low level management and a paltry 2.6% of respondents were from employee level with no managerial responsibilities. This results show the importance given to strategic planning in organizations and the reasoning behind this study targeting top management as source of information.

4.3 Participatory Strategic Planning in Commercial Banks

To establish the level of participatory strategic planning among commercial banks six likert questions were used to gather data from respondents. Each of the six questions was to gather information about the level of participation of staff in a particular strategic planning activity (x_i). The data is presented in table 4.2 below.

Table 4.2: Participation in Strategic Planning Activities

		Freq X_1	% X_1	Freq X_2	% X_2	Freq X_3	% X_3	Freq X_4	% X_4	Freq X_5	% X_5	Freq X_6	% X_6
Strongly Disagree	1	1	2.6	0	0	0	0.0	0	0.0	0	0.0	5	13.2
Disagree	2	4	10.5	8	21.1	1	2.6	1	2.6	2	5.3	7	18.4
Neutral	3	7	18.4	8	21.1	4	10.5	7	18.4	7	18.4	5	13.2
Agree	4	13	34.2	10	26.3	9	23.7	17	44.7	16	42.1	12	31.6
Strongly Agree	5	13	34.2	12	31.6	24	63.2	13	34.2	13	34.2	9	23.6
Total		38	100.0	38	100.0	38	100.0	38	100.0	38	100.0	38	100.0

Freq X_i is the frequency tally for a strategic planning activity

% X_i is the frequency tally for a strategic planning activity expressed in percentage.

Strategic planning is guided and informed by organization's Vision and Mission. The Vision provides the general guiding structural foundation upon which the organization's strategy is built. Respondents were asked to react to a question on the level to which banks involved employees in coming up with the current Vision and Mission. This indicates that respondents are of view that employee participation in Vision and Mission

formulation (X_1) was high with 'Agree' plus 'Strongly Agree' being 68.4%. 'Disagree' plus 'Strongly Disagree' sum up to 13.1%. The respondents with 'Neutral' polled 18.4%.

Objective Setting (X_2) was another aspect of strategic planning investigated in the research. The field data results indicate employees were highly involved in objective setting at 57.9%, low involvement at 21.1% while equally 21.1% remaining Neutral.

Thirdly the research carried a question to find out the extent to which employees were involved in decision making (X_3) in the bank. The respondents were of the opinion that staff are highly involved in decision making with 86.9% being sum of both 'Agree and Strongly Agree', 'Disagree' was 2.6% while indifferent carried a 10.5%.

To do strategic planning, a firm must first do internal and external information gathering (X_4) to inform herself on her internal capabilities and opportunities to scout out for. The extent to which bank employees participate in this aspect of strategic planning was investigated with 78.9% of respondents giving a view of high staff participation, 2.6% low participation and 18.4% 'Neutral'.

The other aspect of strategic planning investigated was monitoring, evaluation and control (X_4). Respondents were asked indicated the extent to which they considered employees were involved defining monitoring, evaluation and control aspects of strategic planning. Of the respondents polled, 76.3% indicated high involvement, 5.3% low involvement and 18.4% were 'neutral'.

On whether banks have a policy to involve staff in formulation, interrogation and selection of the best strategy, responses were as follows; the sum of 'Agree' and 'Strongly Agree' was 55.2%, sum of 'Disagree' and 'Strongly Disagree' was 31.6 while 'neutral' was 13.2%.

4.5 Participatory Strategic Planning and Organizational Performance

To investigate the relationship between participatory strategic planning and commercial bank's performance, multiple regression analysis was used. The likert questions collecting data about participatory strategic planning (X-variable) had a similar scale and similar coding to enable create a summated scale which was analyzed against data from each of the questions on banks performance (Y- variable). Balanced score card technique of performance measurement discussed in chapter three was the tool adopted by this research to measure commercial banks' performance with quantitative, qualitative, financial and non- financial indicators taken into account. As indicated in data analysis section in the previous chapter, organization performance, $Y=f(X)$ where Y is firm performance and X is Participatory Strategic Planning. Therefore each measure of organization performance, $Y_i = B_0 + B_1X_1 + \dots + B_nX_n$ till Y_n will be estimated by equations I, ii and iii below. To establish the relationship between organization performance and participation strategic planning (PSP), each of the performance indicators were regressed with participatory strategic planning activities.

The first dependent variable the research looked at was achievement of organizational goals and objectives (Y_1). The organizations goals and objectives are the outlined

programmes or activities that need to be achieved to fulfill the necessity of the existence of banks hence is important to see if its attainment is influenced by involvement of employees in strategic planning activities. To do this, regression analysis was carried out and its output is in Table 4.3, Table 4.4 and Table 4.5. From Table 4.3 we observe that the constant, X_2 , X_3 , X_5 and X_6 are positively related to Y_1 while X_1 and X_4 are negatively related to Y_1 .

