STRATEGIC LEADERSHIP AND SUSTAINABLE COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This research project is the result of my independent study and has not been submitted for examination in this University or any other Institution of higher learning.

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

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DEDICATION

I dedicate this project to the Almighty God for giving me the grace to undertake it and to my entire family who have been of much help and understanding during the period of my study. I would also like to dedicate this project to the School of Business, University of Nairobi.
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ABSTRACT

Competition in organizations has tremendously grown due to various changes in the environment thus survival tactics are essential for the success of organizations. Strategic leadership plays an important role in sustaining competitive advantage for commercial banks in Kenya over the long-term. Strategic leaders are therefore important in banks since they are key people who have capabilities to anticipate and foresee challenges and opportunities in both the present and future of the banks. The purpose of the study was to investigate the strategic leadership and sustainable competitive advantage of commercial banks in Kenya. The objective of this study was to determine whether the practice of strategic leadership has an impact on sustainable competitive advantage of commercial banks in Kenya. Descriptive research design was used in the study. The study targeted 43 commercial banks in Kenya. Questionnaires were used as the main data collection instrument in the study. Questionnaires were deemed appropriate as they ensured the confidentiality of the respondents. The data collected from the field was coded and analyzed using descriptive statistical techniques such as frequencies, percentages standard deviation and means. The findings indicated that even though there is intense competition within the financial sector, banks can still have a sustainable competitive advantage. The findings also indicated that the strategic leadership practices and roles such as anticipating environmental change, nurturing people’s creativity, improve on service delivery through adoption of modern technology, reduce costs of operation, employ competent staff, strategy implementation and ethical practices among others all had a great impact in sustaining the banks competitive advantage. The study recommends the commercial banks to have their strategic leaders pay more attention to both the short and long-term performances. They should create an effective strategy that can lead their banks to vision while short-term goals still remain. In order to lead an organization to success over the long term, the study also recommends the commercial banks to have its leaders to not only have a few capabilities but also have sufficient and effective capabilities to create an effective strategy.
CHAPTER ONE

INTRODUCTION

1.1 Background

Competition in organizations has tremendously grown due to various changes in the environment thus strategy is important for the success of organizations. Leaders are required to have strategic leadership capabilities to create a strategy for their organization. Strategy is about winning (Grant, 2010). One of the main purposes of strategy is to enhance its long-term competitive position and sustain competitive advantage over competitors. According to Thompson, Strickland and Gamble (2010) strategic leadership is widely considered as the basic need for creating an effective strategy and has been identified as the key driver leading an organization to success.

The dynamic capability theory emphasizes on how senior managers change their existing models and paradigms to adapt to the changing environment. Dynamic capabilities are the processes of a firm that are able to reconfigure resources to respond to changes in the marketplace (Clegg, Carter, Kornberger and Schweiter, 2011). The concept of dynamic capabilities has become the predominant paradigm for the explanations on competitive advantages, especially in terms of organizational knowledge processes. On the other hand, the resource based view of strategy development is on the organization’s own resources-its physical resources such as plant and machinery, its people resources such as its leadership and skills, and above all the ways in which such resources interact in the organization (Lynch, 2009).
The Kenyan banking industry has shown some tremendous growth over the past few years in deposits, assets, profitability and products offering. This has mainly attributed to automation of services and the branch network expansion both locally and regionally. The kind of growth in the banking industry has brought about increasing competition among players and new entrants into the banking sector. It is in light to this that more research needs to be done on how the banks use strategic leadership to their advantage and to sustain competitive advantage over competitors.

Today banking leaders need to have the right leadership style, especially strategic leadership, to lead their organization to sustainable competitive advantage and an above-average profitability and financial performance. This is because leaders are faced with many and new challenges happening in the environment. Modern leaders must therefore learn to think strategically and differently about their roles, capabilities and how to improve them in order to lead their organization to success over the long-term (Barton, Grant, and Horn, 2012). In the Kenyan banking industry, increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. The banks therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, banks are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Pearce and Robinson, 2000).
1.1.1 Strategic Leadership

Leadership is the process of influencing an organization or group within an organization in its efforts towards achieving an aim or goal (Johnson and Scholes, 2002). On the other hand strategic leadership is the influence process that facilitates the performance of the top management team to achieve objectives (Clegg et al., 2011). It is about how to most effectively manage a company’s strategy-making process to create competitive advantage. Strategic leadership is the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary and therefore considered as the basic need for creating an effective strategy. It is a multifunctional task that involves managing through others, attracting and managing human capital, coping with change and being able to influence others.

Strategic leaders are important leaders in organizations (Adair, 2010). They are those at the top of the organization (in particular, the CEO), but other commonly recognized strategic leaders include members of the board of directors, the top management team, and division general managers.

The kind of style used to provide leadership often affects the productivity of those being led. The most effective leadership style used by strategic leaders is the transformational leadership style. Transformational leadership recognizes that success results from their belief in both themselves and their staff (Capon, 2008). It encourages followers to exceed expectations, and place the organization above self-interests. The strategic leadership skills of an organization’s manager represent resources that can affect the firm’s performance. These resources must be developed for the firm’s future benefit.
Strategic leadership is very important in an organization since it entails having core competencies and proper working relationships with the leaders, managers and staff and this in the end leads to having a good competitive advantage. Core competencies are the skills and abilities developed within an organization with which competitive advantage can be created and maintained (Capon, 2008). The role of strategic leadership in companies is very vital since it significantly influences necessary changes, learning, innovation, and superior performance of an organization.

1.1.2 Sustainable Competitive Advantage

As competition becomes increasingly fierce, how to sustain competitive advantage or achieve sustainable competitive advantage starts obtaining more attention. An organization is said to have a competitive advantage over its rivals when its profitability is greater than the average profitability and profit growth of other companies competing for the same set of customers. What makes a competitive advantage sustainable are actions and elements in the strategy that cause an attractive number of buyers to have a lasting preference for a company’s products or services as compared to the offering of competitors (Porter, 1998).

The higher its profitability relative to rivals, the greater its competitive advantage will be. Competitive advantages are also sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Competition determines the appropriateness of a firm’s activities that can contribute to its performance such as innovations, a cohesive culture, or good implementation (Porter, 1998).
Competitive advantage is an important factor that tends to influence the success or failure of organizations. According to Hiriyappa (2008) competitive advantage refers to organizations or companies with how much benefit, from the point of view of cost and benefit analysis. The term ‘sustainable’ considers the protection of such attributes and resources have to offer over some usually undefined period of time into the future for the organization to maintain its competitiveness.

A company has a sustained competitive advantage when its strategies enable it to maintain above-average profitability for a number of years. An organization achieves sustainable competitive advantage when an attractive number of buyers prefer its products or services over the offerings of competitors and when the basis for this preference is durable (Thompson et al., 2010).

Having a competitive edge is important for organizations since it enables them to be sustainable and long-lasting. A firm sustains competitive advantage by performing the strategic important activities better than competitors (Clegg et al., 2011), thus sustainable competitive advantage is vital for organizations and firms because it results to a better strategy and company’s future profitability. By having a sustainable competitive edge, organizations are able to be above average profitability giving them a high chance of performing well and being successful.
1.1.3 Strategic Leadership and Sustainable Competitive Advantage

Strategic leadership refers to individual behavior, styles, and skills used to influence others to achieve a successful strategy for an organization. According to Daft (2011), success and competitive advantage of an organization is mainly determined by the selection of the top leader. Competitive advantage is the most important factor that influences the success or failure of organizations (Cristian-Liviu, 2013; Finkelstein, Hambrick, & Cannella, 2009) in which strategic leadership is widely considered as one of the key factors that promote and sustain competitive advantage for an organization over the long term. Organizations need to properly understand its capabilities in order to achieve sustainable competitive advantage.

An important component of a company’s sustainable competitive advantage is the leadership that a company’s leader provides. Hitt, Ireland and Hoskisson (1995) predicted, strategic leadership emphasized developing human capital over exploiting and maintaining organizational core competencies to reflect the importance of human resources. Both the human capital and organizational core competencies are significant contributors to achieving competitive advantage from the resource based view. Sustainable competitive advantage is the prolonged benefit of implementing some unique value creating strategy that is not simultaneously being implemented by any current or potential competitor. It is therefore no longer rooted in physical assets and capital, but in effective channeling of intellectual capital (Halawi, Aronson and McCarthy, 2005).
When the strategic leadership components are completed successfully, the firm’s strategic leadership practices can become a source of competitive advantage. Strategic leadership in an organization that is able to develop its capabilities would help it in sustaining its competitive advantage. Phapruke (2012) states that in dynamic, turbulent, volatile and complex markets and environments, organizations must employ strategic leadership to survive and sustain good performances in the future and long-term.

