STRATEGIC RESPONSE AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

KENNEDY KARIITHI NJOGU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

DECEMBER, 2021

DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other institution.

Signature …………………………………………………... Date... 14/11/2021

KENNEDY KARIITHI NJOGU

D61/21642/2019

MBA PROGRAMME

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

Signature Date2/12/2021

DR. WINNIE NJERU
DEPARTMENT OF BUSINESS ADMINISTRATION

FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

A number of persons merit my profound appreciations for being so supportive in this research process. I thank God because of endowment of life and opportunities thus far. Secondly, I sincerely thank Dr. Winnie Njeru, my supervisor for her direction and advice during the research composing process. Thirdly, I would like to acknowledge the commitment and consolation from my wife Mary Nyawira and my son Frank particularly for their emotional support in making the research process successful. I acknowledge my mother Jane Ngima for her upbringing which instilled the value of education. Finally, but not least, gratitude goes to the lecturers of the Faculty of Business and Management Sciences, University of Nairobi, who devotedly imparted their knowledge and skills throughout the course.

DEDICATION

This research project is dedicated to my late Dad Francis Njogu Kariithi who was instrumental in my attainment of this M.B.A through his financial and emotional support.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

COVID-19	Corona Virus Disease 2019
KRCS	Kenya Red Cross Society
RBV	Resource Based View
SACCO	Savings and Credit Co-operatives
SME	Small and Medium Enterprise
SPSS	Statistical Package for Social Sciences

ABSTRACT

Strategic response can be classified as the skill of formulating, evaluating, and implementing certain critical choices that allow an organization to remain justifiable as well as accomplish its goals while in a chaotic environment. It includes a detailed description of the company's goals, procedures, and strategies. The success of strategic response success is heavily dependent on the business environment. This includes the sociological, political, environmental, social and economic contexts of an organization. The rate of success of a strategy response is also determined internally, by the resources available to a business, the overall assets assigned to implementing strategies, personnel capacity, organizational processes and technologies. The goal of this research was to determine how strategic responses impact performance of Kenyan banks guided by the objectives; to determine the impact of strategic response on organization performance, to study the effect of strategic crisis management on organization performance, and to establish the effect of strategic leadership on performance. The environmental dependency theory and the resource based view theory guided the investigation. A descriptive research design was used to this end. The 38 licensed commercial banks served as both the population and the sample for the study. This research relied on primary data collected through questionnaires. Google forms were made use of in the questionnaire administration. The data obtained was converted into quantitative format to be analyzed using spss. This generated descriptive statistics which included mean and standard deviation and inferential statistics which included both correlation analysis and multiple linear regression. From the study, a substantial positive relation between strategic innovation, strategic crisis management, and strategic leadership and organizational performance was found among commercial banks. Regression analysis revealed that 60.2% variations in organization performance among the banks were linked to the three variables selected in this study. In conclusion, strategic innovation, strategic crisis management and strategic leadership are responsible for improved organizational performance. Based on the findings, strategic leadership had the greatest influence on performance followed by strategic innovation and strategic crisis management had the least influence. As a result, it is recommended that commercial bank managers and owners concentrate on strategic responses, as this improves overall performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The primary goal of business strategy is to make choices and take activities to help company meet its goals and purposes. After analyzing the environmental impact, the business will develop a plan in response to the opportunities and challenges it faces (Johnson & Scholcs, 2015). In order to maximize on chances of success within an industry, it is imperative for organizations to adopt a mode of strategic behavior in response to existing opportunities and threats. This mode should match with the existing levels of environmental turbulence (O'Reagan, Sims & Gallear, 2008). Kotler (2007) observed the existence of turbulence in business environment can orchestrate a situation where businesses that were of repute in yesteryears lose their relevance today. To enhance their performance, businesses should come up with strategic response to the environmental changes as their interaction with their surroundings is a key factor determining their ability to survive (Noor, 2012).

The environmental dependency theory and the resource based view theory guided this investigation. The anchor theory was the environmental dependency theory that argues that an organization depends on its environment to survive (Pfeffer, 2003). According to this theory, an organization must therefore derive and pursue strategies that make it possible for it to operate in the environment with minimal disruptions to its operations (Nienhüser, 2018). In relation to the resource-based view (RBV), firms in a given sector may be diverse in terms of the resources they manage. However, they will exhibit differences in their reactions to developments within the environments depending on the resources they control (Barney, 1991).

The study focused on Kenyan banks. These institutions are significant to a country's economy and their stability is critical and relevant to the financial sector (Nuhiu, Hoti & Bektashi, 2017). In Kenya, the banking sector contributes 9.3% of the GDP and about 30% of all corporate taxes collected by the government (CBK, 2018). Despite its significance to the economy, the banking sector has faced a lot of environmental turbulence that calls for strategic response to survive in the market. The environmental turbulences include intense competition, technological advancements, political instabilities and government regulations that have called for an evaluation of how firms conduct their business (Mohamed, 2018). The study hence sought to investigate how the strategic response used by banks impact their performance.

1.1.1 Strategic Response

Strategic response, according to Ansoff and McDonnell (2013), is the skill of formulating, evaluating, and implementing certain critical choices that allow an organization to remain justifiable as well as accomplish its goals while in a chaotic environment. It includes a detailed description of the company's goals, procedures, and strategies. In general, it refers to how an organization's behavior evolves in response to external changes. According to Ansoff (2011), strategic solutions may include pricing, product, market, and service diversification, new customer management strategies, information technology breakthroughs, and mergers and acquisitions. Where there is a understanding absence of the company's internal as well as external risks and strengths, strategic solutions will fail. It is necessary to reconsider the strengths, limitations, possibilities, and political stability, as well as environmental variables, technological developments, the economic environment, and the social setting (Thompson & Strickland, 2013).

Grant (2011) argues that the strategic response success depends heavily on the business environ. The sociological, political, environmental, social and economic contexts of an organization affect success rates or the impact of its strategic response. The rate of success of a strategy response is also determined internally, such as the resources available to a business, the overall assets assigned to implementing strategies, personnel capacity, organizational processes and technologies (Peteraf & Barney, 2013).

Strategic disaster response is one of the strategic solutions to a competitive market which requires an analysis of internal and external limitations and vulnerabilities, formulate strategies, execute the strategies and update it with evolving conditions (Snow & Hrebiniak, 2016). The maintenance of open communications and nurturing of key relationships is critical in the management of crises and so firms need to embrace it (Johnson & Scholes, 2015). Another strategic response is strategic innovations. Jin, Hewitt and Thompson (2014) stated that Strategic innovation is a forward-thinking corporate development approach that looks for new growth prospects in the future and creates sustainable competitive advantage. Dubin and ALrbabah (2015) noted that strategic leadership is another response strategy and is now the most commonly used leadership approach and revolutionizes leadership by diverting the focus from organizational internal dynamics to strategic alignment with the external environment. The study operationalized strategic response in terms of strategic innovations, strategic crisis management and strategic leadership.

1.1.2 Firm Performance

Huang (2018) describes performance as entailing attainment of goals that an organization sets out to achieve. It entails an organization's ability of attaining its goal through efficient and effective utilization of it resources (Daft & Marcic, 2013). Bharadwaj, Chauhan and Raman (2015) believe that an organization's performance is a complex relation with the following seven criteria: efficiency, reliability, productivity, effectiveness, quality of work, creativity and profitability. Performance is therefore closely linked to the achievement of all the seven criteria, which can be considered as performance goals. Even though there is no commonly agreed upon meaning of performance, an organization ought to have objectives and measure all outcomes based on the set objectives.