Table 4.3: Coefficients on Regression of Organizational Objectives/Goals and PSP

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.967	.781		1.238	.225
	X_1	-.075	.158	-.096	-.473	.639
	X_2	.390	.230	.348	1.697	.100
	X_3	.113	.286	.110	.394	.696
	X_4	-.043	.123	-.064	-.348	.730
	X_5	.238	.269	.214	.885	.383
	X_6	.230	.093	.347	2.474	.019

Dependent Variable: Achievement of Organization goals and Objectives (Y_1)

$$Y_1 = 0.967 - 0.075X_1 + 0.39X_2 + 0.113X_3 - 0.043X_4 + 0.238X_5 + 0.23X_6$$

From table 4.4, given $F=4.257$ and $p=0.003$, and since $p < 0.05$, it implies that the model has an effect on firm's achievement of goals and objectives which is statistically significant.

Table 4.4: Anova on Regression of Organizational Objectives/Goals and PSP

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.279	6	2.213	4.257	.003 ^b
	Residual	16.115	31	.520		
	Total	29.395	37			

a. Dependent Variable: Achievement of Organization goals and Objectives (Y_1)

b. Predictors: (Constant), X_1 , X_2 , X_3 , X_4 , X_5 , X_6 .

Table 4.5: Correlations on Regression of Organizational Goals/Objectives and PSP

Correlations								
		Y_1	X_1	X_2	X_3	X_4	X_5	X_6
Pearson Correlation	Y_1	1.000	.116	.569	.458	.067	.464	.345
	X_1	.116	1.000	.258	.563	.653	.393	.051
	X_2	.569	.258	1.000	.705	.089	.685	.080
	X_3	.458	.563	.705	1.000	.352	.811	.016
	X_4	.067	.653	.089	.352	1.000	.257	.199
	X_5	.464	.393	.685	.811	.257	1.000	-.066
	X_6	.345	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y_1	.	.244	.000	.002	.344	.002	.017
	X_1	.244	.	.059	.000	.000	.007	.381
	X_2	.000	.059	.	.000	.298	.000	.317
	X_3	.002	.000	.000	.	.015	.000	.462
	X_4	.344	.000	.298	.015	.	.060	.116
	X_5	.002	.007	.000	.000	.060	.	.347
	X_6	.017	.381	.317	.462	.116	.347	.
N	Y_1	38	38	38	38	38	38	38
	X_1	38	38	38	38	38	38	38
	X_2	38	38	38	38	38	38	38
	X_3	38	38	38	38	38	38	38
	X_4	38	38	38	38	38	38	38
	X_5	38	38	38	38	38	38	38
	X_6	38	38	38	38	38	38	38

Looking at the bivariate correlations among X-variables presented in Table 4.5, we note that Pearson correlation coefficient varies between -0.066 to 0.811 except where its 1.000 for sub-variable against itself. These correlations are less the 0.900 which would generally mean that the variables measure a related property therefore the choice of X-subvariables is taken to be okay and no one subvariable needs to be dropped from the analysis. Variables X₂, X₃, X₅ and X₆ have p<0.05 thus their effect on Y₁ is not by chance, only X₁ and X₄ may be by chance.

The study also considered growth in the customer base as a measure of current and future bank's performance (Y₂). Growth in the number of customers of a given bank is also an indication of the satisfaction the customers currently experience or expect to experience in the near future. Regression analysis performed on the data collected yielded the data in Table 4.6, Table 4.7 and Table 4.8.

Table 4.6: Coefficients on Regression of Growth in the Customer Base and PSP

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.567	.634		.893	.379
	X ₁	-.248	.128	-.302	-1.934	.062
	X ₂	.521	.186	.443	2.796	.009
	X ₃	.229	.232	.212	.985	.332
	X ₄	-.114	.100	-.162	-1.145	.261
	X ₅	.350	.219	.298	1.599	.120
	X ₆	.124	.075	.177	1.638	.112

Dependent Variable: Growth in the customer base (Y₂)

$$Y_2 = 0.567 - 0.248X_1 + 0.521X_2 + 0.229X_3 - 0.114X_4 + 0.35X_5 + 0.124X_6$$

Regression equation, $Y_2=0.567-0.248X_1+0.521X_2+0.229X_3-0.114X_4+0.35X_5+0.124X_6$ indicate that constant, X_2 , X_3 , X_5 , X_6 have a direct relationship while X_1 , and X_4 have an inverse relationship with growth in customer base. The Anova results in table 8 indicate $F=10.660$ and $P=0.000$ which is less than 0.05 means the model is statistically significant.

Table 4.7: Anova on Regression of Growth in Customer Base and PSP

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.925	6	3.654	10.660	.000 ^b
	Residual	10.627	31	.343		
	Total	32.553	37			

a. Dependent Variable: Growth in the customer base (Y_2)

b. Predictors: (Constant), X_1 , X_2 , X_3 , X_4 , X_5 , X_6 .

The bivariate Pearson correlation between growth in customer base and participatory strategic planning activities from the table 4.8 shows that X₂, X₃, and X₅ have significant effect on Y₂ with coefficients of 0.718, 0.541 and 0.600 respectively.