1.1.4 Banking Industry in Kenya

The main regulators and governors of the banking Industry in Kenya are the Companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act. These acts are used together with the prudential guidelines issued from time to time by Central Bank of Kenya. The exchange controls were lifted in 1995 after the liberalization of the banking in Kenya. CBK falls under the Ministry of Finance and is tasked with formulating and implementing of monetary and fiscal policies. As of December 2008 the banking system comprised of 44 commercial banks, 15 micro-finance institutions and 109 forex bureaus. The banks are under the Kenya Bankers Association (KBA) which works as lobby for the local banking industry.

The current global crisis has put the financial sector again at the center of policy makers’ attention across the developed and developing world. While Kenya’s financial system is by far the largest and most developed in East Africa and its stability has improved significantly over the past years, many challenges remain. The Kenyan banking system has seen a significant improvement in asset quality over the past years.
Currently the banks in Kenya are now focusing on the diverse customer needs rather than the traditional banking products such as over the counter cash withdrawals and cash deposits. This strategic move has been made possible by the stiff competition among the banks. Due to the evolving and fast changing banking system, the CBK is ensuring that the Kenyan banks comply with the well-established international codes and standards. According to the Financial Sector Deepening (FSD) Kenya (2008), the banking industry in Kenya is enhancing its performance by guiding new business development, international benchmarking, informing bank customers and keeping regulators on their toes.

In 2007, GOK published “Kenya’s Vision 2030” as a long term development plan for the country which puts provision of financial services at the Centre of the planned economic growth trajectory through the year 2030. Therefore, the Kenyan Banking industry has been embarked as a key pillar to the achievement of the vision 2030 which is a long term strategy to achieve sustainable growth by that year. This will be achieved through increased savings, encouragement of Foreign Direct Investment (FDI), safeguarding the economy from external shocks as well propelling Kenya to become a leading financial center in East and Southern Africa.
1.1.5 Commercial Banks in Kenya

A commercial bank is said to be an institution that accepts deposits, makes business loans and offers related services. Commercial banking in Kenya originated in the 19th century where it related to commercial connections in East Africa. Commercial Banks in Kenya are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines of the Central Bank of Kenya. They are the dominant players in the Kenyan Banking system.

Closer attention is paid to the commercial banks through off-site and on-site surveillance to ensure that they are in compliance with the requisite laws and regulations (CBK, 2013). There are 43 licensed commercial banks and 1 mortgage finance company. 31 institutions are locally owned and 13 are foreign owned out of the 44 institutions. Those locally financial institutions comprise of three banks with some shareholdings from the Government and State Corporations.

Over the years there has been change in the Kenyan banking sector with the conversion of many Non-Banking financial institutions (NBFI) and building societies into fully fledged banks. The increase in the number of commercial banks in Kenya has brought about a variety of banking products and services targeting various customer segments and income groups. There are products for the high, medium and low income earners which come with unique features and characteristics. Despite the increase in the number of commercial banks in Kenya, 80% of the Kenyan population is still un-banked. Only 20% of the population operates bank accounts in the various banks.
According to the Commercial Banks Directory (2007), Kenya has a well-developed financial sector, particularly for the region, but it is vulnerable to government influence and inadequate supervision. The central issue of interest by the central bank to the commercial banks is how best to promote access to the financial system by a wider segment of the Kenyan populace. Commercial banks’ expansionary strategy targets Small and Medium enterprises (SME’s).

The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005). According to the Commercial Banks Directory of 2007 provided by the Central Bank of Kenya, the peer grouping of this sector has been categorized into small, medium and large banks. The various banks compete for customers and as service providers direct selling forms an integral part of their day to day marketing activities geared towards attainment of superior financial performance, market share growth and customer retention.

1.2 Research Problem

Strategic leadership is expected to be the key factor to enlarge the wealth-creation process for an organization. Without effective strategic leadership the ability to create superior or satisfactory performance for an organization is likely to be greatly reduced. According to Daft (2011), success and competitive advantage of an organization is mainly determined by selection of the top leader. The top leader and associated strategic leaders have responsibilities for understanding the environment of their organization.
The competition among commercial banks in Kenya has increased significantly. This is because of the rapid changes in the environment such as increased innovation from players and high customer increase. Therefore, the high competition requires banks to have effective strategies that can increase their growth while managing their risks, leverage, and liquidity (McConnell, 2013). However, to have those effective strategies that can help respond to any challenges that may come up and capture opportunities both now and in the future, banks are required to have sufficient team members with effective strategic leadership that can foresee, anticipate and give the right pathway to a good performing and successful bank. Banks are also required to have effective teams to create an effective strategic management process in order to promote and sustain competitive advantage to overtake their rivals.

Several scholars have studied the concept of sustainable competitive advantage in different contexts. Mahdi and Almsafir (2013) carried out a research on the role of strategic leadership in building sustainable competitive advantage in the academic environment. In their findings they revealed that a significantly positive effect is present, indicating that sustainable competitive advantage is improved when strategic leadership is applied. Ireland & Hitt (1999) did a study on achieving and maintaining strategic competitiveness in the 21st century, the role of strategic leadership. White and Moraschinelli (2009) carried out a research on The Pursuit of Sustainable Competitive Advantage – A Profile of the Starbucks Corporation. They concluded that the important components of a company’s pursuit are their leadership, innovative nature and the relationship management.
While else in Kenya, Thagana (2013) did a study on Strategic Management Intensity and Competitive Advantage of Commercial Banks in Kenya. Okelo (2014) studied sustainable competitive advantage among savings and credit co-operative societies in Nairobi County. In his research he concluded that competitive advantage can be sustained if the SACCOs mobilize funds internally, improve on service delivery through adoption of modern technology, reduce costs of operation, employ competent staff, improve on governance and engage in aggressive marketing.

Ndunje (2014) did a study on Strategic Leadership and Change Management Practices at the Kenya Wildlife Service. He concluded that respondents noted change was undertaken since management provided strategic leadership as well as support to the process. Chepkirui (2012) carried out a research on The Role of Strategic Leadership in Strategy Implementation at the Agriculture Development Corporation (ADC) in Kenya. The findings she obtained from the study showed that strategic leadership plays a very critical role in the effective implementation of strategy at the corporation. No study has covered strategic leadership and sustainable competitive advantage of commercial banks in Kenya.

This study therefore aims at bridging this gap of knowledge by looking into strategic leadership and how it helps in sustaining competitive advantage in an organization. Therefore this study seeks to answer the following question; how has the practice of strategic leadership impacted on sustainable competitive advantage of commercial banks in Kenya?
1.3 Research Objective

The objective of this study is to determine how the practice of strategic leadership has an impact on sustainable competitive advantage of commercial banks in Kenya.

1.4 Value of the Study

The study will assist the banking leaders in Kenya be aware of the important role of strategic leadership and how it will help them in sustaining competitive advantage. It will also help the bank leaders be aware of the practices and capabilities of strategic leadership and develop a model of creating sustainable competitive advantage associated with it.

The study will contribute new knowledge to the existing body of knowledge on strategic leadership and the major keys to sustaining a competitive advantage. It will enhance more knowledge and value to the Resource Based View theory and the Dynamic Capability Theory, where it will be applicable for the study and research on strategic leadership and having a sustainable competitive advantage.

The study will also assist academicians who undertake the same topics in their studies. It will also be a source of reference material for future researchers on other related topics. For the policy formulation, the findings will help bank leaders as a whole to have a competitive edge. As for the government, the findings will be useful in developing policies that improve the business environment hence enhancing the success of commercial banks.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews various studies and theoretical discussions relevant to strategic leadership and sustainable competitive advantage. It focuses on the theoretical foundation, strategic leadership, key capabilities of effective strategic leaders, keys to sustainable competitive advantage in organizations and finally strategic leadership and sustainable competitive advantage.