Organization performance is an important measure which helps determine the productivity, organizational efficiency and competence of a company. It may be seen as a measurement of the efficacy of resources to create goods of the type required in the long term by customers and society (Bain, 2016). Organization performance helps show the profitability of the firm which is measured with income and expense. Promoting organization performance is a vital task for business managers because a profitable business has the ability to survive (Chakravarthy, 2016).

Organization performance cannot be measured by any single index and this has resulted to reluctance in using both monetary as well as non-monetary performance measures of a business organization (Chakravarthy, 2016). Researchers previously have frequently used the Balanced Scorecard (BSC) by Kaplan & Norton (1992) to assess performance. The balanced scorecard generates success measurements based on the company's goal, vision, and strategy. It is used as a criterion to evaluate the overall company performance. Financial considerations, client factors, internal procedures, learning and growth are all factors to consider (Kaplan & Norton, 1996). Because it is widely recognized as a performance metric, the balance scorecard was used in this investigation.

1.1.3 Commercial Banks in Kenya

The CBK defines a bank as a business conducting or planning to carry out banking operations in Kenya. Commercial banking includes the activities of deposit acceptance, extending credit, processing financial transactions in addition to offering financial services in other areas. Specifically, the industry contributes significantly to the financial sector, with a special focus on the mobilization of saving and the provision of loans to businesses and consumers. The CBK is the regulating authority in the Kenyan banking industry. The banking sector has 1 mortgage finance company, 38 banks, and 13 microfinance companies in the industry. There are 11 of the 38 listed at the NSE (CBK, 2020).

The banking industry in Kenya has been very competitive characterized by entry of many foreign banks and mergers and acquisitions among local banks. The banks are also facing competition from microfinance banks and Savings and Credit Cooperatives (SACCOs) which have been on the rise in Kenya. The macro-economic environment has also been turbulent as exhibited by a depreciating currency, government controls such as the 2016 interest rate cap, high unemployment levels in the county and recently the Covid-19 pandemic. To survive in such an industry, the commercial banks have focused increasingly on financial innovations as a strategic instrument to achieve organization goal of reducing costs and maximizing revenues. KCB has been promoting KCB MPESA and adopted fuliza in 2019, Equity has been using Equitel and Eazzy banking app, NCBA bank has been offering Mshwari and recently Fuliza. These banks have been at the forefront of strategic innovations. Other banks also have some aspect of strategic innovations through their digital platforms (CBK, 2020). The big question is whether the strategic responses have resulted in enhanced performance among Kenyan banks.

Kenyan banks have performed variably, with some recording an increase in performance while others have recorded a decline. Over the last 5 years, we have witnessed certain banks, like Chase bank, fall due to lackluster performance, while others such as National bank have also been acquired by KCB (CBK, 2020). Other banks such as Equity, Cooperative, KCB and Standard Chartered bank have reported an improvement in performance over the same period of time. This demonstrates the need to investigate whether strategic responses can explain the performance report among the banks in Kenya.

1.2 Research Problem

A key area in strategic management is firm performance. It is vital to explain the different performance exhibited by different firms that operate in the same environment. Researchers have exploited this concern. This concern has motivated research work that has focused on several internal and external factors causing the difference in firm performance. It is therefore vital for administration of any firm to establish components of external environment that are likely to change in the near future. Organizations have for one reason or another realized that they cannot survive without the inclusion of the external environment. Hence, organizations are environment serving (Abashe, 2016).

This realization has led to adoption of strategic responses for firms to enhance their performance in the midst of turbulent working environment such as covid-19 pandemic.

Banks in Kenya operate in a turbulent environment which has necessitated the need to develop strategic responses to enhance their performance in the midst of the turbulence. The banks started facing challenges from technological advancements at the turn of the millennium in the year 2000. For survival in this environ, the banks have increased their digitization efforts, putting strategic innovations at the forefront, to strengthen their network base, decrease staff expenses, operate competitively with staff and enhance profitability. However, despite these strategic responses, some banks have experienced a drop in profitability, others have been placed under statutory management, and still others have closed their doors. Apart from the competition for customers amongst Kenyan commercial banks, in the Kenyan market, they are also up against increasing competition from digital lenders for the same consumers (Koki, 2018).

Studies on strategic responses show many gaps in scope and in context. Munir et al (2011) examined the strategic responses used by the banking sector in Sri Lanka. The study revealed that strategic responses enhance performance. There is a contextual gap as the study was in Sri Lanka whose social and economic setting is different from Kenya. Carraresi (2011) focused on the correlation between strategic choice and SME performance in the Italian food industry. The findings revealed that strategic choices have an effect on performance. This study presents a conceptual gap as the effect of strategic response on performance was not established. The study also offers a contextual gap as it was carried out in Italy whose social and economic setting is different from that of Kenya. Methodologically, the study sample size was 36 SMEs which might not be adequate for robust regression analysis. According to Zaidi and Othman (2015), Malaysian enterprises base their strategy on environmental uncertainty in their research on the correlation between organizational capacities, environmental dynamics, and performance. The study did not highlight the importance of strategic response on performance. The focus of the context is on manufacturing companies, which leaves a gap in the banking sector.

Locally, Mwithiga (2013) examined the strategic responses used by SACCOs to respond to the dynamic operational environment and found that adoption of information systems is the main strategic response among SACCOs. A conceptual gap exists as strategic responses were operationalized differently. Mwaniki (2015), research work about the Kenya Red Cross Society's (KRCS) strategic approaches to a tumultuous operating environment as well as performance, points out that the strategy of strengthening internal resources as well as capabilities is key, particularly income generation resources, to offset decreasing donor contributions is a good one. This study generates a contextual gap, necessitating additional research in the banking sector. Kimaiyo (2018) study was on strategic responses by Kenyan state corporations to environmental variations. The study revealed that state corporations are responsive to changes in the environment. The research offers a gap as it was done in state corporations which are not for profits and their operations differ from those of banks which are profit making.

The studies reviewed have shown that there is no consensus on how strategic response impact performance. Further, most of the local studies done on strategic response have focused on other industries whose operations are distinct from those of the banking sector. In addition, the studies carried out on strategic responses changes used a different methodology as they did not take into account its effect on performance. This research thus sought to respond to research question: what is the effect of strategic response on performance of Kenyan banks?

1.3 Research Objective

The general objective was establishing the effect of strategic response on performance Kenyan banks.

1.4 Value of the Study

Existing theories on strategic response and firm performance will be enriched by the research conclusions. The research conclusions will benefit future researchers since they may be a benchmark. The results may also be important to the academics and researchers in recognizing gaps in research on related subjects as well as in evaluating empirical literature to establish further research fields.

The study's results will be helpful to policymakers in measuring the development of policies linked to the banking industry's role in the economy. Policymakers will benefit from the study's results because they will get insight into the connection among strategic responses and business success.

The findings of this study will give practitioners with further knowledge. Such empirical data may most likely be utilized to develop and improve policies. The research will assist the management and employees of the chosen companies by increasing their understanding of response tactics and how they may help them reach their performance objectives.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter deals with theoretically and empirically literature review on strategy response, company performance and correlation. The chapter will begin with an examination of the theories behind these ideas, an examination of empirical studies on similarities and discrepancies and research gaps, and lastly a literature summary that shows the hypothesized connection between research variables.