Table 4.8: Correlations on Regression of Growth in Customer Base and PSP

		Correlations						
		Y ₂	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
Pearson Correlation	Y ₂	1.000	-.048	.718	.541	-.133	.149	.149
	X ₁	-.048	1.000	.258	.563	.653	.051	.051
	X ₂	.718	.258	1.000	.705	.089	.080	.080
	X ₃	.541	.563	.705	1.000	.352	.016	.016
	X ₄	-.133	.653	.089	.352	1.000	.199	.199
	X ₅	.600	.393	.685	.811	.257	-.066	-.066
	X ₆	.149	.051	.080	.016	.199	1.000	1.000
Sig. (1-tailed)	Y ₂	.	.388	.000	.000	.212	.186	.186
	X ₁	.388	.	.059	.000	.000	.381	.381
	X ₂	.000	.059	.	.000	.298	.317	.317
	X ₃	.000	.000	.000	.	.015	.462	.462
	X ₄	.212	.000	.298	.015	.	.116	.116
	X ₅	.000	.007	.000	.000	.060	.347	.347
	X ₆	.186	.381	.317	.462	.116	.	.
N	Y ₂	38	38	38	38	38	38	38
	X ₁	38	38	38	38	38	38	38
	X ₂	38	38	38	38	38	38	38
	X ₃	38	38	38	38	38	38	38
	X ₄	38	38	38	38	38	38	38
	X ₅	38	38	38	38	38	38	38
	X ₆	38	38	38	38	38	38	38

Banks like any other organizations exist to fulfill the expectations of their shareholders, for this reason therefore it was important that this research investigates the value of the commercial banking industry to their shareholders. Data was collected that pertains to the respondent's perception that his/her bank was paying dividends to its shareholders. When

data collected on the X-variables was regressed with this Y-variable, the outcome is summarized in Table 4.9, table 4.10 and table 4.11.

Table 4.9: Coefficients on Regression of Shareholder Satisfaction and PSP.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.139	.591		.235	.816
	X ₁	-.223	.119	-.284	-1.866	.071
	X ₂	.002	.174	.002	.014	.989
	X ₃	.181	.216	.176	.839	.408
	X ₄	.026	.093	.039	.282	.780
	X ₅	.806	.204	.719	3.955	.000
	X ₆	.204	.070	.307	2.899	.007

Dependent Variable: Shareholder Satisfaction (Y₃)

$$Y_3 = 0.139 - 0.223X_1 + 0.002X_2 + 0.181X_3 + 0.026X_4 + 0.806X_5 + 0.204X_6$$

Table 4.10: Anova on Regression of Shareholder Satisfaction and PSP

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.364	6	3.394	11.418	.000 ^b
	Residual	9.215	31	.297		
	Total	29.579	37			

a. Dependent Variable: Shareholder Satisfaction/Returns (Y₃)

b. Predictors: (Constant), X₁, X₂, X₃, X₄, X₅, X₆.

Regression equation derived from information in the coefficients table, table 4.9 is given as $Y_3 = 0.139 - 0.223X_1 + 0.002X_2 + 0.181X_3 + 0.026X_4 + 0.806X_5 + 0.204X_6$. Shareholder

returns as a measure of organization performance is positively related to X₂, X₃, X₄, X₅, X₆ and negatively related to X₁ as depicted from the regression equation. Given p =0.000 from Anova, we reject the hypothesis that shareholder satisfaction occurs by chance.

The analysis of bivariate relationship between shareholder satisfaction and participatory strategic planning activities shows that it's significantly influenced by staff involvement in objective setting, decision making and job evaluation while staff participation in vision creation, data collection and strategy formulation exists but is not significant.

Table 4.11: Coefficients on Regression of Shareholder Satisfaction and PSP.

		Correlations						
		Y ₃	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
Pearson Correlation	Y ₃	1.000	.139	.573	.619	.161	.741	.255
	X ₁	.139	1.000	.258	.563	.653	.393	.051
	X ₂	.573	.258	1.000	.705	.089	.685	.080
	X ₃	.619	.563	.705	1.000	.352	.811	.016
	X ₄	.161	.653	.089	.352	1.000	.257	.199
	X ₅	.741	.393	.685	.811	.257	1.000	-.066
	X ₆	.255	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y ₃	.	.202	.000	.000	.166	.000	.061
	X ₁	.202	.	.059	.000	.000	.007	.381
	X ₂	.000	.059	.	.000	.298	.000	.317
	X ₃	.000	.000	.000	.	.015	.000	.462
	X ₄	.166	.000	.298	.015	.	.060	.116
	X ₅	.000	.007	.000	.000	.060	.	.347
	X ₆	.061	.381	.317	.462	.116	.347	.
N	Y ₃	38	38	38	38	38	38	38
	X ₁	38	38	38	38	38	38	38
	X ₂	38	38	38	38	38	38	38
	X ₃	38	38	38	38	38	38	38
	X ₄	38	38	38	38	38	38	38
	X ₅	38	38	38	38	38	38	38
	X ₆	38	38	38	38	38	38	38

Another measure of commercial banks performance and future survival has to do with its churning out of new competitive products. It is these new products that attract new customers as well as act as glue for the existing customers not to leave for solutions elsewhere due to unmet need. New products also result in the unbanked joining banks. Responses for this strategic measure of performance was analyzed by multi-variate regression yielding, $Y_4 = -0.231 - 0.263X_1 + 0.584X_2 + 0.32X_3 - 0.058X_4 + 0.334X_5 + 0.164X_6$.