2.2 Theoretical Foundation

The theories that best explain Strategic Leadership and Sustainable Competitive Advantage in organizations are the Resource Based View Theory and the Dynamic Capability Theory.

2.2.1 Resource Based Theory

Resource Based View (RBV) is a method of analyzing and identifying a firm’s strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization (Pearce and Robin, 2000). An organization is likely to succeed and excel if it has the best and most appropriate stock of the resources relevant for its business and its strategy. In the RBV the firm is characterized primarily in terms of the resources or knowledge it embodies or commands (Clegg et al., 2011). It is a means of adding an appreciation of the role of the firm to our understanding of the market.
The proponents of this theory argue that it is only those special resources that deliver sustainable competitive advantage. RBV focuses on those internal factors that the organization can control rather than the external factors that are beyond their control. Its resources and capabilities provide the building blocks for constructing a firm’s strategy. An organization’s competitive position is defined by its unique relationships and resources. Firms differ in fundamental ways because each firm possess unique resources, tangible and intangible assets and organizational capabilities to make use of this assets (Clegg et al., 2011).

Every organization develops competencies from its resources and when developed well, it becomes the source of the organization’s competitive advantage. Pearce and Robinson (2000) stated that RBV is based on the premise that firms build competitive advantage based on the unique resources, skills and capabilities they control or develop, which can become the basis of unique sustainable competitive advantages that allow them to craft successful competitive strategies.

2.2.2 Dynamic Capability Theory

Dynamic capabilities is the process of identifying organizational or individual capabilities that enable the business enterprise to build and maintain value enhancing points of differentiation. According to Teece (1997) dynamic capability is the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. Capabilities represent the firm’s capacity to deploy resources that have been properly integrated to achieve a desired state.
Pisano (1994) defines dynamic capabilities as the antecedent organizational and strategic routines by which managers alter their resource base, acquire and shed resources, integrate them together, and combine them to generate new value creating strategies. The dynamic capability approach seeks to understand how firms develop, refresh and renew important capabilities. It involves defining managerial traits, management systems and organizational designs that help keep the organizations alert to opportunities and threats.

Dynamic capability theory argues that it is neither resources nor knowledge, but intangible assets that matter most to companies. These includes the technological know-how, intellectual property, business process know-how, customers, organizational culture and values (Teece, Pisano and Sheun, 1997). However, this approach does not replace the insights of the RBV of the firm but instead it adds to them and transforms them.

2.3 Strategic Leadership

Ireland and Hitt (2005) refer to strategic leadership as the ability to predict and envisage the future, sustain flexibility, think strategically, and work with others to initiate changes that can create a competitive advantage for the future of an organization. According to Rumsey (2013) strategic leadership involves spotlighting what effective top leaders actually do in order to produce a strategy-focused organization. In the organizations strategic leaders need to be able to focus on critical resources that are most likely to make a difference in the assurance of sustained future success.
Strategic leadership is about gaining access to key resources such as alliances with partner firms which is the social capital and the ability to build great teams in this case the human capital, as the most important firm resources. The strategic leadership capabilities focus on developing human capital and social capital. Strategic leaders manage the organization’s portfolio of resources by organizing them into capabilities, structuring the organization to use the capabilities, and developing and implementing a strategy to leverage those resources to achieve a competitive advantage (Sirmon, Hitt, & Ireland, 2007).

Strategic leaders need to foster strategic leadership in other people instead of only themselves. Strategic leaders have to blend the capabilities of thinking, acting, and influencing to drive strategies as a learning process in their companies. According to Rowe (2001), strategic leadership is not reserved for top management. Strategic leadership can include individual, teams, senior managers, managers and subordinates.

According to characteristics and tasks of strategic leadership the most effective and suitable leadership style is transformational leadership. Transformational leadership is charismatic, inspirational, intellectually stimulating and individually considerate (Clegg et al., 2011). Transformational leaders tend to help individuals to go beyond their self-interest for the sake of the organization’s larger vision. Transformational leadership is important and relevant in situations of change and has been related to creativity and motivation. Daft (2011) states that transformational leadership has a significant impact on subordinates and can potentially renovate an entire company. It encourages followers to perform beyond their expectations, keep extending their capabilities, and set the interests of companies above their own.
Strategic leadership and transformational leadership have similar characteristics and are modern leadership styles. Both leadership styles are important for modern leaders. The main purpose of these leadership styles is for promoting competitive advantage and creating the superior performance for an organization. Value-based leadership is a style of strategic leadership and is about understanding the conflicting and different needs of followers. According to Kraemer (2011) Values-based leadership is based on the notion that personal and organizational values are aligned. A company’s mission, vision, strategy, performance measures, incentive programs, procedures, and values are all a representation of the leader’s ethics and values. It entails energizing followers to pursue those goals they had never thought possible. This leadership creates conditions under which all followers can perform independently and effectively towards a single objective.

Kraemer (2011) argues that today’s business environment demands value-based leaders who in doing the right thing deliver outstanding and results. Value-based leadership tends to be different from other modes since it includes three factors. The first factor is effectiveness that helps organizations in measuring the achievements of the objectives. The second factor is morality that measures how change affects concerned parties. The final factor is time which helps in measuring the desirability of goals over the long-term.

According to Whetten and Cameron (2007) leadership is a temporary, dynamic condition that can be developed and demonstrated by any person willing to choose a certain mindset and implement certain key skills and competencies. Hence value-based leadership falls in line to that since it is about ideas and values and hence provides a context that enables and facilitates local independent action. In today’s fast pace, opportunism and self-management create a competitive advantage.
2.3.1 Key capabilities of effective strategic leaders

There are many forces in the banking sector, including deregulation, globalization, new technologies, and growing competition, that have become challenging for leaders. These causes organizations to have to diversify their businesses into both interest and non-interest earning businesses to sustain competitive advantage, for instance, insurance, private banking and asset management (Lee et al., 2011). Thus, to succeed promoting and sustaining competitive advantage for an organization, leaders need to have sufficient key capabilities to make necessary changes.

As Hughes and Beatty (2005) suggest that strategic leaders should have certain capabilities because the process of creating and sustaining competitive advantage in organizations is very complex for any one person to develop and carry out. In addition, there is too much information to digest and filter. Decisions are too complex to make, thus, successes are too dependent on a blending of capabilities across an organization (Grant, 2010). Capabilities significantly contribute to an effectiveness of strategic leadership. This requires leaders to have certain knowledge at domestic and international level, skills and individual qualities to cope with both unambiguous and ambiguous situations.

Capability integrates knowledge, skills and personal qualities to effectively and appropriately apply for decision making in unfamiliar as well as familiar situations. Based on capabilities, leaders can take actions where outcomes are ambiguous and require courage, initiative, intuition, creativity, and emotional stability. Rowley (2003) argues that essential characteristics of strategic leaders are capabilities in knowledge management, global thinking and social acumen.
According to Hughes and Beatty (2005), capabilities of strategic leaders tend to include strategic thinking, strategic acting and strategic influencing and all three should not be separately and individually viewed because they are interdependent. The first capability that effective strategic leaders should have is the capability to develop and communicate a vision. A clear vision statement is needed before formulating and implementing a strategy. It is crucial for strategic leaders to have capability to create an effective vision statement that is specific, measurable, attainable, results-driven, and time sensitive. As Daft (2011) points out, vision is not just a dream. Vision is a desirable perspective of better future that people in an organization can believe in. The vision statement is used to capture the heart and mind of each employee and, hopefully, of stakeholders, including the top management level, staff who work in different divisions of organizations, suppliers, and clients.

The second capability strategic leaders should have is the capability to invest and use the development of new technologies. Guimaraes et al. (2010) state that in a highly competitive environment, organizations are forced to adopt new technologies to improve business processes, redesign products and services, and to make other necessary changes to improve performance. Greve (2009) highlights that organizations entering into early adoption of new technologies often gain higher market shares and achieve higher returns. Today’s leaders need to know how to use and invest in new technologies to enhance the effectiveness of their virtual and global teams. If strategic leaders want to sustain competitive advantage for their organizations, they should research, prepare and anticipate which technologies or what kind of virtual teams they should have in order to deal with the future changes and challenges.
The third capability is to develop and use human capital. Organizations’ human capital is a foundation for creating core competencies, capabilities, and competitive advantage (Coff, 2010). Based on the view of human capital, the staff are considered a capital resource that requires organizations to keep investing. One of the most crucial of skills of strategic leaders is an ability to attract, retain, and then manage human capital. If unable to do this, the lack of talented staff can constrain the growth of the organization. Furthermore, to effectively develop and use human capital, organizations should have effective training and development programs and continuous learning processes.

