

**THE FACTORS THAT INFLUENCE STRATEGIC  
DECISION EFFECTIVENESS IN CFC STANBIC BANK  
LIMITED**

**BY:**

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for the Award of the Degree of Master of Business and Administration (MBA), School  
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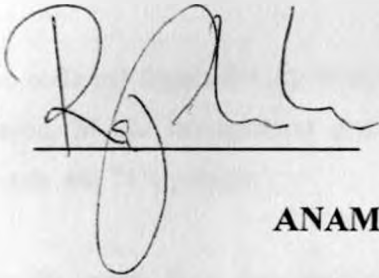


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## DECLARATION

I, the undersigned, declare that this is my original work and it has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

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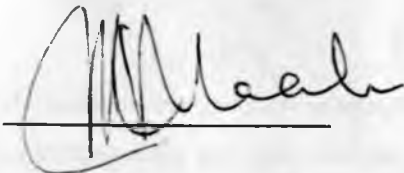
30th October 2008.

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**D61/8470/2006**

This project has been presented for examination with my approval as the appointed supervisor.

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10/11/08.

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## ABSTRACT

The study was conducted on the factors that influence strategic decision effectiveness in Cfc Stanbic bank limited. The objectives of the study were: to establish the strategic decision making process at Cfc Stanbic Bank; and to determine the factors that influence strategic decision effectiveness in Cfc Stanbic Bank in Kenya. Literature review items were used to come up with the research gap and the items on the questionnaire. The research methodology was based on the fact that this was an exploratory study conducted as a cross sectional survey. Data analysis tools used in the research were SPSS and data was presented in form of tables.

Data was collected from the Cfc Stanbic Bank Limited. The respondents were the senior management, Middle management and Low-level management ("team leadership"). The response rate was 74% percent.

Based on the results from data analysis and the research findings; Firstly, the strategic decision-making process has a direct influence on strategic decision effectiveness at Cfc Stanbic Bank Limited. Secondly, it was found that to a great extent, the decision importance (Intuitive and Political Issues) which the bank considers are: the bank decision makers act more rationally when there are decisions implying important consequences; more attention is allocated to issues involving the highest cost or risk.

Thirdly, it was found that some the most important strategic decision outcomes in Cfc Stanbic Bank as explicitly portrayed in decision effectiveness are : based on rationality, in Cfc Stanbic, intuition has an important role in strategic decision making since Cfc Stanbic's public policy decisions employ rational methods to be more successful than those that did not.

Fourthly, the external environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the Cfc Stanbic bank are to a great extent: the strategic decision processes in Cfc Stanbic are affected by environmental attributes; given a stable environment, Cfc Stanbic uses synoptic processes rationally; with

faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities.

Lastly, the internal environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the CfC Stanbic bank are to a great extent; owing to CfC Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success; CfC Stanbic's more rational approach to the strategic decision-making process has led to better performance of the bank.

The following challenges need to be addressed; the negative interaction between political behavior and performance, which in turn influences strategic decision success in CfC Stanbic; the success of CfC Stanbic's decision is a function of the availability of resources such as money and material. Areas of further research that were identified include a study on the key factors that influence strategic decision effectiveness in other sectors of commercial and financial sector to determine how the factors that influence strategic decision effectiveness can contribute to a companies financial performance. The greatest hurdles while conducting the study were irrelevancy, transportation, time and literature availability.

**Key Words:** Strategic Decision Making Process, Strategic Decision Effectiveness and CfC Stanbic Bank

## **DEDICATION**

**To My Parents,**

**Thank You for all your love and support**

**To My Colleagues and Friends**

**Thank You for all your support**

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During the trying moments of writing and compiling this project, which was researched and written over a period, many developments took place. Some several key people and institutions therefore need to be acknowledged for their professional generosity and input, considering the time this research project has taken to come to fruition.

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To family and friends who have given me both intellectual and emotional support I offer my up most gratitude.