2.2 Theoretical Foundation

A literature review finds and evaluates previous research and scholarship on the studied variables. This review will offer a thorough understanding of what was being accomplished and will serve as a foundation for interpreting research results and overcoming the limitations of prior investigations. The following section will describe and discuss the resource dependency theory as well as the resource based view theory.

2.2.1 Environmental Dependency Theory.

Environmental dependency theory as developed by Pfeffer (2003) is the anchor theory for in this investigation. The theory was created to offer a counterpoint to economic models of acquisitions and boards interlocks, as well as to better explain the kind of inter-organizational relationships facilitating such a significant part in market distortions (Pfeffer, 2003). Those in charge of the company were motivated by a desire to guarantee the company's existence and increase their individual autonomous from other causes and pressures, while simultaneously trying to preserve stability in the company's exchange ties. Many of the organization's observed activities were motivated by these attempts.

Whenever it came to deciding strategy, the pursuit of power often outweighed profitability, an observation that ran counter to the dominant economic theories of the time.

This theory is based on three major concepts: social environment is essential, organizations have methods to increase their autonomy and achieve their goals, and power is critical in explaining internal and external organizational activities. One of the key differences between resource dependency theory and other methods, such as transaction cost economics, is the focus on power and the elaboration of the visible repertoires of strategies accessible to organizations. A riskier approach for controlling dependency, as per Davis and Cobb (2009), is to co-opt it. The implication is that organizations can manage changes in their environments by adapting their strategies to the environmental changes. Kim and Mauborgne (2015) critique this theory for not providing recommendations on how firms can best benefit from the environment.

The relevance of the theory to the current research is since it views organizations as arrangements that evolve constantly in response to various economic needs and consistent competition over scarce resources. In that regard, environmental scanning provides a major aspect of surveillance and self-analysis particularly for organizations faced with constant changes in their operational environment. The theory therefore relates strategic response with performance of firms.

2.2.2 Resource Based View

Penrose (1959) stated that the variety of productive resources accessible to a corporation generates its uniqueness instead of the homogeneity of those resources. The primary topic of the resource oriented approach is the variety of an organization's resources. According to Penrose (1959), how effectively an organization's resources are used determines both internal and external development via methods such as mergers, acquisitions and diversification. A company is made up of a range of valuable resources, and all these can only assist the firm obtain a competitive edge if utilized in a manner that makes them simple to access to the company. Consequently, businesses must recognize their strengths and weaknesses in order to devise methods for outsmarting their competitors while using the resources at their disposal (Wernefelt, 1984).

According to RBV, the most valuable resources in an organization are the ones that influence the firm's success and competitiveness. RBV continues to point out that the main factors that affect and organization’s competitive edge and its operations are generated from the company's skills as well as its resources, which are difficult to duplicate and highly valued (Barney, 1991). Firms may use RBV to develop and implement their business strategy by assessing their skills and internal resources (Sheehan & Foss, 2007). Kaplan and Palmer (2017) critique RBV by stating that it lacks managerial implications.

Only when resources are deployed to implement strategies do they become valuable. Only by measuring the value formed by approaches as well as attaching the gained value to the resources as well as capabilities can the value of the resources be determined. Controlling the factors that generate growth possibilities as well as change, as well as those that emerge as threats as well as demand reactions, is crucial for firm's growth, change, and development. Management should not only be conscious of environmental changing, but also control the resources of a firm in order to capitalize on chances as well as mitigate risks. The strategic leader must guarantee that this occurs, as well as ensuring the organization's values and culture are suitable for meeting the key success criteria.

2.3 Strategic Responses and Firm Performance

Strategic responsiveness has been growing rapidly today and this ensures a fit into the changing external environment. Furthermore, strategic responses determine the cumulative decisions that results in formulation and application of action plans that aid in the achievement of a firm's objectives (Agha, Alrubaiae & Jamhour, 2012). A variation in the business environment changes the manner in which businesses conduct operations and as such a firm must adapt a suitable strategic response. Literature on strategic management states that for a strategy to enhance performance, it must be aligned to the external environment (Snow & Hrebiniak, 2016).

Resource based view theory holds that when a company innovates by either creating a new market, adding improvements to existing products or destroys the existing market creating a totally new one, this brings about the characteristics of resources considered to have a sustainable competitive advantage over the others (Kirui, 2014). Contingency theory is an tactic to the organizational behavior study since it explains how external factors such as covid-19 pandemic and the external environment affect the nature and functioning of organizations. Strategic leadership theory holds that an organization's success as well as values is a result of its leaders' efforts. Top managers' strategic decisions, for example, would affect a firm's long term success (Oppong, 2014).

To be successful, an institution must choose a strategic behavior that suits the dynamics in an environment, and formulate a resource capability that can cope with the mode chosen (Acur & Englyst, 2016). Aboryge-Debrah (2017) recognized three types of strategic behavior. The first containing organizations that are influenced by their environment, the second is pre-emptive and involves anticipating events in the future and preparing for them and the third shows an aggressive position; they seek to identify both future events and work towards accomplishing them. Strategic behavior classification has the support of a number of theories like resource dependence theory, the institutional theory and several theories related to the two. Following these theories, it is possible to identify contexts that require strategic responses.

The present level of competition in contemporary market needs with the intention of obtaining a superior advantage has been the focus of organizational performance in current business organizations. Firms need to survive to avoid being driven out of business by the rising costs as well as market competition (Dubin & ALrbabah, 2015). Business environment keeps on changing, increasing responsibilities and accountability to meet their client needs. With unlimited access to the market, new firms continue to limit the market share of the existing firms thereby forcing organizations to constantly review their plans operational strategies. These reviews and changes calls for a strong strategic leadership for speedy action that will see immediate results being delivered since traditional leadership approaches are not enough to serve the rapid changes in the knowledge economy (Aslan, Diken & Sendogdu, 2011).

2.4 Empirical Studies and Knowledge Gaps

Strategic response and performance are two issues that have attracted a lot of scholarly attention. The investigations, on the other hand, have largely been conducted independently of one another, with each notion being examined separately or in relation to other aspects. Except in a few situations where the two ideas were not explored simultaneously, the independent studies were not based on the banking sector.

Mashhadi and Rehman (2012) focused on external environment effect on the performance of the fast food industry in Islamabad. This research presents a contextual gap as this study was conducted among fast food firms whose operations are different from banks. In addition, the study presents a conceptual gap as the influence of strategic response on performance which is the focus of the current research was not addressed.

Mwaniki (2015) research about the Kenya Red Cross Society's (KRCS) strategic approaches to a tumultuous operating environment and performance, points out that the strategy of strengthening internal resources and capabilities is key, particularly income generation resources, to offset decreasing donor contributions is a good one. When comparing to profit-making enterprises, the environmental policy changes and volatility connected with non-profit organizations like KRCS are considerably different. In the aftermath of disasters, competing nonprofit organizations team together. This generates a contextual gap, necessitating additional research.

According to Zaidi and Othman (2015), Malaysian enterprises base their strategy on environmental uncertainty in their research on the correlation between organizational capacities, environmental dynamics, and performance. Despite the fact that this research sought to understand the connection between organizational skills and environmental turbulence, it failed to highlight how important the latter is in assuring long-term company plans. The focus of the context is on manufacturing companies, leaving a banking sector contextual gap.