The fourth capability strategic leaders should have is the capability to engage in formulating and implementing strategy. A clear strategy acts as a map to promote competitive advantage (Thompson et al., 2010). To achieve that, it also requires that leaders and managers need to know how to engage in their strategy and understand strategic management processes. Finally strategic leaders should have the capability on building and maintaining an effective organizational culture. Success of organizations are supported by their culture. Culture is defined as a set of main values, assumptions, perceptions, and norms that are shared by employees in an organization and communicated to new employees. Thompson et al. (2010) highlights that organizational culture impacts on how organizations perform their business. It helps to regulate, manage, and control behaviors of staff. Thus, an organization needs to intensively create an effective culture to be a strategic supporter of the one source of competitive advantage.
2.4 Keys to Sustainable Competitive Advantage in Organizations

Sustainable competitive advantage is what allows a business or corporation to maintain and improve its competitive position in a market against competition in the long term (Clegg et al., 2011). Analyzing competitors enables an organization to develop a competitive advantage against them especially advantages that can be sustained over time. Sustainable competitive advantage is said to create some barriers that make firm’s performance imitation difficult.

Competitive advantage is at the heart of firm's performance. A competitive advantage grows out of the way when a firm performs discrete activities for example concerning new ways to conduct activities, employing new procedures, new technologies or different inputs. According to Lynch (2009), Sustainable competitive advantage involves every aspect of the way an organization competes in the market place through pricing, distribution, customer value, manufacturing quality and product ranges.

Sustainable competitive advantage needs to be deeply embedded in the organization’s resources, skills, culture and investment over time. The firm will sustain competitive advantage by performing the strategically important activities better than competitors (Clegg et al., 2011). Sustainable competitive advantage gives an organization the ability to stay ahead of present or potential competition, hence the superior performance reached through competitive advantage will ensure market leadership.
Sustainable competitive advantage provides the understanding that resources held by a firm and the business strategy will have a profound impact on being successful. Resources are tradable and uniquely tied to individuals within the organization (Clegg et al., 2011). One of the keys to having a sustainable competitive advantage in organizations is innovation. Organizations that are able to realize their full returns from their innovations and technologies are able to match technological developments in various areas such as customer relations, human resources, marketing and distribution.

Distinctive capabilities is another key and it is the basis of a firm’s competitive advantage. Porter (1985) suggested using value chain analysis to understand the role of capabilities that reside inside the firm. He argued that the value chain was a useful tool for analyzing the added value of processes of production or delivery of services shifting attention towards internal activities and the question of how one creates a competitive advantage.

Developing a successful customer base through differentiation is another key to sustaining a competitive advantage. Differentiation is the ability to separate yourself and the product or service from that of your competitor. It can be done through speed in delivery or distribution, having technical people in sales, customer service and corporation reputation for quality and leadership (Pearce and Robin, 2000). It therefore becomes the key to building and maintaining a competitive advantage. Differentiation may be in form of products at a lower prices, a superior product that is worth paying more for or best value offering that represents an attractive combination of prices, features, quality service and other appealing attributes.
The last key to a sustainable competitive advantage is leadership. Leadership is about coping with change (Pearce and Robin, 2000). Major changes are necessary to survive and compete effectively in the environment. Leadership is the necessary condition for long term competitiveness. The emerging style of value-based leadership is proving to be most effective. This is because it involves both motivation of constant innovation in all organizational levels and a source of unity across the firm’s boundaries. Harnessing your abilities to lead through persistence, will, the power of intellect and vision tends to create synergies that propel successful companies in the quest for and achievement of competitive advantage.

2.5 Strategic Leadership and Sustainable Competitive Advantage

The idea of competitive advantage is mainly to measure organization’s success relative to competitors. The concept of sustainable competitive advantage has created the need for organizations to remain competitive and successful in the long run. No other single entity has more control or influence over an organization than its leader and the leadership they demonstrate (Burns, 2008).

Strategic leadership has a vital influence on competitive advantage and long-term performance (Hinterhuber and Friedrich, 2002). This is because it enables organizations to respond to several challenges such as high competition, financial scandals, poor relationships with stakeholders and loss of clients. Strategic leadership also influences competitive advantage because the strategic leaders have a role in sharing their power as necessary and are people who encourage employees to work effectively in ambiguous and turbulent environments by providing a vision and pathway.
Abilities of strategic leaders to effectively make significant changes in aspect such as business processes, products, and services are crucial because decisions and actions of leaders, particularly in the top level, have a major impact on performances and business successes of organizations (Fung, 2008; Guimaraes, Brandon, & Guimaraes, 2010). Strategic leaders establish a direction for an organization through vision and strategy (Daft, 2011). The No competitive advantage is permanent. Competitive advantage in an organization can end whenever leaders have poor strategic leadership and its rivals have skills to duplicate the benefits of the company’s value-creating strategy.

Hitt et al. (2013) state that effective strategic leaders are decisive and committed to nurturing other people and supporting organizational activities to create value for all stakeholders. Hence, strategic leadership is important for an organization. No competitive advantage is permanent according to Hitt et al. (2013). Organizations can be sure that their strategies are effective only after their rivals’ efforts to imitate their strategies have failed or ended. Competitive advantage of an organization can end whenever leaders have poor strategic leadership and its rivals have skills to duplicate the benefits of the company’s value-creating strategy.

Strategic leadership is the best type of leadership to protect profit from market forces in a manner that is valuable to shareholders (Rowe, 2001). Organizations should think about leadership, especially strategic leadership aligning with complex adaptive systems. It helps organizations get out of chaos and cope with challenges that come up. Without strategic leadership, organizations cannot make an important and effective change.
2.6 Conceptual Framework

The researcher conceptualizes that banks need strategic leadership to sustain competitive advantage. However, the overall success of strategic leadership in a commercial bank will depend on various factors. The key capabilities of effective strategic leaders should be taken into consideration by the commercial banks. Such capabilities of effective strategic leaders help in promoting and sustaining competitive advantage and are important to the commercial banks. The detailed association of the variables under study presented in Figure 2.1. (Researchers’ own model).

Figure 2.1 Researchers Model

INDEPENDENT VARIABLES

- Strategic leadership and key capabilities of strategic leaders
- Keys to sustainable competitive advantage in organizations

DEPENDENT VARIABLE

Success of Strategic Leadership practices and roles in commercial banks

Source: Researcher Data
2.7 Chapter Summary

In this chapter, the researcher has explained two theories used to explain strategic leadership and has also reviewed two main literature themes associated with sustaining competitive advantage for an organization. The theories are the resource based theory and the dynamic capability theory. The first theme in the literature review related to strategic leadership. What strategic leadership is, why it is important for promoting and sustaining competitive advantage in an organization and the key capabilities of a strategic leader. The second theme includes four keys to sustainable competitive advantage in organizations.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research design, population, data collection, procedures and the instruments that were used. It also describes the data analysis techniques that were used to analyze the data collected.

3.2 Research Design

Cooper and Schindler (2011) define research design as the blueprint for collection, measurement and analysis of data. They stated that a descriptive study entails finding out who, where, what, how and when of a research study. This study was a descriptive survey. A descriptive survey attempts to describe the relationship between variables, the testing of hypotheses, and development of generalizations principles or theory that have universal validity (Best & Kahn, 1993). The survey methodology is used to investigate populations by selecting samples to analyze and discover occurrence. It is a study that is carried out at one point in time and provides numeric description of some part of the population.

A survey is economical, there is rapid data collection and one is able to understand a population (Owen and Osu, 2009). It provides quick inexpensive, efficient and accurate means of assessing information about the problem, hence it served as the best option for the study of strategic leadership and sustainable competitive advantage of commercial banks in Kenya.
3.3 Population of the study

According to Cooper & Schindler (2008), a population is the total collection of elements about which we wish to make inferences. Population can also be said to be the entire set of people, things, services, elements, events or objects to be studied. Target population in statistics is the specific population about which information is desired.