To the functional management heads in all CFC Stanbic Bank branches in Nairobi, and all those other people who graciously gave their time to be interviewed/fill the research instrument. I am deeply indebted to Mr. Nyaoga whose generous and indomitable spirit made this project possible.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background

There has been increased interest in research into the strategic decision making process, since most recent research has produced some inconsistent findings. The reasons which have been cited in support of the above scenario range from due to the application of oversimplified models to a complex phenomenon. Therefore, several scholars have advocated the desirability of combining different perspectives of decision making when investigating the strategic decision-making process (Elbanna, 2006).

There have also been investigations into the potential moderating effects of environmental factors on the relationship between decision process dimensions and process/economic outcomes (Fredrickson, 1984; Hough and White, 2003). These studies, however, have generated contradictory results (Rajagopalan et al., 1997), and have therefore failed to produce meaningful generalizations (Sharfman and Dean, 1991).

The strategic decision-making process appears to differ between different countries and there is little evidence of universalism (Wilson, 2003). Therefore, Whittington, Pettigrew, and Thomas (2002) recommend seeking out and taking account of international diversity, rather than avoiding it. These considerations suggest that investigating strategic decisions in different countries represents a promising research direction (Brouthers, and, Wemer, 2000).

This study is therefore expected to give rise to certain characteristics of the strategic decision-making process that are specific to that context by dint of culture or other national attributes. Comparative cross-cultural investigations by Hofstede (1991) and Trompenaars (1973) suggest that most managers are likely to be relatively respectful of leadership and hierarchical distance, fatalistic, and inclined to act according to the particular relationship involved rather than in accord with general rules or standards.

### **1.1.1 The Concept of Strategic Decision Effectiveness**

The strategic decision-making process has a direct influence on strategic decision effectiveness, and that this relationship is moderated by decision-specific characteristics, environmental factors, and firm characteristics. It has been argued that account should be taken of both contingency variables and environmental characteristics when examining the effects of process variables on strategic decision-making effectiveness. Hart and Banbury, (1994) stated that research into the link between process and organizational outcomes 'must examine or control for key contingency factors.' They report that empirical work on the association between the strategic decision process and organizational outcomes has taken a contingency perspective since the early studies of Fredrickson and Mitchell (1984). This trend has continued to the present (Baum and Wally, 2003). Contingency variables include characteristics of decisions themselves, such as their intrinsic importance, as well as organizational features such as company size. Rajagopalan et al. (1997) argued that several decision-specific factors can affect the link between decision process and organizational outcomes.

Thus, one can argue that the use of a model with process variables as the main predictors, and contingency and contextual variables as moderators, may predict more variance in strategic decision making effectiveness than previous models that, for example, tested simple bivariate relationships. Nevertheless, most existing strategy-making process models fail to capture this level of complexity and variety (Hart and Banbury, 1994).

There is a gulf between the synoptic and incremental perspectives in strategic decision research. The former views the process from a rational-analytic perspective, while the latter emphasizes the incremental-political aspects of the process. Bridging this gulf also requires an investigation of the strategic decision-making process from several perspectives. One of the contributions of the study reported here is that it uses a multidimensional empirically grounded representation of strategic decision-making process characteristics to examine the process–outcome relationship. This is an advantage over related empirical efforts that focus on specific process dimensions (Ng, 2000).

### **1.1.2 CfC Stanbic Bank Limited**

The Kenyan banking sub sector is controlled by the central bank of Kenya. There a number of key players in this sub sector, ranging from micro financing institutions, SACCOs up to the formal and informal banking institutions. CfC Stanbic Bank is in the formal unit of the Kenyan banking sector.