Sethi (2015) established a framework for analyzing social issues and business response patterns in the context of the environment in Kenya. The study identified the social-cultural environmental factors affecting firms and the strategies that can be applied to overcome them. This study focused on only the environment aspect and therefore a conceptual gap as the response strategies were not taken into account. Further, there exist methodological gaps as the study was a review of literature and therefore lacks empiricism. Contextually, the study findings were not industry specific and can therefore not be generalized to banks.

Nyawira (2010) investigated how cement firms responded to the strategic difficulties presented by competition in Kenya's cement sector. This study was addressing the cement industry and therefore a contextual gap. Mohammed (2012) evaluated the pharmaceutical industry's strategic responses to environmental changes in Kenya. This study was conceptually similar but contextually unrelated. Kimaiyo (2018) study was on strategic responses by state corporations to environmental variations. The study was not specific to the banking industry in Kenya and therefore a contextual gap. As a result of these works, knowledge and methodological gaps exists. It is vital to have a reason to justify the importance of strategic response on performance in the face of environmental turbulence.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises the study design, instruments used to gather data and how the data analysis was performed. The methodology shows the way the study was conducted, the organization of research, how information was collected, and from whom information was ultimately obtained in order to evaluate the information, in view of the final objective of creating findings of the study.

3.2 Research Design

This research issue was studied using a descriptive cross-sectional study design. This research was conducted to discover what, where, and how a phenomena takes place (Cooper & Schindler, 2014). This design was suitable, since it enabled the investigator to use quantitative data in order to investigate how strategic responses impact performance of banks in Kenya.

3.3 Population of the Study

For the investigation, the population was the 38 Kenyan banks as at 31st December 2020. Since the population was relatively small, sampling was not conducted. The unit of observation was be the heads of strategy in each bank as they were assumed to be well conversant with their strategic responses and how they influence performance.

3.4 Data Collection

This research obtained primary data by aid of a questionnaire. According to Burns and Burns (2008), questionnaires are the most appropriate for the collection data in a survey of a dispersed population. The structured questionnaire was chosen because the study adopted a quantitative approach. The target respondents were the heads of strategy in each bank giving a total of 38 respondents.

A structured questionnaire comprising of closed-ended questions was used in obtaining categorical data that has a numerical nature. Additionally, the data subjects were on a 5-point Likert scale and was precise and explicit to lower probable ambiguity to the respondents. The questionnaire had five-point likert scores ranging from the least of one to a high of five. The questionnaire had five sections, namely demographic information, strategic innovations, strategic crisis management, strategic leadership and organization performance. The questionnaire was administered online via Google form.

3.5 Data Analysis

Data analysis encompassed exploration of descriptive and inferential statistics. The former constituted measures of distribution like the mean and standard deviation. Pearson's correlation was utilized in establishing how the variables relate, while regression analyses was employed to establish independent factors impact on the dependent variable. Tables were used in illustrating the findings of the studies, which were supported with relevant interpretations as well as discussions.

The regression model below will be applied in the study:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon.$

Where;

Y= Organization performance

β_0 = Constant Term

β_i = Beta Coefficient of variable i measuring change in Y to change in i

X_1 = Strategic innovations

X_2= Strategic crisis management

X_3= Strategic leadership

ε =Error term

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter entails the study findings and interpretation. It includes demographic data as well as general details such as response rate. The part also provides the results of the investigation in relation to the research goals.

4.2 Response Rate

In a study, the response rate is a proportion of the total number of answers received by the number of participants. Depicted in Table 4.1 are the study outcomes.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Returned	36	94.74
Unreturned	2	5.26
Total	**38**	**100**

Source: Field Data (2021)

According to Table 4.1, 36 questionnaires were distributed to heads of strategy in Kenyan banks who were selected as the sample size in this analysis. A total of 36 of the 38 questionnaires sent out to respondents were filled and returned, resulting in a 94.74 percent rate of response. This is above the recommended level of 50% or more, and it agrees with Sekeran and Bougie (2015), who claimed a research having a 50% or more response rate is adequate for investigation and conclusion drawing.

4.3 Reliability Test Results

Reliability measures if the instrument measures that which it purports to measure when in use. The reliability of data in the study was determined using the Chronbach’s alpha which is used in determining the internal consistency of the questionnaire. Data obtained using the questionnaire was imputed into SPPS and Chronbach’s alpha for the items generated in the questionnaire. Those items that had a Chronbach’s alpha of less than 0.7 which is the threshold would be eliminated from the questionnaire while collecting data for the main study.

Table 4.2: Reliability Test Results

Variables	Cronbach’s Alpha	Critical Value	Conclusion
Strategic Innovation	0.883	0.7	Reliable
Strategic Crisis management	0.876	0.7	Reliable
Strategic Leadership	0.826	0.7	Reliable
Organization Performance	0.813	0.7	Reliable

Source: Field Data (2021)

All variables were higher than 0.7 Chronbach alpha, as Table 4.2 shows. This was an indication that the questionnaire used in the study was very coherent internally. The questionnaire was hence reliable to assess how strategic response impacts organization performance.

4.4 Demographic Analysis

This section provides descriptive data about the respondents' demographic characteristics

4.4.1 Employment Experience

The researcher inquired the years of experience of each Head of strategy in all the commercial banks. This information is essential because it has an impact on the answers given by the respondents. Table 4.4 displays the findings.

Table 4.3: Respondents’ Years of Experience

Years	Frequency	Percentage
Less than 5 years	4	11.12%
6 -10 years	18	50.00%
11 - 15 years	8	22.22%
Above 15 years	6	16.66%
Total	**36**	**100%**

Source: Field Data (2021)

Table 4.3 shows that the highest respondent number (50.00%) had between 6- 10 years of experience with their present firm. Those with between 11- 15 years followed closely at 22.22%. Respondents with above 15 years of experience followed at 16.66% and the smallest percentage (11.12%) had less than 5 years of experience with their present firm. From the findings, Heads of strategy in most of the banks had between 6 to 10 years of experience with their present firm.

4.4.2 Gender Composition

The researcher made inquiries on the respondent's gender composition as this information was useful for the study. Table 4.4 illustrates the study findings.

Table 4.4: Respondents' Gender Composition

Gender	Frequency	Percentage
Male	26	72.22%
Female	10	27.78%
Total	**36**	**100%**

Source: Field Data (2021)

From the data obtained, the number of male respondents employed in various banks as Heads of strategy was higher than the number of female Heads of strategy. The male respondents accounted for 72.22% compared to the female ones at 27.78%.

4.4.3 Highest Level of Education

The participants indicated their highest education level. Table 4.5 shows the findings.

Table 4.5: Distribution of Respondents by Highest Level of Education

Education	Frequency	Percentage
Degree	12	33.33%
Master’s Degree	23	63.88%
PhD	1	2.79%
Total	**36**	**100%**

Source: Field Data (2021)

The majority of respondents (63.88 %) had a Master’s Degree, while 33.33% had a degree. Only 2.79% had the highest level of education being a PhD. None of the interviewed respondents indicated a different education level. These findings suggest that the Heads of Strategy of commercial banks are well educated as all of them had achieved at least a Bachelor’s Degree. High levels of education are essential in a company because they enable an organization to comprehend and resolve its problems.

4.4.4 Age of Respondents

The research tried to ascertain the individuals' age. It is essential to understand the age of respondents, since someone's age may affect their research answer. Table 4.4 displays the results.