According to the Central Bank of Kenya, there are only 43 licensed commercial banks and 1 mortgage finance company and out of the 44 institutions 31 institutions are locally owned and 13 are foreign owned. Therefore, the population for this study constituted 43 commercial banks in Kenya.

3.4 Data Collection

The study used both primary and secondary data. The primary data was collected using a questionnaire. Questionnaires were deemed appropriate as they ensured confidentiality of the respondents. The questionnaire had four sections with questions developed to obtain information from the respondents based on the study objective. Section A gathered general information of the bank and the respondents. It was analyzed using frequency distributions and percentages to determine the profile of respondents. Section B contained questions on strategic leadership and how it is practiced by the commercial banks. It was analyzed using mean scores and standard deviations to determine how strategic leadership it is practiced by the commercial banks.
Section C was analyzed using mean scores and standard deviations and it gathered information on sustainable competitive advantage used by the banks and finally Section D was also analyzed using mean scores and standard deviations and it contained information on strategic leadership and sustainable competitive advantage used by the commercial banks in Kenya.

The respondents of the study were from the top management level from each bank. They included the operations manager, finance manager, marketing manager and the IT manager. The criteria for selecting potential respondents was based on the purpose of the study and the respondents’ tasks and positions. These respondents were efficient in providing the required data since, they are in a leading role and they are the ones who carry out the managerial functions that help a bank in sustaining competitive advantage.

Secondary data was obtained from documented materials on the subject. The data source included annual reports, records, print media, academic works audited accounts and journals. Sustainable competitive advantage was measured using market share, efficiency and customer base of the commercial banks. The secondary data was used because it is factual and can be verified in the published reports.

3.5 Data Analysis
The data collected was analyzed by the use of descriptive statistics. According to Mugenda and Mugenda (2003) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Descriptive statistics gives a quick picture of how the variables. It was effectively used by (Okello, 2014) in his study on sustainable competitive advantage among savings and credit co-operative societies in Nairobi County.
Considering the quantitative nature of data, descriptive statistics which describe the main features of the data collected (mean, standard deviation, frequency, and percentage) was used. Measures of central tendency (mean), standard deviation, frequencies and percentages was applied for the quantitative variables. The information was displayed by use of tables. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement in order to ascertain the facts.

### 3.6 Chapter Summary

The chapter discusses the methodology adopted in this study. It discussed the research design used which was a descriptive survey, the population of the study, the data collection and the data analysis. To answer the research question, this study was based on a quantitative approach. The study only used questionnaires as the data collection method and the strategic leaders from four departments in the commercial banks of Kenya were the respondents. In the data analysis, the researcher also explained that the data collected would be analyzed by use of descriptive statistics.
4.1 Introduction

This chapter analyses the findings, interprets and presents data in line with the objective of the study. The study sought to determine whether the practice of strategic leadership has an impact on sustainable competitive advantage of commercial banks in Kenya. 43 questionnaires were distributed to the managers of the respondent commercial banks in Kenya. However, only 30 were completed and returned, representing a 69.76% response rate.

4.2 General Information

The study sought information on various aspects of the banks and the respondents. This included the name of the bank, gender, highest level of education, position of respondents and the number of years of service in the bank.

4.2.1 Gender of the Respondents

The study sought to find out the gender of the respondents. It captured the gender of the respondents as shown in Table 4.1.
Table 4.1: Gender of the Respondents

<table>
<thead>
<tr>
<th>Respondents Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>13</td>
<td>43.33</td>
</tr>
<tr>
<td>Female</td>
<td>17</td>
<td>56.67</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data

Table 4.1 shows that 43.33% of the respondents interviewed were male with 56.67% the respondents being female.

4.2.2 Number of years of service at the Bank

The study sought to find out how long the respondent had worked with the bank which is captured in Table 4.2.

Table 4.2: Number of years of service at the Bank

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-5 years</td>
<td>11</td>
<td>36.67</td>
</tr>
<tr>
<td>5-10 years</td>
<td>15</td>
<td>50.00</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data
From the table above it is evident that most of the respondents 50.00%, had worked for the bank between 5-10 years. 36.67% of the respondents had worked for the bank for 2-5 years, while 13.33% of the respondents had worked for the bank for over 10 years.

4.3 Strategic Leadership

The objective of the study was to determine whether the practice of strategic leadership has an impact on sustainable competitive advantage of commercial banks in Kenya. The measure of the practice of strategic leadership in banks was based on a question that asked if the respondents were familiar with the term strategic leadership. The data shows that all of the respondents said yes, which was (100%) positive response.

Some responded on their understanding on strategic leadership and said that it is the means of aligning the business objectives to their vision and mission to attain their goals. Strategic leadership is also offering leadership in an organization and laying strategies that will enable it to compete for opportunities in the environment.

4.3.1 Strategic Leadership Factors

The researcher sought to determine and know to what extent the factors of transformational and value-based leadership, which are styles of strategic leadership affect the running of the bank. The respondents were told to rate on a scale of 1-5 as follows: 1. not at all, 2. to a little extent, 3. to a moderate extent, 4. to a great extent, 5. to a very high extent. The means of the responses given were calculated using the following formula: Mean= ∑ scores/N.
∑ Scores is the summation of all responses given and N is the total number of respondents. The findings were interpreted using the following criterion: mean of 1.00-1.49=not at all; mean of 1.50 – 2.49=to a little extent; mean of 2.50-3.49=to a moderate extent; mean of 3.5 to 4.49= to a great extent; and mean of 4.50-5.00 to a very high extent.

**Table 4.3 Strategic Leadership Factors**

<table>
<thead>
<tr>
<th>Strategic Leadership Factors</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness in measuring the achieved objectives</td>
<td>4.07</td>
<td>0.78</td>
</tr>
<tr>
<td>Morality in measuring how changes affect concerned parties</td>
<td>4.07</td>
<td>0.69</td>
</tr>
<tr>
<td>Measuring desired goals over the long-term</td>
<td>4.40</td>
<td>0.62</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td><strong>4.18</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Data*

The findings show that the strategic leadership factors affect the running of the bank to a great extent with a grand mean of 4.18. The most important factor of the strategic leadership styles that affect the running of a bank is measuring the desired goals over the long-term with a mean of 4.40. The higher the mean the greater the adoption of the practice and in this case it measuring desired goals over the long-term is highly practiced by banks than the rest of the factors.
These were followed by the rest of the factors and include the following: effectiveness in measuring the achieved objectives and morality in measuring how changes affect concerned parties with both the same mean of 4.07. The strategic leadership factors are important in the banks as per the findings since they help in promoting, sustaining competitive advantage and creating the superior performance in the banks.

### 4.3.2 Strategic Leadership Practices

The respondents were asked to rate the extent to which the strategic leadership practices are carried out in their bank. The results are indicated in the Table 4.4.

<table>
<thead>
<tr>
<th>Strategic Leadership Practices</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acts to anticipate environmental change</td>
<td>3.77</td>
<td>0.94</td>
</tr>
<tr>
<td>Seeks to acquire and leverage knowledge</td>
<td>4.13</td>
<td>0.82</td>
</tr>
<tr>
<td>Seeks to release and nurture people’s creativity</td>
<td>4.23</td>
<td>0.89</td>
</tr>
<tr>
<td>Serves as the leader and as a great group member</td>
<td>4.20</td>
<td>0.88</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td>4.09</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Data*
The findings show that the strategic leadership practices are carried out in the banks to a great extent with a grand mean of 4.09. The strategic leadership practice most carried out in the Kenyan commercial banks is the practice where they seek to release and nurture people’s creativity with a mean of 4.23. The rest of the strategic leadership practices that followed in order were serves as the leader and as a great group member 4.20, seeks to acquire and leverage knowledge 4.13 and finally acts to anticipate environmental change 3.77.

Nurturing people’s creativity is seen to be an essential practice in the banking industry since it enables the banks come up with fresh and new ideas of enhancing the banks growth through their employees. The leadership of a person influences and encourages employees of a bank to effectively work well in achieving their visions and goals. Banks always make good use of the knowledge their employees have and this in return gives them an upper hand of competing effectively in the industry.