CfC Stanbic Bank in Kenya is part of one of Africa's leading banking and financial services group, Standard Bank. Standard Bank, based in Johannesburg, South Africa, has total assets of about US\$140 billion and employs about 48,000 people worldwide. Its network spans 18 sub-Saharan countries (including South Africa) and extends to 20 countries on other continents, including the key financial centres of Europe, the United States and Asia. In addition to banking, Standard Bank has a strategic interest in the insurance industry through its control of the Liberty Group, one of Africa's leading life offices and financial services groups ([www.standardbank.co.za](http://www.standardbank.co.za)).

The group has one of the biggest single networks of banking services in Africa. Through this network it offers a wide range of banking products and services which are delivered through more than 1 000 points of representation in 18 African countries (including Kenya). The bank is active in international and cross-border transactions and in those areas liaises closely with Standard Bank Corporate and Investment Banking and Standard Bank London Plc ([www.stanbicbank.co.ke](http://www.stanbicbank.co.ke)).

The bank is committed to providing customers with the security, convenience and value for money they expect from an international bank with African roots. As such, the bank offer a range of products and services that enhances banking experience. Through its comprehensive service offering, the bank aims to simplify the customers' financial transactions to enable them spend more time on their business and less time on the banking process. The bank's corporate structure ensures that it is able to provide customized products and services to both established customers as well as newer, entrepreneurial companies. By focusing on personalized solutions and ongoing financial product development, the bank is committed to delivering solutions that support its clients' success where it matters most ([www.stanbicbank.co.ke](http://www.stanbicbank.co.ke)).

## 1.2 Statement of the problem

The three broad perspectives on the strategic decision-making process leading to strategic decision effectiveness have a number of key variables. The three strategic decision-making process dimensions are rationality, intuition, and political behavior; while some of the key moderating variables are decision-specific, environmental, and organizational factors; and strategic decision effectiveness as an outcome variable (Said and John, 2007).

CfC Stanbic Bank in Kenya being part of one of Africa's leading banking and financial services group, its decision making process is influenced by a number of factors ranging from procedural rationality (synoptic perspective) to intuitive synthesis and political behavior (incremental-political perspective). Thus the nature of decision making process for an international bank of this nature raises concerns on what could be the impact of strategic decision-making process dimensions on strategic decision effectiveness in its various operational unstable environments. There is therefore need for a study to be carried out in order to determine the key factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya.

A number of studies have been done on the concept of strategic decision effectiveness. Hough and White (2003) examined simultaneously the effects of context, managerial actions, and managers' cognitions. Hitt and Tyler (1991) in his study supported the need to integrate the different perspectives of strategic decision making, adding that such integration would provide a better understanding of strategic decision-making processes. Most recent studies have tried to take into account all the foregoing considerations, by encompassing different perspectives in order to develop a more complete model of the strategic decision making (Child, Chung, and Davies, 2003; Schwenk, 1995). Others have investigated the strategic decision-making process dimensions in relation to the synoptic and incremental-political debate (Elbanna, 2006; Grant, 2003; Whittington et al., 2002).

Two local studies in the Kenyan context by Kipngetich, (1997) surveyed the use of decision tools, and Rhoda, (1977) studied the decision-making in food markets in Kenya with special reference to maize and sugar. Both found out that managers in Kenya, especially in Nairobi have a big challenge in the use of intuitive synthesis in the

enhancement of organizational performance in an unstable environment. But this just one dimension of strategic decision effectiveness.

Although a number of studies have been done on the concept of strategic decision effectiveness, none of them had focused on the factors that influence strategic decision effectiveness in the banking industry in Kenya: the case of CFC Stanbic Bank Kenya. This study therefore aimed at determining the key factors that influence strategic decision effectiveness in CFC Stanbic Bank. This was done by looking at both the three strategic decision making process dimensions and variables (rationality, intuition, and political behavior); and the moderating variables concerning decision-specific, environmental, and organizational factors; and strategic decision effectiveness as an outcome variable.

### **1.3 Objectives of the Study**

The study aimed at achieving the following objectives:

- a) To establish the strategic decision making process at CFC Stanbic Bank; and
- b) To determine the factors that influence strategic decision effectiveness in CFC Stanbic Bank in Kenya.