Table 4.6: Respondents’ Age Composition

Age	Frequency	Percentage
Less than 30 years	4	11.11%
31-40 years	10	27.78%
41-50 years	14	38.89%
51 and Above	8	22.22%

Total	**36**	**100%**

Source: Field Data (2021)

Table 4.6 displays that the highest respondent number (38.89%) were between the ages of 41 and 50, 27.78% were between the ages of 31 and 40, 22.22% were 51 and up, and the smallest percentage (11.11%) were between the ages of 21 and 30years. According to the findings, Heads of Strategy are relatively young.

4.5 Analysis of Study Variables

This section presents descriptive results in percentages, means, as well as standard deviations for every variable under investigation.

4.5.1 Strategy Innovation

Strategic innovation is a forward-thinking corporate development approach that looks for new growth prospects in the future and creates sustainable competitive edge. Table 4.7 shows the mean and standard for strategic innovation as a strategic response indicator.

Table 4.7: Descriptive Statistics for Strategic innovation

Statements	**N**	**Mean**	**Std. Dev**
Loan systems have been integrated with borrowers’ mobile phones to facilitate mobile loan application.	36	4.24	0.55
Borrowers are notified of their loan approval standings online	36	4.21	0.73
Borrowers can receive frequent alerts on individual credit scores	36	3.55	0.86
There is real time automatic borrower evaluation.	36	4.45	0.50
Loans can be applied online	36	4.33	0.53
Bank has a system that monitors adequacy of provisions for monthly loan performance	36	4.25	0.75
Customer service has been automated	36	4.12	0.50
Overall mean Score	**36**	**4.18**	

Source: Field Data (2021)

From the findings, real time automatic borrower evaluation was the most common strategic innovation (Mean=4.45, std. dev=0.55). The findings further revealed that online loan applications are used by commercial banks in Kenya (Mean=4.33, std. dev=0.53). Respondents further agreed that banks have a system that monitors adequacy of provisions for monthly loan performance (Mean=4.25, std. dev=0.75). Additionally, findings discovered that loan systems have been integrated with borrowers' mobile phones to facilitate mobile loan application (Mean= 4.24, std. dev=0.55). The findings, furthermore, showed that borrowers are notified of their loan approval standings online (Mean=4.21, std. dev=0.73), customer service has been automated (Mean=4.12, std. dev=0.50) and lastly, the findings revealed that borrowers can receive frequent alerts on individual credit scores (Mean=3.55std dev=0.86). The overall mean was 4.18 implying that strategic innovation is being practiced among commercial banks in Kenya to a great extent.

4.5.2 Strategic Crisis Management

Strategic crisis management involves an analysis of internal and external limitations and vulnerabilities, formulation, execution and updating of strategies according to evolving conditions. Table 4.8 shows the mean and standard for strategic crisis management as a strategic response indicator.

Table 4.8: Descriptive Statistics for Strategic Crisis Management

Statements	N	Mean	Std. Dev

Layoffs have helped the company cut down its operational expenses	36	2.89	0.54
Layoffs have increased current employees' commitment to their jobs	36	2.72	0.57
Asset retrenchment has given the organizational a great control of the business	36	2.86	0.65
Information technology effectively eases loan approvals and disbursement	36	4.03	0.63
Digitization of bank operations has enhanced loans reconciliation processes.	36	4.03	0.52
My bank is able to re-assign organizational staff immediately to respond to emergencies	36	4.42	0.55
My bank is able to re-allocate organizational priorities quickly	36	4.33	0.68
Overall mean Score	**36**	**3.72**	

Source: Field Data (2021)

The findings showed that banks are able to re-assign organizational staff immediately to respond to emergencies (Mean=4.42, std. dev=0.55). The findings further noted that banks are able to re-allocate organizational priorities quickly (Mean=4.33, std. dev=0.68). Similarly, findings showed that digitization of bank operations has enhanced loans reconciliation (Mean=4.03, std. dev=0.52).

The findings further showed that information technology effectively eases loan approvals and disbursement (Mean=4.03, std dev=0.55). Furthermore, findings showed that respondents disagreed that Layoffs have helped the company cut down its operational expenses (Mean=2.89, std. dev=0.54). Findings also showed that respondents disagreed that asset retrenchment has given the commercial banks a great control of the business (Mean=2.86, std. dev=0.65). Finally the respondents also disagreed that Layoffs have increased current employees' commitment to their jobs the overall mean was 3.72 indicating that on average, commercial banks in Kenya practice strategic crisis management to a great extent.

4.5.3 Strategic Leadership

The research sought to establish the extent of strategic leadership on organization performance among Kenyan banks. Table 4.9 displays the mean and standard deviation for strategic leadership.

Table 4.9: Descriptive Statistics for Strategic Leadership

Statements	**N**	**Mean**	**Std. Dev**
Management facilitates employees' meaningful making of changes to achieve the envision future through communication.	36	4.16	0.53
The firm has a clear set of goals and all employees are aware of these goals	36	4.24	0.64
The leaders' personality is inclined towards bringing strategic change	36	4.08	0.55
The firm employs effective training and development programs	36	4.00	0.55
The leaders are involved in the learning experience	36	3.82	0.80
The firm's key skills are identified at the strategy formulation stage and then underlined during the implementation of selected strategies	36	3.85	0.78
The company encourages employees to share their expertise and talents throughout the company's departments	36	3.97	0.58
Overall mean Score	**36**	**3.98**	

Source: Field Data (2021)

The findings showed that the firms firm has a clear set of goals and all employees are aware of these goals (Mean=4.24, std. dev=0.64). The findings also discovered that management of most commercial banks facilitate employees' meaningful changes to achieve the envision future through communication (Mean=4.16, std. dev=0.53). The findings also showed that most commercial banks leaders' personality is inclined towards bringing strategic change (Mean=4.08, std. dev=0.55). Additionally, findings revealed that most of the banks employ effective training and development programs (Mean=4.00, std. dev=0.55). Further, findings showed that commercial banks encourage employees to share their expertise and talents throughout the company's departments (Mean=3.97, std. dev=0.58), the banks' key skills are identified at the strategy formulation stage and then underlined during the implementation of selected strategies (Mean=3.85, std. dev=0.78). Lastly, commercial bank leaders were found to be involved in the learning experience (Mean=3.82, std. dev=0.80). The overall mean was 3.98 suggesting that strategic leadership in commercial banks in Kenya influence organization performance to a great extent.

4.5.4 Organization Performance

The mean as well as standard deviation for precise attributes of organizational performance are as indicated in Table 4.10.

Table 4.10: Descriptive Statistics for Organization Performance

Statements	N	Mean	Std. Dev
Over time, there has been a rise in the number of new customers	36	4.03	0.61
There is increased customer retention in the bank	36	4.03	1.18
The bank profitability has been increasing over the years	36	2.72	0.91
There is reduced customer complaints in the bank	36	4.08	0.28
There is increased number of referrals in the bank	36	3.16	0.70
Workers are given opportunities for personal and professional development	36	3.53	0.74
The personnel are friendly and provide good customer service	36	3.58	0.73
Overall mean Score	**36**	**3.60**	

Source: Field Data (2021)

The findings showed there is reduced customer complaints among commercial banks (Mean=4.08, std. dev=0.28). Similarly, findings showed that Over time, there has been a rise in the number of new customers (Mean=4.03, std. dev=0.61). The outcomes also showed that there is increased customer retention in the bank (Mean=4.03, std. dev=1.18).