Anticipating environmental change had the lowest mean indicating that banks find it hard to know the kind of changes that may take place in the environment. The environmental changes are very unpredictable for the banks and these in itself gives them a challenging time to compete in the industry. They however do take measures and one of these measures is the practice of strategic leadership which they carry out in the banks.

4.3.3 Impact of Strategic Leadership on performance

The respondents were then asked to rate the extent to which strategic leadership has impacted on the performance of the commercial banks. The results are as indicated in the Table 4.5.
Table 4.5 Impact of Strategic Leadership on Performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training employees</td>
<td>4.23</td>
<td>0.97</td>
</tr>
<tr>
<td>Motivating employees</td>
<td>4.23</td>
<td>1.07</td>
</tr>
<tr>
<td>Developing reward systems</td>
<td>4.23</td>
<td>0.97</td>
</tr>
<tr>
<td>Managing the firm resources</td>
<td>4.13</td>
<td>0.86</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>4.21</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data

The findings indicate that strategic leadership has an impact on the performance of banks to a great extent with a grand mean of 4.21. The most important impacts on performance are three and share the same mean of 4.23. They include training employees, motivating employees and developing reward systems. The last impact of strategic leadership on performance is managing the firm resources with a mean of 4.13.

Training employees, motivating employees and developing reward systems all play a vital role in the performance of a bank. All the respondents agreed to it through the above findings and these are activities practiced in banks and help in achieving their desired goals. Managing the firm resources had the least mean showing that it has a lower impact on the banks performance compared to the rest.
4.4 Sustainable Competitive Advantage

Sustainable competitive advantage is the most important factor that tends to influence the success or failure of organizations. In this case, the study sought to determine whether the practice of strategic leadership has an impact on sustainable competitive advantage in the commercial banks of Kenya.

4.4.1 Impact of Strategic Leadership Roles on Sustainable Competitive Advantage

The study sought to determine the extent to which the strategic leadership roles have impacted on sustainable competitive advantage of commercial banks in Kenya. The detailed findings are presented in Table 4.6.

Table 4.6 Impact of Strategic Leadership Roles on Sustainable Competitive Advantage

<table>
<thead>
<tr>
<th>Roles</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing policies and procedures</td>
<td>4.07</td>
<td>0.98</td>
</tr>
<tr>
<td>Ethical Practices</td>
<td>4.13</td>
<td>1.01</td>
</tr>
<tr>
<td>Determining strategic direction</td>
<td>4.13</td>
<td>0.97</td>
</tr>
<tr>
<td>Establishing balanced organizational controls</td>
<td>4.1</td>
<td>0.96</td>
</tr>
<tr>
<td>Strategy implementation</td>
<td>4.17</td>
<td>0.91</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>4.12</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data
The findings show that the impact of strategic leadership roles on sustainable competitive advantage had a grand mean of 4.14 which is to a great extent of its practice in the commercial banks of Kenya. Strategy implementation was the most important strategic leadership role that impacted sustainable competitive advantage with a mean of (4.17). By order of importance the rest include: ethical Practices (4.13), determining strategic direction (4.13), establishing balanced organizational controls (4.1) and finally developing policies and procedures (4.07).

Strategy implementation is important. Without knowledge on strategy implementation, leaders will fail to create effective strategies. In addition, strategic leaders need to know how to formulate and implement strategies in order to lead their banks to success over the long term. Risk can happen in any position in the bank hence ethics is an important issue to consider in strategic leadership role and the same case applies to determining strategic direction of the bank.

Establishing balanced organizational controls play an important role in monitoring and evaluating the bank strategies. Besides the practice of strategic leadership in banks, the respondents also said that they also sustain competitive advantage through differentiation, service delivery, cost of operations, members’ loyalty, loan products and savings products among others.
4.5 STRATEGIC LEADERSHIP AND SUSTAINABLE COMPETITIVE ADVANTAGE

The study also sought to determine how strategic leadership has helped the commercial banks in Kenya sustain competitive advantage. Strategic leadership is important since it helps the bank and its employees effectively perform their work and move in the same direction.

4.5.1 Strategic Leadership Impact on Sustainable Competitive Advantage

The respondents were asked to rate the extent to which the strategic leadership has impacted on sustainable competitive advantage in their banks. Based on the results it is clear that strategic leadership has an impact on sustaining competitive advantage. It had a mean of 4.03 which is to a great extent thus indicating that strategic leadership is greatly practiced in the banks.

Through strategic leaders the bank is able to have a clear vision and know how to formulate an appropriate strategy for an organization to sustain competitive advantage over the long-term. The degree of competitive advantage or strategic competitiveness of a bank will depend on the effectiveness of practicing strategic leadership.
4.5.2 Key Capabilities of Effective Strategic Leaders

This section discussed the views of strategic leaders and the five key capabilities they should have within the banking context. The respondents were then asked to rate the extent to which the key capabilities of effective strategic leaders help in sustaining competitive advantage in their banks. The results are as indicated in the Table 4.7.

Table 4.7 Key Capabilities of Effective Strategic Leaders

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing and using the development of new technologies</td>
<td>4.27</td>
<td>0.69</td>
</tr>
<tr>
<td>Engaging in the formulation and implementation strategy</td>
<td>4.17</td>
<td>0.79</td>
</tr>
<tr>
<td>Developing and using effectively human capital</td>
<td>4.1</td>
<td>0.84</td>
</tr>
<tr>
<td>Developing and effectively communicating the vision to all employees</td>
<td>4.33</td>
<td>0.80</td>
</tr>
<tr>
<td>Building and maintaining an effective organizational culture</td>
<td>4.33</td>
<td>0.71</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td>4.24</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data
The researcher went on to establish the key capabilities of effective strategic leaders that help in sustaining competitive advantage in the banks. All respondents agreed that the five key capabilities are needed for banking strategic leaders in their banks with a grand mean of 4.24, which is to a great extent. The researcher established that the main capabilities used by the strategic banking leaders were developing and effectively communicating the vision to all employees and, building and maintaining an effective organizational culture (mean of 4.33). This was followed by investing and using the development of new technologies with a mean of 4.27, engaging in the formulation and implementation strategy (4.17) and finally developing and using effectively human capital with a mean of 4.1.

Key capabilities are fundamentals of effective strategic leaders in leading their organizations to sustainable competitive advantage over the long term. Hence, without certain capabilities, leaders are ineffective. Developing and effectively communicating the vision to employees is important within a bank. Communicating vision is very significant because it can motivate and help employees understand the right direction and work actively in the same trend. Maintaining an effective organizational culture is highly practiced by banks. Culture is one of the key factors that enable a bank to succeed with its strategy. A bank should set a unique culture through a bank. Investing and using the development of new technologies is highly encouraged in banks. New technologies enable banks to minimize their operating costs and time in providing services to customers. Engaging in the formulation and implementation strategy is also vital in banks. Developing and using effectively human capital was the last to be selected, though it is very significant to put the right person in the right job to maximize benefits to banks.
4.6 Discussion

This section presents the discussion regarding the research findings including comparison with the two theories stated in chapter two guiding the study. They are the resource based theory and the dynamic capability theory. The results are also compared with other empirical studies undertaken in the past.

4.4.1 Comparison with the Theories

The resource based theory stress on the organization’s resources like the physical resources such as plant and machinery, its people resources such as its leadership and skills (Lynch, 2009). Both the physical and people resources are available in the banks which if utilized well can enable them have a sustainable competitive advantage.

From the findings, the banks are able to compete due to the management of resources. Investing and using the development of new technologies gives banks an upper hand and a competitive edge. The strong emphasis on training and motivating employees ensures that the people resources such as leadership and skills are enhanced. Most of the employees participate in the in-house trainings organized by the banks.

Dynamic capability theory looks at the organization’s ability to change, innovate to be flexible and to learn how to adapt to a rapidly changing environment (Johnson, Scholes and Whittington, 2008). From the study, most of the banks which are able to hold on to competition, continuously act to anticipate environmental change and have developed policies and procedures that have enabled them cope with the competitive environment.
4.4.2 Comparison with other empirical studies

Investing and using the development of new technologies, training employees’ and developing and effectively communicating the vision to all employees amongst others contribute to sustainable competitive advantage. Some of the banks which are doing well in the market have employed competent leaders who lead their banks to better performance and they are able to sustain competitive advantage.