Table 4.12: Coefficients on Regression of New Competitive Product and PSP.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.231	.529		-.435	.666
	X ₁	-.263	.107	-.309	-2.464	.019
	X ₂	.584	.156	.478	3.754	.001
	X ₃	.320	.194	.285	1.648	.109
	X ₄	-.058	.083	-.080	-.699	.490
	X ₅	.334	.183	.274	1.831	.077
	X ₆	.164	.063	.226	2.599	.014

Dependent Variable: New competitive products offering.

Statistics in table 4.13 are as follows; $F=19.310$ and $p<0.05$ at 0.000 , thus the model is significant hence has an influence on new product offering.

Table 4.13: Anova on Regression of New Competitive Product and PSP.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.674	6	4.612	19.310	.000 ^b
	Residual	7.405	31	.239		
	Total	35.079	37			

a. Dependent Variable: New Competitive Product (Y₄)

b. Predictors: (Constant), X₁, X₂, X₃, X₄, X₅, X₆.

Bivariate correlations from the field data shows that proliferation of competitive new products in a given firm is positive for strategic planning activities under study except gathering of information to inform strategic planning which is negative; see Pearson correlation in table 4.14.

Table 4.14: Coefficients on Regression of New Competitive Product and PSP

		Correlations						
		Y ₄	X ₁	X ₂	X ₃	X ₄	X ₄	X ₆
Pearson Correlation	Y ₄	1.000	.042	.798	.646	-.023	.675	.219
	X ₁	.042	1.000	.258	.563	.653	.393	.051
	X ₂	.798	.258	1.000	.705	.089	.685	.080
	X ₃	.646	.563	.705	1.000	.352	.811	.016
	X ₄	-.023	.653	.089	.352	1.000	.257	.199
	X ₅	.675	.393	.685	.811	.257	1.000	-.066
	X ₆	.219	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y ₄	.	.401	.000	.000	.445	.000	.093
	X ₁	.401	.	.059	.000	.000	.007	.381
	X ₂	.000	.059	.	.000	.298	.000	.317
	X ₃	.000	.000	.000	.	.015	.000	.462
	X ₄	.445	.000	.298	.015	.	.060	.116
	X ₅	.000	.007	.000	.000	.060	.	.347
	X ₆	.093	.381	.317	.462	.116	.347	.
N	Y ₄	38	38	38	38	38	38	38
	X ₁	38	38	38	38	38	38	38
	X ₂	38	38	38	38	38	38	38
	X ₃	38	38	38	38	38	38	38
	X ₄	38	38	38	38	38	38	38
	X ₅	38	38	38	38	38	38	38
	X ₆	38	38	38	38	38	38	38

The strategic success of organization depends on the concerted input from the employees thus it's vital that employees are well motivated to initiate and/or support any efforts of the organization. Organization wide staff motivation is dependent on what a given organization offers its employees for the effort, they include but not limited to remuneration, allowances, perks, privileges. All these benefits define employee satisfaction which is thus a measure of firm's performance. Participatory strategic planning activities were regressed with employee satisfaction resulting in regression equation, $Y_5 = -0.314 - 0.352X_1 + 0.43X_2 + 0.653X_3 - 0.075X_4 + 0.219X_5 + 0.234X_6$. Employee satisfaction is affected by inclusion of firm's staff in strategic planning activities. Looking at table 16 results, $F=15.467$ and $p=0.000$, therefore this relationship does not occur by chance.

Table 4.15: Coefficients on Regression of Employee Satisfaction and PSP

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.314	.635		-.494	.625
	X ₁	-.352	.128	-.374	-2.741	.010
	X ₂	.430	.187	.320	2.306	.028
	X ₃	.653	.233	.529	2.808	.009
	X ₄	-.075	.100	-.092	-.746	.461
	X ₅	.219	.219	.163	.999	.325
	X ₆	.234	.076	.294	3.102	.004

Dependent Variable: Employee Satisfaction (Y₅)

Table 4.16: Anova on Regression of Employee Satisfaction and PSP

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.898	6	5.316	15.467	.000 ^b
	Residual	10.655	31	.344		
	Total	42.553	37			

Dependent Variable: Employee Satisfaction (Y_5)

Predictors: (Constant), X_1 , X_2 , X_3 , X_4 , X_5 , X_6 .