The conclusions further noted that the personnel are friendly and provide good customer service (Mean=3.58, std. dev=0.73). The conclusions further shown that workers are given opportunities for personal and professional development (Mean=3.53, std dev=0.74). Furthermore, there is increased number of referrals in the bank to a less extent (Mean=3.16, std. dev=0.70). Finally, the bank profitability has been increasing over the years but to a less extent (Mean=2.72, std. dev=0.91). The overall mean was 3.60 implying that on average, there has been a general increase in performance Kenyan banks.

4.6 Inferential Statistics

This section contains the inferential statistics for all of the variables. Pearson correlations and multiple regressions were used as inferential statistics. All of the variables were correlated using Pearson correlations, and the connection between the strategic response and organizational performance was examined using regression.

4.6.1 Correlation Analysis

The Pearson correlation illustrates the connection between each of the indicated independent factors and the result/related variable. The coefficient r was determined and whether the connection was positive or negative. Table 4.11 displays the findings.

Table 4.11: Correlation Results

	Organizational Performance	
	Pearson 's correlation	**P**
Strategy Innovation	0.404	0.000
Strategic Crisis Management	0.456	0.000
Strategic Leadership	0.635	0.000

Source: Field Data (2021)

According to Pearson coefficients and P-values, the connection between strategic innovation and organizational performance is positive and significant ($r=0.404$, $p<0.05$). This is an indication that strategic significantly impacts organizational performance. The correlation findings too show significant association between Strategic crisis management and organization performance as revealed by a 0.456 Pearson correlation coefficient as well as a 0.000 P-value. This is a sign that better strategy crisis management improves organizational performance.

Furthermore, the correlation findings show strong relationship between strategic leadership and organizational performance, as shown by a 0.635 Pearson correlation coefficient as well as a 0.000 P-value. This is an indication that a rise in strategic leadership improves organizational performance.

4.6.2 Regression Analysis

The impact of each of the three selected predictor variables on organization performance, as shown in table 4.12, 4.13 and 4.14, was utilized for multiple linear regression analyzes.

Table 4.12: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.776[a]	.602	.595	.513742

a. Predictors: (Constant), Strategy innovation, Strategic crisis management, Strategic leadership

The R square of 0.532 in Table 4.12 shows that Strategy innovation, Strategic crisis management, Strategic leadership among commercial banks account for 60.2%, while the other 46.8% is explained by elements not included in this study. The R value of 0.776 indicates a significant connection between organization performance and the predictor factors among commercial banks (Strategy innovation, Strategic crisis management, Strategic leadership).

Table 4.13: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.521	3	.507	15.109	.000[b]
	Residual	1.340	32	.042		
	Total	2.861	35			

a. Dependent Variable: Organization Performance

b. Predictors: (Constant), Strategic Leadership, Strategic Crisis Management, Strategic innovations

Source: Field Data (2021)

The whole model is significant, as evidenced by a F value of 15.109 and a 0.000 p value in Table 4.13.

The extent of the effect of Strategic Leadership, Strategic Crisis Management, Strategic innovations on Organization Performance among commercial banks is demonstrated by regression coefficient results.

The extent of the Strategic Leadership, Strategic Crisis Management, Strategic innovations on organization performance among commercial banks is demonstrated by regression coefficient results.

Table 4.14: Regression Coefficients

Source: Field Data (2021)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.590	.224		7.631	.000
Strategic innovations	.201	.056	.230	3.579	.000
Strategic crisis management	.199	.054	.227	3.230	.000
Strategic leadership	.514	.069	.563	7.474	.000
a. Dependent Variable: Organization performance					

The multiple regression model used is illustrated below:

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_{3+} + \varepsilon,}$

Where,

Y denoted organization Performance

β_0 denoted the constant

X_1 represented Strategic innovations

X_2 represented Strategic Crisis Management

X_3 denoted strategic Leadership

ε was the error term when there was assumed normal distribution

$\beta_1, \beta_2 \beta_3,$ denote independent variable coefficients

The regression model was substituted as below.

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon,}$

$\mathbf{Y = 0.590 + 0.230X_1 + 0.227X_2 + 0.563X_3}$

The regression coefficient results indicated that strategic innovations positively and significantly influence organization performance (β=0.230, p=0.000). This meant that change a unit change in strategic innovations would result in 0.230 change in organization performance as shown in the model. The findings are also supported by a statistical t of 3.579 that is greater than the t critical of 1.96. The findings also revealed that strategic crisis management positively and substantially influence organization performance (β=0.227, p=0.000). This suggested that change in organization performance would result in 0.227 changes in organization performance as shown in the model. This was supported by a statistical t of 3.308 that is greater than the t critical of 1.96. Furthermore, findings revealed that strategic leadership positively and significantly influences organization performance (β=0.563, p=0.000). This suggested that a change in strategic leadership would result in 0.563 changes in organization performance as shown in the model. A statistical t of 7.474 also supported the findings since it was greater than the t critical of 1.96.

4.7 Discussion of Results

The results of the research showed presence of positive and substantial association between strategic innovation, strategic crisis management, strategic leadership and organization performance. This is a sign that strategic responses can improved performance.

The study concurs with Mwaniki (2015) on a study on the Kenya Red Cross Society's (KRCS) strategic approaches to a tumultuous operating environment and performance, who noted that the strategy of strengthening internal resources and capabilities is key to performance among Kenyan banks.

The findings also concur with Snow and Hrebiniak, (2016) who stated that strategic disaster response is one of the strategic solutions to a competitive market which requires an analysis of internal and external limitations and vulnerabilities, formulate strategies, execute the strategies and update it with evolving conditions.

Strategic innovation had a positive substantial relation with organization performance. These findings concur with. Jin, Hewitt and Thompson (2014) who stated that Strategic innovation is a forward-thinking corporate development approach that looks for new growth prospects in the future and creates sustainable competitive advantage thereby improving organizational performance.

The findings also concur with Kimaiyo (2018) who studied strategic responses by state corporations to changes in the environment. The study found that strategic responses had positive significant effect on the performance of state corporations in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research findings are provided for the study in this chapter. The section also covers conclusions of the study and recommendations. This part also includes the limitations and recommendations of the future study.

5.2 Summary of Results

The primary research objective was to establish the effect of strategic response on performance of Kenyan banks. The research was backed by the resource dependency theory as well as the resource based view theory. Likert scale questions were used to represent organizational performance, which was the study's dependent variable. Strategic innovation, Strategic crisis management and strategic leadership were the independent variables for the study. A descriptive design selected for this purpose. A total of 36 Heads of strategy from 36 Kenyan banks were selected as the study sample. Descriptive and inferential analyses were conducted. The findings are discussed in this section in line with the objectives.

The first objective was to evaluate how Strategic innovation impacts organizational performance among Kenyan banks. Findings showed that strategic innovations have a significant positive impact on performance of Kenyan banks. The correlation outcomes exhibited a positive as well as significant connection between strategic innovations and organizational performance. Regression findings showed that a unit change in strategic innovations would have a significant positive effect on organizational performance.