The findings are in line with Okelo (2014) in his study on sustainable competitive advantage among savings and credit co-operative societies in Nairobi County. He noted that competitive advantage can be sustained if the SACCOs, improve on service delivery through adoption of modern technology, reduce costs of operation, employ competent staff and improve on governance.

Ndunge (2014) in his study on Strategic Leadership and Change Management Practices at the Kenya Wildlife Service also concluded and said that respondents noted that change was undertaken since management provided strategic leadership as well as support to the process. Strategic leadership is likely to act as a system that focuses on the future and is change-oriented. Strategic leaders stress the importance of fostering strategic clarity, making better connections between strategies and tactics. Leaders enhance their own and others’ perspectives, and then contribute to sustaining successes of their banks.
4.7 Chapter Summary

Chapter four revealed the outcomes of the questionnaire responses from the respondents in the Kenyan commercial banks. With respect to key capabilities of effective strategic leaders, all participants ranging from managers to CEO and chairman mainly saw the key very essential and they included; developing and communicating an effective vision, building core competencies, using human capital, investing in and using the development of new technologies, engaging in strategies, building and maintaining an effective organizational culture, developing and implementing balanced controls, engaging in ethical practices, and creating an effective team in their banks.

Regarding the understandings of strategic leaders on the term ‘strategic leadership’ in terms of sustaining competitive advantage, it was likely to be clear that this leadership is common to many banking strategic leaders in the Kenyan commercial banks. Synthesizing across the research finding, the common themes that have been surfaced by all strategic leaders in the commercial banking sector in Kenya were: the strategic leadership factors, strategic leadership practices, the impact of strategic leadership on performance, the impact of strategic roles on sustainable competitive advantage and the key capabilities of effective strategic leaders.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to investigate the strategic leadership and sustainable competitive advantage of commercial banks in Kenya. The chapter is therefore structured into summary of findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of Findings

The objective of the study was to determine whether the practice of strategic leadership has an impact on sustainable competitive advantage of commercial banks in Kenya. To achieve this objective the departmental heads gave very valuable information. The sustainability of an organization’s competitive advantage depends on how it is able to use the strategic leadership practices, roles and also the capabilities of strategic leaders.

The study revealed that banks practice strategic leadership in order to sustain a competitive advantage. There was a high indication that all the top leaders are aware of the meaning of strategic leadership. The strategic leaders are involved in strategy formulation and implementation through communicating the mission, vision to the other staff. There was a high level of knowledge on the role of the leadership function among the respondents, this is because these leaders make the vision and mandate part of their day today activities as reported by some of the respondents.
The study also revealed that developing and effectively communicating the vision to all employees is highly practiced by the banks. Strategic leaders who invest time and energy into delivering clear lines of communication will rapidly build up levels of trust amongst employees, leading to increases in productivity, output and morale in general. Investing and using the development of new technologies, motivating employees, training employees, building and maintaining an effective organizational culture among others are part of the many practices used by the banks and to a great extent they have helped in sustaining competitive advantage.

5.3 Conclusions

The study established that the banks should enhance strategic leadership in key positions in the range of managers to the top leaders in order to make them aware of their roles in promoting and sustaining competitive advantage for the banks over the long term. Sustainable competitive advantage of the bank stems from the effective strategic leaders. This is because an individual effective strategic leader is a key element of the top management team to create competitive advantage for an organization. Good strategic leadership can help a team remain focused during this time of crisis, reminding the team members of their achievements and encourage them to set short term, achievable goals. The commitment and enthusiasm of a strategic leader shapes the common goals of the organization and provides inspiration and motivation for people to perform at a high level.
The study also established that the capability to develop and communicate a vision is an important part of modern leaders. The study supported that leaders who have this capability can determine, develop, and communicate the vision of their banks to employees in order to help employees move in the same direction. In essence, the vision should be suitable or achievable and give a clear pathway to employees. Vision can help an organization succeed with a strategy. These findings were in line with the literature by some researchers.

A vision statement is used to capture the heart and mind of each employee and of stakeholders, including the top management level, staff who work in different divisions of organizations, suppliers, and clients. The findings supported that a capability to invest and use the development of new technologies is crucial for strategic leaders because new technologies play an important role in the banking business. New technologies enable a bank to minimize operating costs and time consuming and provide new products to customers. They can be one of the resources for generating a competitive advantage.

The study also showed that the role of developing and implementing balanced controls, as one of the important roles that assist the banks in monitoring and evaluating strategies. Control is required to help leaders ensure that their banks can achieve desired objectives within a certain time. Additionally, it is necessary for strategic leaders to know how to develop and use certain tools to evaluate, monitor and control their plans and strategies such as the balanced scorecard.
It can be concluded that strategic leadership is fundamental for sustaining competitive advantage. It does not matter how long an organization spent on creating superior performance over its rivals in the past, without effective strategic leadership, competitive advantage could be lost in an incredibly short time. Therefore, it is important for key leaders, especially, the top management team, to have strategic leadership.

5.4 Recommendations

According to the findings above, it is recommended that strategic leadership should be a continuous practice and should be well communicated and known by the entire organization. Today’s high competition and too much information is difficult to digest and filter. Thus decisions are likely to be too complex to make. Without sufficient and effective capabilities, leaders seem to fail to sustain competitive advantage for their organization. The capabilities are fundamental to create, promote and sustain competitive advantage for an organization. In order to lead an organization to success over the long term, leaders nowadays should not only have a few capabilities but also have sufficient and effective capabilities to create an effective strategy.

The banks strategic leaders should pay more attention to both the short and long-term performances. In addition, they should stress on achieving above-average performance by creating an effective strategy. The banks should not focus on either the short-term or long-term performances. They should establish a suitable balance between the short and long-term goals that are consistent. For instance, they should create an effective strategy that can lead their banks to vision while short-term goals still remain.
The banks should create an effective ethics mechanism to ensure that all ethical issues are reported and solved in an effective way. With regard to the ethical issue, the study revealed that an effective ethics mechanism enables organizations to manage well their ethical issues. Meanwhile, the key elements of the mechanism include code of ethics, ethical structures, training program, and disclosure mechanisms. Particularly in the banking sector, the formal ethical mechanism plays an important role in enabling banks to manage behavior of employees in a suitable manner.

Effective strategic leaders need to have a capability to create an effective team, particularly at the top management level. Without an effective team, it is difficult for a bank to succeed in sustaining competitive advantage and gaining above-average return. This is because ineffective members of a team may be against a necessary change because of misunderstanding. This can drag a bank from its competitive position.

There is need to examine the banks business model and its sustainability in the current competition business environment. The dynamism in the financial sector calls for flexibility and ability to respond swiftly to demands in the market. Finally one of the pillars of vision 2030 is to achieve middle income status. The banks can play a major role in savings mobilization and ease access to credit.

5.5 Limitations of the Study

The study was limited by several factors. One of the factor was that some of the respondents were not accessible to respond to the questionnaire. Of the targeted 43 respondents only 30 managed to do so giving a response rate of 69.76%. The study was therefore limited by not getting 100% response from the targeted respondents.
Another limitation faced during the study was lack of cooperation by some of the managers. Some respondents’ flatly refused to answer the questionnaires since they felt their strategies would be exposed and other competitors would get to know how they run their banks. The respondents had to be convinced that this was purely an academic exercise.

Other limitations encountered were delays in answering the questionnaires by respondents hence delaying the data analysis, it was expensive to distribute the questionnaires, make phone calls for the follow up and collection of the questionnaires. Some respondents gave the questionnaires to junior officers while other banks said that they don’t give any information to students carrying out project research.

5.6 Suggestions for further research

This study was focused on strategic leadership and sustainable competitive advantage of commercial banks in Kenya. The study constituted 43 commercial banks in Kenya. The researcher recommends more research on the strategic leadership and sustainable competitive advantage be carried out in other firms since strategic leadership is vital for the survival of organizations. It also helps organizations remain competitive and relevant.