### **1.4 Significance of the Study**

The findings from the research will assist researchers/ academicians to broaden their syllabus on strategic decision making process dimensions and strategic decision effectiveness as an outcome variable in any organizational setting.

CFC Stanbic Bank in Kenya will also benefit from the insights with respect to this study in their policy formulation and implementation of their strategic management process with respect to the factors that influence strategic decision effectiveness.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

It has been argued that account should be taken of both contingency variables and environmental characteristics when examining the effects of process variables on strategic decision-making effectiveness. Hart and Banbury (1994: 256) stated that research into the link between process and organizational outcomes 'must examine or control for key contingency factors.' This trend has continued to the present (Baum and Wally, 2003). Contingency variables include characteristics of decisions themselves, such as their intrinsic importance, as well as organizational features such as company size. In regard to the former, Rajagopalan et al. (1997) argued that several decision-specific factors can affect the link between decision process and organizational outcomes.

Further empirical evidence supporting the impact of problem characterization on decision processes and outcomes was found in studies by Cowan (1989) and Dutton and Duncan (1987). There have also been investigations into the potential moderating effects of environmental factors on the relationship between decision process dimensions and process/economic outcomes (Fredrickson, 1984; Hough and White, 2003). These studies, however, have generated contradictory results (Rajagopalan et al., 1997), and have therefore failed to produce meaningful generalizations (Sharfman and Dean, 1991).

### **2.2 The Strategic Decision Making Process**

Rajagopalan et al. (1993) indicate that while some conclusions can be drawn about the influence of different decision characteristics on the decision-making process, their performance implications remain unexplored. They go on to say that 'perhaps the major contribution of studies in this link is a heightened awareness of the need for closer examination of the interrelationships between decision-specific factors and process characteristics.'

## 2.2.1 Decision Importance

Papadakis, Lioukas, and Chambers (1998) found that the perceived magnitude of impact of a strategic decision is among the strongest explanations of decision-making behavior. Given that not all strategic decisions are equally important, executives may deal with these decisions in different ways. Decision makers will feel a greater need to demonstrate rationality for the most important decisions. There are symbolic as well as functional reasons behind this (Dean and Sharfman, 1993). Rational procedures such as collecting and analyzing information are used to symbolize capable management (Langley, 1989; Mueller, 1998).

A cost/benefit analysis supports the above view. Economic arguments suggest that more attention should be allocated to issues involving the highest cost or risk (Winter, 1981). Executives are also expected to be more rational when making decisions crucial to the success of their organizations (Hickson *et al.*, 1986). Papadakis *et al.* (1998) lend empirical support to this argument, finding that decision makers act more rationally when decisions imply important consequences.

In this study it can be argued that decision makers in CfC Stanbic Bank are likely to be less intuitive and political when making decisions key to the success of their organizations. This suggests a positive relationship between rationality and strategic decision effectiveness and negative links between both intuition and political behavior and strategic decision effectiveness.

## 2.2.2 Decision Uncertainty

Decision making, especially of the non routine kind such as strategic decisions, is liable to involve uncertainty. As Butler (2002) points out, coping with decision uncertainty forms the nub of decision making. 'The degree of choice will therefore be limited not only by action determinism and the constraints of the intra-organizational political process; it will also be inhibited by limited and/or ambiguous information' (Child, 2002: 113).



Uncertainty as used here refers to a specific decision, as opposed to environmental uncertainty in general (Papadakis et al., 1998). Some authors have treated uncertainty as a mystery that cannot be resolved by rational processes, in which case uncertainty will decrease rational processes. For example, Daft and Lengel (1986) propose that high uncertainty attaching to a decision may result in processes that are more intuitive, for example, to employ judgment and experience rather than computational routines. Dean and Sharfman (1993) lend empirical support to this view, finding that uncertainty on strategic issues is negatively related to procedural rationality.