Table 4.17: Coefficients on Regression of Employee Satisfaction and PSP

Correlations								
		Y_5	X_1	X_2	X_3	X_4	X_5	X_6
Pearson Correlation	Y_5	1.000	.024	.723	.648	-.022	.620	.280
	X_1	.024	1.000	.258	.563	.653	.393	.051
	X_2	.723	.258	1.000	.705	.089	.685	.080
	X_3	.648	.563	.705	1.000	.352	.811	.016
	X_4	-.022	.653	.089	.352	1.000	.257	.199
	X_5	.620	.393	.685	.811	.257	1.000	-.066
	X_6	.280	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y_5	.	.442	.000	.000	.448	.000	.044
	X_1	.442	.	.059	.000	.000	.007	.381
	X_2	.000	.059	.	.000	.298	.000	.317
	X_3	.000	.000	.000	.	.015	.000	.462
	X_4	.448	.000	.298	.015	.	.060	.116
	X_5	.000	.007	.000	.000	.060	.	.347
	X_6	.044	.381	.317	.462	.116	.347	.
N	Y_5	38	38	38	38	38	38	38
	X_1	38	38	38	38	38	38	38
	X_2	38	38	38	38	38	38	38
	X_3	38	38	38	38	38	38	38
	X_4	38	38	38	38	38	38	38
	X_5	38	38	38	38	38	38	38
	X_6	38	38	38	38	38	38	38

In Table 4.17, Pearson correlations indicate positive relationship between participatory strategic planning activities and employee satisfaction except for gathering of information for strategic planning which is negative.

To ensure business growth and sustainability, more customers need to be reached by commercial banks. Also to spread risk and reach many customers with a personalized experience, commercial banks spread branches across counties, nations or regions. This research therefore did investigate the influence of participatory strategic planning on commercial bank's branch expansion since such expansion contributes to banks strategic existence and general output. Branch expansion as an indicator banks' performance denoted, $Y_6 = 5.486 - 0.328X_1 + 0.124X_2 + 0.664X_3 + 0.189X_4 - 1.044X_5 - 0.134X_6$. Even though branch network is vital in reaching customers, the analysis of data collected indicate that this relationship is not statistically significant as revealed by $F=1.021$ and $p=0.430$ from anova in table 4.19.

Table 4.18: Coefficients on Regression of Branch Expansion and PSP

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.486	1.416		3.874	.001
	X ₁	-.328	.286	-.285	-1.145	.261
	X ₂	.124	.416	.075	.298	.768
	X ₃	.664	.519	.440	1.280	.210
	X ₄	.189	.223	.192	.848	.403
	X ₅	-1.044	.488	-.636	-2.137	.041
	X ₆	-.134	.169	-.138	-.794	.433

Dependent Variable: Branch Expansion (Y₆)

Table 4.19: Anova on Regression of Branch Expansion and PSP.

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.475	6	1.746	1.021	.430 ^b
	Residual	52.999	31	1.710		
	Total	63.474	37			

Dependent Variable: Branch Expansion (Y_6)

Predictors: (Constant), X_1 , X_2 , X_3 , X_4 , X_5 , X_6 .

Table 4.20: Coefficients on Regression of Branch Expansion and PSP

Correlations								
		Y_6	X_1	X_2	X_3	X_4	X_5	X_6
Pearson Correlation	Y_6	1.000	-.150	-.117	-.118	-.024	-.282	-.059
	X_1	-.150	1.000	.258	.563	.653	.393	.051
	X_2	-.117	.258	1.000	.705	.089	.685	.080
	X_3	-.118	.563	.705	1.000	.352	.811	.016
	X_4	-.024	.653	.089	.352	1.000	.257	.199
	X_5	-.282	.393	.685	.811	.257	1.000	-.066
	X_6	-.059	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y_6	.	.184	.242	.241	.444	.043	.363
	X_1	.184	.	.059	.000	.000	.007	.381
	X_2	.242	.059	.	.000	.298	.000	.317
	X_3	.241	.000	.000	.	.015	.000	.462
	X_4	.444	.000	.298	.015	.	.060	.116
	X_5	.043	.007	.000	.000	.060	.	.347
	X_6	.363	.381	.317	.462	.116	.347	.
N	Y_6	38	38	38	38	38	38	38
	X_1	38	38	38	38	38	38	38
	X_2	38	38	38	38	38	38	38
	X_3	38	38	38	38	38	38	38
	X_4	38	38	38	38	38	38	38
	X_5	38	38	38	38	38	38	38
	X_6	38	38	38	38	38	38	38

Interpreting the bivariate correlations from table 4.20, it's worth noting that all X-variables are inversely correlated to branch expansion and more so that only X₄, participatory monitoring, evaluation and control can be termed significant at p=0.043.

Finally the study looked at the bank's financial returns and whether this financial output has any dependence on the employee participation in corporate planning. Although there are various measures of organization performance, scholars and practitioners agree that financial returns is one of the most important indicators of firm's performance. The 'bottom line' as is popularly known determines the availability of resource for operations ensuring firm's survival. Field data analysis indicate that participatory strategic planning has an effect on financial performance of commercial banks with financial returns estimated by $Y_7=0.034-0.081X_1-0.092X_2+0.307X_3-0.043X_4+0.825X_5+0.096X_6$. Looking at this model using the analysis as presented by the Anova, table 4.22, it's clear that the model is statistically significant with F value of 11.056 and p=0.000.