The second objective was to evaluate the effect of strategic crisis management on organizational performance of Kenyan banks. From the descriptive analysis, strategic crisis management had a positive significant impact on bank performance in Kenya. Strategic crisis management impact on performance was examined through correlation analyzes and the findings showed that the two variables were positively and significantly related. Regression results revealed that an increase in strategic crisis management resulted in improved organization performance. This shows the significant effect of strategic crisis management on performance among banks.

The third objective of this study was determining how Strategic leadership on organizational performance of Kenyan banks. The descriptive findings show that Kenyan banks implement strategic leadership significantly. The findings of a correlation research showed a strong and significant connection between strategic leadership and performance. The findings of the regression analyzes revealed a significant positive impact of strategic leadership on performance. The results indicate that increased strategic leadership leads to increased performance.

5.3 Conclusions

From the results of this research, it can be stated that strategic innovations have a favorable impact on organization performance among Kenyan banks. From the results of regression and correlation there is a favorable connection between strategic innovation and performance. According to the research results, strategic crisis management positively impacted performance. The research indicates that strategic crisis management leads to an increase in performance. The findings are confirmed by regression and correlation analyses, showing a favorable connection between performance and strategic crisis management.

The research also indicates that Strategic leadership among commercial banks in Kenya has a positive impact on performance. Regression and correlated results corroborate the findings that demonstrate a positive connection between the strategic leadership commercial banks' performance. The research also found that Strategic leadership among commercial banks has a favorable effect on performance. The results of correlation and regression show a strong substantial positive relation between strategic leadership and performance.

5.4 Recommendations for Policy and Practice

The results show that commercial bank's practice of innovating has a beneficial impact on the overall performance. The research recommends the need for commercial banks to continuously innovate as this will improve performance. Some of the strategic innovations measures that significantly influence organization performance and should therefore be adopted include real time automatic evaluation of the borrower, guarantors' online verification and monitoring adequacy of provisions for monthly loan performance. Policymakers must devise policies that encourage strategic innovation.

From the findings, strategic crisis management had a positive effect on performance. Strategic crisis management was found to enhance organization performance. Specifically, retrenchment whether asset or layoffs, loan policy reviews and organization flexibility are significant strategic responses that improve organization performance. The policy makers in commercial banks should adopt this as strategic response as a way to enhance organization performance. Policy makers should formulate policies that enable re-assigning of organizational staff and digitization of the operations as strategic responses to improve performance.

This study found that strategic leadership translates to improved organization performance. Following the study findings and conclusion, policy makers in the banks should adopt practices that allow for strategic leadership as this will promote organization performance. They should consider adopting clear set of goals that all employees are aware of. Management should also facilitate employees’ meaningful making of changes to achieve the envision future through communication. The commercial banks should also employ effective training and development programs.

5.5 Limitations of the Study

Primary data was utilized in this study. To minimize the number of likely outliers, a structured questionnaire was used in the research. This may, however, pose the issue of biased data collecting because the respondents in question are restricted in how and how much they should provide. In this respect, the researcher made sure that the data collecting instrument enables complete data gathering which meets study aims as easily as feasible.

In addition, several of the respondents were skeptical about participating in the research. The researcher rectified this issue by obtaining required permission, authorization and permissions from the authorities concerned, including but not limited to the banks and the University. In addition, ethical concerns were taken into account like keeping the identity of the respondents anonymous.

5.6 Suggestions for Further Research

The R^2 showed a variation of 60.2% which implies that other variables not considered in this investigation explain 39.8% variations in performance. As a consequence, future study may concentrate on other variables that are likely to influence organization. Policymakers would be able to devise and firmly implement an effective measures that will improve performance.

The research aimed to identify the impact of strategic responses on organization performance, specifically in reference to commercial banks in Kenya. Similar investigations can be done in other sectors such as insurance or manufacturing sectors to determine if similar or different findings will be observed.

REFERENCES

Abashe, A. (2016). *Influence of strategic leadership in strategy implementation in commercial banks: A case study of Kenya Commercial Bank* (MBA Thesis, United States International University-Africa).

Acur, N., & Englyst, L. (2016). Proactive assessment of strategy formulation processes-how to ensure quality in process and outcome, *International Journal of Operations & Production Management, 26*(2), 34-40.

Agha, S., Alrubaiae, L. & Jamhour, M. (2012). Effect of core competence on competitive advantage and organizational performance, *International Journal of Business and Management*, *10*(5), 72-97.

Ansoff, H. & Mc Donnell E. (2013). *Implanting Strategic Management*, Prentice Hall Cambridge, UK, 2nd Edition Ansoff H. and McDonnell-2013: *Implementing Strategic Management*: Prentice Hall.

Ansoff, I. (2016). *Implementing strategy and management.* Prentice Hall. New York.

Aslan, S., Diken, A. A., & Sendogdu, A. (2011). Investigation of the effects of strategic leadership on strategic change and innovativeness of SMEs in a perceived environmental uncertainty. *Procedia Social and Behavioral Sciences, 2*(4), 627-642.

Bain, J. S. (2016). *Barriers to new competitor: Their character and consequences in manufacturing industries*. Harvard University Press, Cambridge, MA

Barney, J. (1991) Firm Resource and Sustained Competitive Advantage. *Journal of Management.17(*1), 99-120. ISSN 0149-2063

Bharadwaj, S. S., Chauhan, S., & Raman, A. (2015). Impact of knowledge management capabilities on knowledge management effectiveness in Indian organizations. *The Journal for Decision Makers*, 40(4), 421–434.

Burns, R. B. & Burns, R. A. (2008). *Business Research Methods and Statistics using SPSS*. London. Sage Publications Limited.

Carraresi, L. (2011). The Relationship Between Strategic Choices and Performance in Italian Food SMEs: A Resource-based Approach, *European Association of Agricultural Economists, 3*(2), 114-119

Chakravarthy, B. S. (2016). Measuring strategic performance. *Strategic Management Journal*, *7*(5), 437-458.

Cooper, D. R., & Schindler, P. S. (2014). *Business research methods* (10thed.). New Delhi: Tata McGraw-Hill Publishing Company Limited

Daft, R. L. & Marcic, D. (2013). *Management: The new workplace.* South-Western; Cengage Learning: Australia.

Davis, G.F. & Cobb, J.A. (2009). *Resource Dependence Theory: Past and Future*, Chapter 2 in Claudia Bird Schoonhoven, Frank Dobbin (ed.) Stanford's Organization Theory Renaissance,1970–2000 (Research in the Sociology of Organizations, Volume 28), Emerald Group Publishing Limited, pp. 21-42

Dubin, A.Y., & AL-rbabah, R.A. (2015). Strategic leadership and their effect on managing organizational change: case study Zarqa University. *European Journal of Business and Social Sciences, 3*(12), 81-89.

Huang, C.-L. (2015). The influence of knowledge management implementation on organizational performance at Taiwan-listed integrated circuit companies: using intellectual capital as the mediator. *The Journal of International Management Studies*, 10(1), 1-17.

Jin, Z., Hewitt, D. N., & Thompson, N.J. (2014). Innovativeness and performance: Evidence from manufacturing sectors. *Journal of Strategic Marketing 12* (4), 255-266.

Johnson, G. & Scholes K. (2015). *Exploring Corporate Strategy* (6th Edition) Text and cases. Harlow: Prentice Hall.

Kaplan R.S. & Norton, D. P. (1992). The balanced scorecard – measures that drive performance. *Harvard Business Review, 70*(1), 71- 9

Kaplan, R. S., & Norton, D. P. (1996). *The Balanced Scorecard: Translating Strategy into Action.* Boston, Massachusetts: Havard Business School Press.