The researcher also recommends more research on the strategic leadership and sustainable competitive advantage be carried out in other industries such as the telecommunication industry and the hotel industry. This is because strategic leadership has a significant impact on the business and financial performance of any organization and it is a very important element of sustaining competitive advantage in organizations.
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Okelo, M. (2014). *Sustainable competitive advantage among savings and credit co-operative societies in Nairobi County,* Unpublished MBA Research Project, School of Business University of Nairobi, Kenya


White, A. Benjamin and Moraschinelli, E (2009). *The pursuit of Sustainable Competitive Advantage- A Profile of the Starbucks Corporation*. Malardalen University, School of Sustainable Development of Society and Technology (HST)
APPENDICES

APPENDIX 1: QUESTIONNAIRE

A questionnaire on Strategic Leadership and Sustainable Competitive Advantage of Commercial Banks in Kenya

PART A: GENERAL INFORMATION

1. Name of the bank

2. Gender ( ) Male ( ) Female

3. Highest level of education

4. Department

5. Position held

6. Number of years of service in the bank (please tick where appropriate)
   2-5 years ( )
   5-10 years ( )
   Over 10 years ( )

PART B: STRATEGIC LEADERSHIP

7. Are you familiar with the term strategic leadership?
   a) Yes
   b) No

   If yes, what is your understanding on the role of strategic leadership?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………
8. Transformational leadership and Value-based leadership are styles of strategic leadership and contain the following factors. To what extent do they affect the running of your bank? Rate in a scale of 1 to 5 (1. Not at all, 2. To a little extent, 3. To a moderate extent, 4. To a great extent, 5. To a very high extent)

<table>
<thead>
<tr>
<th>Factors</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Effectiveness in measuring the achieved objectives</td>
<td></td>
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<tr>
<td>b) Morality in measuring how changes affect concerned parties</td>
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<tr>
<td>c) Measuring desired goals over the long-term</td>
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</tbody>
</table>

9. The following are strategic leadership practices. To what extent are they carried out in your bank? Rate in a scale of 1 to 5 (1. Not at all, 2. To a little extent, 3. To a moderate extent, 4. To a great extent, 5. To a very high extent)

<table>
<thead>
<tr>
<th>Practices</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Acts to anticipate environmental change</td>
<td></td>
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<td>b) Seeks to acquire and leverage knowledge</td>
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<td></td>
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<tr>
<td>c) Seeks to release and nurture people’s creativity</td>
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<tr>
<td>d) Serves as the leader and as a great group member</td>
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</tbody>
</table>
10. To what extent has strategic leadership impacted on the performance of the bank?

Rate in a scale of 1 to 5 (1. Not at all, 2. To a little extent, 3. To a moderate extent, 4. To a great extent, 5. To a very high extent)

<table>
<thead>
<tr>
<th>Roles</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Training employees</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>b) Motivating employees</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>c) Developing reward systems</td>
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<tr>
<td>d) Managing the firm resources</td>
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</tbody>
</table>

**PART C: SUSTAINABLE COMPETITIVE ADVANTAGE**

11. To what extent has the strategic leadership roles impacted on sustainable competitive advantage in your bank? 1. Not at all, 2. To a little extent, 3. To a moderate extent, 4. To a great extent, 5. To a very high extent

<table>
<thead>
<tr>
<th>Roles</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>a) Developing policies and procedures</td>
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<td></td>
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<tr>
<td>b) Ethical practices</td>
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<tr>
<td>c) Determining strategic direction</td>
<td></td>
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<td></td>
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<tr>
<td>d) Establishing balanced organizational controls</td>
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<tr>
<td>e) Strategy implementation</td>
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</tbody>
</table>

12. How else does your bank sustain competitive advantage?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
PART D: STRATEGIC LEADERSHIP AND SUSTAINABLE COMPETITIVE ADVANTAGE

13. To what extent has strategic leadership impacted on sustainable competitive advantage in your bank?

1. Not at all ( ) 2. To a little extent ( ) 3. To a moderate extent ( )
4. To a great extent ( ) 5. To a very high extent ( )

14. Below are some key capabilities of effective strategic leaders. To what extent do they sustain competitive advantage in your bank? Rate in a scale of 1 to 5 (1. Not at all, 2. To a little extent, 3. To a moderate extent, 4. To a great extent, 5. To a very high extent)

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Investing and using the development of new</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>technologies</td>
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<tr>
<td>b. Engaging in the formulation and implementation</td>
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<td></td>
</tr>
<tr>
<td>strategy</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>c. Developing and using effectively human capital</td>
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<td></td>
</tr>
<tr>
<td>d. Developing and effectively communicating the</td>
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<td></td>
<td></td>
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<tr>
<td>vision to all employees</td>
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<tr>
<td>e. Building and maintaining an effective</td>
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<td></td>
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<tr>
<td>organizational culture</td>
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</tbody>
</table>

Thank you for your time and response
APPENDIX 2

LIST OF COMMERCIAL BANKS IN KENYA

<table>
<thead>
<tr>
<th></th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>African Banking Corporation Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Africa Kenya Ltd</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Baroda (K) Ltd</td>
</tr>
<tr>
<td>4</td>
<td>Bank of India</td>
</tr>
<tr>
<td>5</td>
<td>Barclays Bank of Kenya Ltd</td>
</tr>
<tr>
<td>6</td>
<td>CFC Stanbic Bank Ltd</td>
</tr>
<tr>
<td>7</td>
<td>Charterhouse Bank Ltd</td>
</tr>
<tr>
<td>8</td>
<td>Chase Bank (K) Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Citibank N.A Kenya</td>
</tr>
<tr>
<td>10</td>
<td>Commercial Bank of Africa Ltd</td>
</tr>
<tr>
<td>11</td>
<td>Consolidated Bank of Kenya Ltd</td>
</tr>
<tr>
<td>12</td>
<td>Co-operative Bank of Kenya Ltd</td>
</tr>
<tr>
<td>13</td>
<td>Credit Bank Ltd</td>
</tr>
<tr>
<td>14</td>
<td>Development Bank of Kenya Ltd</td>
</tr>
<tr>
<td>15</td>
<td>Diamond Trust Bank Kenya Ltd</td>
</tr>
<tr>
<td>16</td>
<td>Dubai Bank Kenya Ltd</td>
</tr>
<tr>
<td>17</td>
<td>Eco bank Kenya Ltd</td>
</tr>
<tr>
<td>18</td>
<td>Equatorial Commercial Bank Ltd</td>
</tr>
<tr>
<td>19</td>
<td>Equity Bank Ltd</td>
</tr>
<tr>
<td>20</td>
<td>Family Bank Limited</td>
</tr>
<tr>
<td>21</td>
<td>Fidelity Commercial Bank Ltd</td>
</tr>
<tr>
<td>22</td>
<td>Fina Bank Ltd</td>
</tr>
<tr>
<td>23</td>
<td>First community Bank Limited</td>
</tr>
<tr>
<td>24</td>
<td>Giro Commercial Bank Ltd</td>
</tr>
<tr>
<td>25</td>
<td>Guardian Bank Ltd</td>
</tr>
<tr>
<td>26</td>
<td>Gulf African Bank Limited</td>
</tr>
<tr>
<td>27</td>
<td>Habib Bank A.G Zurich</td>
</tr>
<tr>
<td>28</td>
<td>Habib Bank Ltd</td>
</tr>
</tbody>
</table>
29. I & M Bank Ltd  
30. Imperial Bank Ltd  
31. Jamii Bora Bank Limited  
32. Kenya Commercial Bank Ltd  
33. K-Rep Bank Ltd  
34. Middle East Bank (K) Ltd  
35. National Bank of Kenya Ltd  
36. NIC Bank Ltd  
37. Oriental Commercial Bank Ltd  
38. Paramount Universal Bank Ltd  
39. Prime Bank Ltd  
40. Standard Chartered Bank Kenya Ltd  
41. Trans-National Bank Ltd  
42. UBA Kenya Bank Limited  
43. Victoria Commercial Bank Ltd  

**Source:** Central Bank of Kenya (CBK) 13th December 2011
APPENDIX 3: PROPOSAL CORRECTION FORM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name:...........................
Registration Number:...................
Department:...............................
Specialization:..........................
Title of Project Proposal:..............

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor:....................
Signature:.............................
Date:.................................
APPENDIX 4: UON PERMISSION LETTER

UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME  

DATE 20/7/15

TO WHOM IT MAY CONCERN

The bearer of this letter ROSE NYAWIRA KIRAGU
Registration No. 16116711712013 is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS

20 JUL 2015