Table 4.21: Coefficients on Regression of Financial Returns and PSP

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.034	.636		.054	.957
	X ₁	-.081	.129	-.097	-.631	.533
	X ₂	-.092	.187	-.077	-.494	.625
	X ₃	.307	.233	.280	1.319	.197
	X ₄	-.043	.100	-.060	-.430	.670
	X ₅	.825	.219	.691	3.758	.001
	X ₆	.096	.076	.135	1.265	.215

Dependent Variable: Financial Returns (Y_7)

Table 4.22: Anova on Regression of Financial Returns and PSP

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.884	6	3.814	11.056	.000 ^b
	Residual	10.695	31	.345		
	Total	33.579	37			

a. Dependent Variable: Financial Returns (Y_7)

b. Predictors: (Constant), X_1 , X_2 , X_3 , X_4 , X_4 , X_6

Table 4.23: Coefficients on Regression of Financial Returns and PSP

Correlations								
		Y_7	X_1	X_2	X_3	X_4	X_4	X_6
Pearson Correlation	Y_7	1.000	.280	.574	.712	.173	.802	.071
	X_1	.280	1.000	.258	.563	.653	.393	.051
	X_2	.574	.258	1.000	.705	.089	.685	.080
	X_3	.712	.563	.705	1.000	.352	.811	.016
	X_4	.173	.653	.089	.352	1.000	.257	.199
	X_5	.802	.393	.685	.811	.257	1.000	-.066
	X_6	.071	.051	.080	.016	.199	-.066	1.000
Sig. (1-tailed)	Y_7	.	.044	.000	.000	.150	.000	.336
	X_1	.044	.	.059	.000	.000	.007	.381
	X_2	.000	.059	.	.000	.298	.000	.317
	X_3	.000	.000	.000	.	.015	.000	.462
	X_4	.150	.000	.298	.015	.	.060	.116
	X_5	.000	.007	.000	.000	.060	.	.347
	X_6	.336	.381	.317	.462	.116	.347	.
N	Y_7	38	38	38	38	38	38	38
	X_1	38	38	38	38	38	38	38
	X_2	38	38	38	38	38	38	38
	X_3	38	38	38	38	38	38	38
	X_4	38	38	38	38	38	38	38
	X_5	38	38	38	38	38	38	38
	X_6	38	38	38	38	38	38	38

To better estimate the effect of participatory strategic planning on organization performance, the values of Firm's performance (Y_j) was tabulated at $X=0$ and $X=1$. The results are presented in table 4.24 below.

Table 4.24: The effect of Increasing PSP (X-variable) on Firms Performance

Bank performance	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7
$X_S = 0$	0.967	03567	0.139	-0.231	-0.314	5.486	0.034
$X_S = 1$	1.820	1.429	1.135	0.850	0.795	4.957	1.046
p @0.05	0.003	0.000	0.000	0.000	0.000	0.430	0.000

All measures of bank performance increased with one unit increase of X-variable except for branch expansion (Y_6) which decreased. Further, from table 4.24 we realize that all p values are less than 0.05 except for branch expansion (Y_6) which means that generally firm's performance is directly influenced by employee participation in strategic planning activities. The p value from multi-regression indicates that this influence is statistically significant.

4.6 Discussion

This study set out first to establish the existence of participatory strategic planning among commercial banks in Kenya. Strategic planning activities considered under the study included data gathering to inform strategic planning, vision, decision making, objectives setting, strategy origination, refinement and selection. Also studied are strategy monitoring, evaluation and control. The employee participation in these strategic

planning activities was estimated by five point likert scale, with results as presented in table 4.2.

Looking at table 4.2, we observe that combining 'Agree' and 'Strongly Agree' results are as follows; it's the opinion of 68.4% of respondents that staffs participate in formulation and refinement of vision and mission (X_1) of commercial banks. Secondly, 57.9% of respondents are of the view that employees are incorporated in objective setting (X_2), while decision making (X_3) was the most inclusive with 86.9% of respondents indicating employee participation in decision making. Employees are also highly involved in internal and external information gathering (X_4) for strategic planning at 78.9% of respondents. Staff involvement in strategy monitoring, evaluation and control (X_4) was at 76.3% of respondents while lowest participation recorded was in strategy formulation and selection (X_6) at 55.2%. On the other hand, combination of 'Disagree' and 'Strongly disagree' yields $X_1=13.1%$, $X_2=21.1%$, $X_3=2.6%$, $X_4 =2.6%$, $X_4 =5.3%$, and $X_6 =31.6%$. In comparison therefore, we observe that participatory strategic planning is deeply rooted in Kenyan commercial banks.