Khan, J. A. (2008). *Research Methodology*. New Delhi. APH Publishing Corporation

Kimaiyo, N. (2018). *Strategic Responses to Changes in the External Environment and Organizational Performance of Commercial State Corporations in Kenya*, Unpublished MBA research project, University of Nairobi

Kothari C. R (2004), *Research Methodology: Methods and Techniques*, (2nd Ed.)New Delhi, New Age International

Kotler, P. (2007) *Strategy: Seeking and Securing Competitive Advantage*, the Harvard Business Review Book Series. Boston: Harvard Business School Press.

Kuratko, D.F., Ireland, R.D., Covin, J.G., & Hornsby, J.S. (2015). A model of middle-level managers' entrepreneurial behavior. *Entrepreneurship Theory and Practice 29* (6), 699-716.

Mashhadi, A.H., & Ijaz-Ur-Rehman, Q. (2012). Impact of external environment on the performance of the fast food industry. *International Journal of Management Economics and Social Sciences, 1*(1), 19-25

Mohammed K.A. (2012). *Strategic Responses to Environmental Changes in the Pharmaceutical Industry in Nairobi, Kenya*. Unpublished MBA project. University of Nairobi

Mugenda, M.O & Mugenda, G. A. (2003).*Research Methods: Quantitative and Qualitative Approaches*; Nairobi African Centre for Technology Studies: Olive M. Publications

Mwaniki A. N. (2015). *Strategic Responses to the Turbulent Operating Environment of Kenya Red Cross Environment*. Nairobi: University of Nairobi Press

Mwithiga, R. W. (2013). *Strategic responses adopted by SACCOS to the changing operation environment in the Kenyan financial sector. a case of Nairobi based SACCOS with front office service activity*. University of Nairobi: Unpublished MBA Project.

Nienhüser, W. (2018). Resource Dependence Theory-How Well Does it Explain Behavior of Organizations? *Management Review, 19*(1+2), 9-32

Noor, A.A. (2012). *Response Strategies Adopted by Hass Petroleum (K) Ltd to Environmental Challenges.* Unpublished Masters Project, University of Nairobi.

Nyawira E.N. (2010). *Responses by Cement Companies to the Strategic Challenges Posed by Competition in the Cement Industry in Kenya*. Unpublished MBA project. University of Nairobi

O'Reagan, N., Kling, G., Ghobadian, A., & Perren, L. (2012). Strategic positioning and grand strategies forhigh-technology SMEs. *Strategic Change, 21*, 199-215.

Pearce, J.A. & Robinson, R.B. (2007), *Formulation, Implementation and Control of Competitive Strategy.* Homewood, IL:Irwin.

Penrose, E. T. (1959). *The growth of the Firm*. New York. Wiley.

Pfeffer, J. (2003), "Introduction to the classic edition," in Pfeffer, J. and Salancik, G. R., The External Control of Organizations: *A Resource Dependence Perspective* (classic edition), Stanford University Press, Stanford, CA

Sethi, P (2015). A conceptual framework for environmental analysis of social issues and evaluation of business response patterns, *The Academy of Management Review, 4*(1), 63-74

Sheehan, N. T., & Foss, N. J. (2007). Enhancing the prescriptiveness of the resource based view through Porterian activity analysis. *Management Decision*, 45(3), 450–461.

Snow, C. C. & Hrebiniak, L. G. (2016). Strategy, distinctive competence, and organizational performance, *Administrative Science Quarterly*, 15(9), 214-231.

Thompson, A.A., & Strickland, A.J. (2013). *Strategic Management: Concepts and Cases*. (13th Ed.). New York: McGraw-Hill.

Zaidi M. F. A., & Othman S. N., (2014). Organizational capabilities, environmental turbulence, and NPD Performance: a study of Malaysian manufacturing firms, *Procedia – Social and Behavioral Science, 172*(4), 286 - 293

APPENDICES

Appendix I: Research Questionnaire

Dear respondent,

This survey has been intended to gather information on strategic response on performance of commercial banks in Kenya. It is crucial that you answer these questions accurately and completely. No confidential personal information will be taken or stored, and no identification will be made of users, the research is for the sake of academic study only.

Instructions

1. Check the relevant option or fill in the blanks in the area given.
2. Feel free to add any more pertinent information to the study.

PART A: BACKGROUND INFORMATION

1. Kindly indicate the number of years you have been in the organization?

(a) Less than 5years ( )

(b) 6 to 10years ( )

(c) 11 to 15years ( )

(d) Over 15years ( )

2. Please indicate your gender:

(a) Male ( ) (b) Female ( )

3. Please indicate your highest level of education?

(a) Diploma ( ) (c) Bachelor's degree ( )

(b) Master's degree ( ) (c) PhD ( )

4. Please indicate your age bracket:

(a) Less than 30years ( ) (b) 31 - 40years ( )

(c) 41 – 50years ( ) (d) Above 50 years ( )

Section B: Strategic Responses

Strategic Innovations

Tick the suitable box to signify your level of agreement with the following assertions. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Uncertain (U), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
1. Loan systems have been integrated with borrowers' mobile phones to facilitate mobile loan application.					
3. Borrowers are notified of their loan approval standings online					
3. Borrowers are able to receive frequent alerts on individual credit scores					
4. There is real time automatic evaluation of the borrower.					
5. Loans can be applied online					
6. Bank has a system of monitoring adequacy of provisions for loan performance on monthly basis					
7. Customer service has been automated					

Strategic Crisis Management

Tick the suitable box to signify your level of agreement with the following assertions. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Uncertain (U), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
1. Layoffs have helped the company cut down its operational expenses.					
2. Layoffs have increased current employees' commitment to their jobs.					
3. Asset retrenchment has given the organizational a great control of the business.					
4. Information technology effectively eases loan approvals and disbursement					
5. Digitization of bank operations					

has enhanced loans reconciliation processes.					
6. My bank is able to re-assign organizational staff immediately to respond to emergencies					
7. My bank is able to re-allocate organizational priorities quickly.					

Strategic Leadership

Tick the suitable box to signify your level of agreement with the following assertions. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Uncertain (U), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	**1**	**2**	**3**	**4**	**5**
1. Management facilitates employees' meaningful making of changes to achieve the envision future through communication.					
2. The firm has a clear set of goals and all employees are aware of these goals					
3. The leaders' personality is inclined towards bringing strategic change					
4. The firm employs effective training and development programs					
5. The leaders are involved in the learning experience					
6. The firm's key skills are identified at the strategy formulation stage and then underlined during the implementation of selected strategies					
7. The company encourages employees to share their expertise and talents throughout the company's departments.					

<u>Section C: Organization Performance</u>

Tick the suitable box to signify your level of agreement with the following assertions. Use the rating criteria: *1. Strongly Disagree (SD), 2. Disagree (D), 3. Uncertain (U), 4. Agree (A), 5. Strongly Agree (SA)*

Statements	1	2	3	4	5
1. Over time, there has been a rise in the number of new customers.					
2. There is increased customer retention in the bank					
3. The bank profitability has been increasing over the years					
4. There is reduced customer complaints in the bank					
5. There is increased number of referrals in the bank.					
6. Workers are given opportunities for personal and professional development.					
7. The personnel are friendly and provide good customer service.					

THANK YOU VERY MUCH