In this study on the factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya, it can be advanced that the relationship between rationality and strategic decision effectiveness will be positive.

Papadakis et al. (1998) report that decision uncertainty is positively associated with politicization. They argue that when uncertainty exists about the actions to be taken and/or the information to be collected, one may expect to find both a clash of opinions during the initial stages of problem formulation and a surge of political activities during the issue resolution process.

This is consistent with Lyles (1981) who, on the basis of case evidence, argues that uncertainty about some aspects of an issue may increase politicality in the problem formulation process. The above discussion assumes that political behavior leads to unsuccessful decisions (Eisenhardt et al., 1997).

### **2.2.3 Decision Motive**

The way in which decision makers categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making (Schneider and Meyer, 1991). There is evidence that executives behave in a different way

if they perceive a decision to be motivated by an opportunity rather than by a crisis (Jackson and Dutton, 1988).

Using the case history of a large externally triggered strategic decision in a chemical company, Papadakis, Kaloghirou, and Itarelli (1999) show that when managers saw the decision as a crisis they avoided political debate, concentrating on facts and ideas. When the crisis subsided, however, a number of political activities emerged. Mintzberg, Raisinghani, and Theoret (1976) observe that managers are more rational when the decision is related to a crisis, while they tend to respond to opportunities without using formal and analytical processes. Fredrickson (1985) provides further empirical support for this position.

In this study on the factors that influence strategic decision effectiveness in CFC Stanbic Bank Kenya, it can be hypothesized that the relationship between rationality and strategic decision effectiveness will be positive, but stronger for decisions perceived by decision makers as crises than for decisions perceived as opportunities.

## **2.3 Strategic Decision Effectiveness**

In strategic decision-making research, some authors investigate organizational performance (Goll and Rasheed, 1997), while others choose decision level as a focus instead of organizational level and examine strategic decision outcomes, such as effectiveness (Butler et al., 1993); success (Rodrigues and Hickson, 1995) and quality (e.g., Amason, 1996). It is significant that the largest body of empirical research on organizational outcomes deals with organizational performance, which is generally not explicitly portrayed as decision effectiveness.

### **2.3.1 Rationality**

'Rationality is the reason for doing something and to judge a behavior as reasonable is to be able to say that the behavior is understandable within a given frame of reference'

(Butler, 2002: 226). Rational processes have long been recognized as a central aspect of strategic decision making and have been intensively subjected to both theoretical and empirical investigation in the literature of decision making. Although evidence on the relationship between rationality and strategic decision effectiveness is limited, the preponderance of results supports a positive relationship between planning and superior performance (Miller and Cardinal, 1994; Schwenk and Shrader, 1993). The explicit positive relationship between rationality and strategic decision effectiveness reported by Dean and Sharfman (1996), together with Janis's (1989) suggestion that public policy decisions employing rational methods are more successful than those that did not.

In this study on the factors that influence strategic decision effectiveness in CFC Stanbic Bank Kenya, the use of rationality in strategic decision making will be positively related to strategic decision effectiveness.

### **2.3.2 Intuition**

To date, researchers have emphasized rational processes rather than intuitive processes. Although some authors have argued that intuition has an important role in strategic decision making (Butler, 2002), there has been little empirical research on this role. Most of the relatively few empirical studies do not examine the relationships between intuition and organizational outcomes.

Eisenhardt (1989), Judge and Miller (1991), and Wally and Baum (1994) investigated the impact of intuition on the pace of strategic decision making, but they do not directly investigate the relationship between intuition and organizational outcomes. In one of the very few applied studies that have addressed the role of intuition on organizational outcomes, Khatri and Ng (2000) found that the use of intuition in the strategic decision-making process is negatively related to organizational performance in a stable environment. Moreover, one of the basic assumptions about management in general and decision making in particular, is that rational processes yield choices that are superior to those coming from intuitive processes (Khatri and Ng, 2000).