The second research objective was to determine the relationship between participatory strategic planning and commercial bank's performance. To get a clear picture of this relationship, we look at summarized results of the regression lines when values of X-variable are at zero units and when increased by 1 unit in table 4.24. We observe that all the measures of bank performance increased with one unit increase of participatory strategic planning except for branch expansion which decreased. This finding that there

is a correlation between employee participation in strategic planning and organization performance is in agreement with contention by Arasa, et al. (2011) that employee participation does influence the strength of the relationship between strategic planning and strategic planning outcomes and that that influence was statistically significant.

Other scholars with similar conclusion include Aosa (1992), in his study noted that managerial involvement is crucial in planning and strategy development. Summers and Hyman (2005) and Thompson and Strickland (1989) are of the same contention that getting staff from various cadres, departments and geographical regions is creates commitment and support which is so critical for smooth implementation of company programmes. Of a similar finding is Thompson, et al. (2007) who contend that strategic leadership keeps the organization innovative and responsive.

Previous studies on participatory approach to the strategic planning and its effect on organization performance by among others; Ansoff and McDonnell (1990), Cooke (1994), Bryson and Millward (1997), Hooper and Potter (2000), Summers and Hyman (2005), Taylor (1995) and Thompson, Strickland and Gamble (2007) indicate that employee participation in the organization's strategic decision-making process enlists their commitment, increases staff productivity and desire to contribute to the realization of the overall corporate goals and performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The data collected was analyzed using statistical techniques like multiple regressions and Pearson's product correlation coefficient and presented in the form of tables. The study was carried out among commercial banks in Kenya. The study sought to first investigate the extent of participatory strategic planning in Commercial Banks in Kenya, and then establish the relationship between the participatory strategic planning and performance of commercial banks in Kenya.

5.2 Summary of Findings

The research study established that participatory strategic planning as a technique in management has been embraced across the sector by nearly all the players. Further, we established that staff participation and involvement in strategic planning in this service industry, is wide spread across all possible strategic planning activities.

Secondly, it is the finding of this study that staff participation in strategic planning process among the commercial banks has a direct and positive influence on the banks performance indicators. That is, participatory strategic planning has a positive impact on shareholder value, customer and employee satisfaction, financial output, fulfillment of the bank's goals and objectives and overall bank performance.

5.3 Conclusion

From the research findings, we concluded that commercial banking sector of the economy has embraced participatory strategic planning in the running of their business affairs. There is participation and involvement of employees in strategic planning activities such as strategic planning information gathering, corporate objectives setting, strategies origination, refinement and selection. Employees also take part in vision, mission origination and refinement.

Second conclusion which we can draw from this research is that participation and involvement of employees in strategic planning has a direct influence on bank's performance. Participatory strategic planning has a direct influence on customer satisfaction, employee satisfaction, shareholder returns, and fulfillment of firm's objectives. This relationship is statistically significant.

Finally, given the agreement of the study findings and the existing theory on the topic under consideration as evidenced in discussion we draw a conclusion that employee involvement in strategic planning activities and duties has a positive impact on the organization performance. This effect is significant and does not occur by chance.

5.4 Recommendations for Policy and Practice

Results from this study as provided by regression analysis and Pearson's correlation coefficient point as to the importance we need to give to employee participation in strategic planning. Therefore company leadership need to consider having key staffs

across the organization participate in various strategic planning activities for increased ownership and commitment which is critical in translating the strategic planning intentions into firm's performance outcomes.

We recommend that governments, Non-governmental organizations, not for profit organizations et cetera to embrace participatory planning. This will have a direct and positive bearing on the organizations performance as it fulfills its objectives. The organization management should go beyond just participation. It must be genuine and strategic with commitment so as to drive the process effectively, unlock employee commitment, support and buy-in for greater innovation and productivity.

To policy makers we say: take participatory strategic planning as a factor in the organization's production function. Human resource should go beyond the numerical value but also include the homogeneity, team work. Policies should include advice to leaders to involve strategic members in corporate planning since success of such plans is dependent on it.

Finally, we recommend to academics on strategic management to consider these findings in their future endeavours of research to better firm's productivity. They will need to go beyond advice for strategic planning but instead evaluate critically the need to advocate for exhaustive staff involvement in strategic planning to maximize strategic planning outcomes.

5.5 Limitations of the Study

This research faced various limitations and challenges which ultimately affected the study results. First, this research was undertaken in the commercial banking sector of the in Kenya. This may in turn affect the generalization of the findings to other sectors of the economy.

Secondly, study methodology and study instrument. When we adopted an industry wide survey methodology for all the commercial banks and a questionnaire instrument for data gathering we lost out on the benefits of interview prodding questions and interactions. The study set out to get commercial banks top management in charge of corporate strategy in their respective organizations. By the nature of their jobs, these respondents have very tight schedules. Due to their job expectations, this study did not benefit from their direct input as many of them chose to delegate filling of the questionnaire to their juniors.

The limited time within which the study was to be carried out. The study being an academic requirement was to be done within a specified period of time which means a lot was to be done at the same time. Some activities may have been done more thoroughly like design of the questionnaire allowing for many types of corroborative analysis to be done.

5.6 Suggestions for Further Study

First, as suggested in the previous section we recommend that more studies be done on the same topic in other sectors of the economy. For instance, we can have more studies in other service sectors such as education, hospitality, health et cetera. On the other hand, we can have study in the same commercial banking sector but in another economy set up like another country, continent or even county.

Secondly, we recommend the deepening of the variables under study. For example, looking at specific participation fora as they affect the firm's performance. Better still do a longitudinal observation of various firms as they integrate participatory strategic planning in their work systems.

Finally, we recommend to be done in the same commercial banking industry to corroborate our findings. The study should vary either of the following, use a different research design or use a different data collection instrument not a questionnaire. Alternately, employ different techniques of analysis on the data collected not those used in this research.

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APPENDICES

Appendix I: Questionnaire

This is a Research to inquire into: Participatory Strategic Planning and Performance of Commercial Banks in Kenya. Information gathered by this questionnaire will only be used for the academic purposes of this research and all respondents remain anonymous. Much appreciation to you for taking your precious time to answer the following questions.

SECTION A: This section is to gather general information about respondent (you) and your organization (bank).

1) Which bank do you work for?

.....

2) Using reporting structure in a scale of 1-5 please indicate your level in the bank; where 1 is CEO/MD level and 5 is the lowest level.

i. 1 (CEO/MD) ()

ii. 2 (High Level management) ()

iii. 3 (Middle Level management) ()

iv. 4 (Low Level management) ()

v. 5 (Employee) ()

3) In your opinion, what is the most important measure of performance (not size) in your bank?

.....

SECTION B: To what extent do you agree with the following statements? Please tick appropriately

4) This bank involved staff at all levels in coming up with Vision and Mission the bank wants/is in the process of implementing.

Strongly				Strongly
Disagree	Disagree	Neutral	Agree	Agree
1	2	3	4	5

5) This bank involves each staff in objectives setting for self and the bank.

Strongly				Strongly
Disagree	Disagree	Neutral	Agree	Agree
1	2	3	4	5

6) The bank has a policy to involve every staff in decision making at their level.

Strongly				Strongly
Disagree	Disagree	Neutral	Agree	Agree
1	2	3	4	5

7) Employees participate in external and internal information gathering that help define the banks strategic planning process.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	

8) This bank involves employees in coming up with measures of individual and organization performance monitoring, evaluation and control.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	

9) Employees participated in formulation, interrogation, selection of strategy being implemented by the bank.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	

10) The bank has been able to achieve yearly goals and objectives for the last five years.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

11) The bank's customer base has had a positive growth in the last five years.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

12) The bank has been paying dividends to its shareholders for the last five years.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

13) The bank has had growth in new competitive products offering in the last five years.

Strongly					Strongly
Disagree	Disagree	Neutral	Agree	Agree	
1	2	3	4	5	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

14) Employees' terms and conditions of engagement (remuneration, benefits, privileges etc) have improved in the last five years.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

15) The bank has had branch expansion in Kenya and/or Eastern Africa region in the last five years.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

16) The bank has had a positive financial performance (profitability) in the last five years.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Appendix II: Commercial Banks in Kenya

COMMERCIAL BANKS IN KENYA	BRANCHES
African Banking Corporation Ltd.	10
Bank of Africa Kenya Ltd.	18
Bank of Baroda (K) Ltd.	11
Bank of India	5
Barclays Bank of Kenya Ltd.	103
CFC Stanbic Bank Ltd.	20
Charterhouse Bank Ltd	10
Chase Bank (K) Ltd.	18
Citibank N.A Kenya	4
Commercial Bank of Africa Ltd.	20
Consolidated Bank of Kenya Ltd.	14
Co-operative Bank of Kenya Ltd.	87
Credit Bank Ltd.	7
Development Bank of Kenya Ltd.	3
Diamond Trust Bank Kenya Ltd.	36
Dubai Bank Kenya Ltd.	5
Ecobank Kenya Ltd	20
Equatorial Commercial Bank Ltd.	12
Equity Bank Ltd.	123
Family Bank Limited	52
Fidelity Commercial Bank Ltd	7
Fina Bank Ltd	15

First community Bank Limited	18
Giro Commercial Bank Ltd.	7
Guardian Bank Ltd	7
Gulf African Bank Limited	15
Habib Bank A.G Zurich	5
Habib Bank Ltd.	4
Imperial Bank Ltd	16
I & M Bank Ltd	19
Jamii Bora Bank	1
Kenya Commercial Bank Ltd	165
K-Rep Bank Ltd	31
Middle East Bank (K) Ltd	3
National Bank of Kenya Ltd	54
NIC Bank Ltd	16
Oriental Commercial Bank Ltd	6
Paramount Universal Bank Ltd	6
Prime Bank Ltd	14
Standard Chartered Bank Kenya Ltd	33
Trans-National Bank Ltd	18
UBA Kenya Bank Limited	4
Victoria Commercial Bank Ltd	3

Adopted from <http://www.centralbank.go.ke/financialsystem/banks/register.aspx>