In this study on the factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya and in view of the above, we advance that the use of intuition in strategic decision making will be negatively related to strategic decision effectiveness.

### **2.3.3 Political Behavior**

The political perspective on strategic decision making assumes that decisions emerge from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail. Political behavior among the actors concerned has long been recognized as an aspect of decision making (Child and Tsai, 2005) and has received considerable attention from researchers.

Studies by Janis (1989), Eisenhardt, Kahwajy, and Bourgeois (1997), Dean and Sharfman (1996), and Nutt (1993) all suggest a negative link between political behavior and organizational outcomes. This gives rise to another advance on this study on the factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya, that the presence of political behavior in strategic decision making will be negatively related to strategic decision effectiveness.

## **2.4 External Environment Characteristics and Strategic Decision Effectiveness**

The strategic decision-making process has a direct influence on strategic decision effectiveness, and that this relationship is moderated by environmental factors.

### **2.4.1 Environmental Uncertainty**

Among environmental characteristics, uncertainty has attracted most interest in the study of strategic decision making (Goll and Rasheed, 1997). According to contingency theory, strategic decision processes are affected by environmental attributes. Fredrickson (1983) argues that in a stable environment synoptic processes should be used (rationality), whereas in an unstable environment incremental processes (intuition) should be adopted. This is because in a stable environment data is more available and reliable, there is less pressure to collect new data, and the cost of data gathering is reasonable. Hence,

decisions based on facts may lead to better performance than decisions based on judgment or hunches (Khatri and Ng, 2000).

In contrast to contingency theory, several studies find that it is rational/comprehensive processes rather than incremental processes that are related to superior performance in a high-velocity environment. Eisenhardt (1989), for example, finds that in a dynamic environment fast decision makers use more information than slow ones. Moreover, she reports that fast decision making was associated with better performance, since with faster decision making more decisions could be made, leading to more learning and the capture of fleeting opportunities.

Other studies have not supported either line of thought mentioned above. Dean and Sharfman (1996) showed that environmental instability does not moderate the link between procedural rationality and organizational outcomes. Although the empirical studies in this field seem to produce contradictory results, the preponderance of previous studies that have investigated the association between both rationality and intuition and organizational outcomes have supported the contingency view stated above (Priem, 1994). It can be hypothesized that the relationship between rationality and strategic decision effectiveness will be positive, but stronger for companies facing low environmental uncertainty.

#### **2.4.2 Environmental Hostility vs. Munificence**

Environmental hostility vs. munificence is regarded as one of the most important factors for explaining strategic behavior (Castrogiovanni, 1991). While there is only limited empirical research examining the specific impact of environmental hostility or munificence on decision making, it does suggest the importance of this factor (Wan and Hoskisson, 2003). Goll and Rasheed (1997) support the role of environmental munificence as a moderator of the relationship between strategy-making processes and organizational performance. They found that a rational decision process is strongly associated with organizational performance in environments that are high in munificence. One reason for this result may be that environmental munificence provides both the resource that a rational approach requires and favorable conditions for a successful

outcome. Lack of liquidity, a declining exchange rate, and an increasing rate of unemployment can give rise to what one could call a hostile environment. These problems forced many companies to withdraw and liquidate their business and left many others struggling to stay solvent.

In a hostile environment, organizations have to respond to intense pressures. Here, decision makers may perceive that the survival of the organization is at stake (Ashmos, Duchon, and Bodensteiner, 1997) and immediate action should be taken, for instance, seeking a merger to stave off bankruptcy (Mintzberg et al., 1976). In this environment, some alternatives may negatively influence decision makers themselves, e.g., layoffs and a drop in income. Therefore, political tactics may be much more important in such situations: decision makers will have more desire to use such tactics not only to enhance their power or get more benefits but also, and most importantly, to secure their current positions and the benefits they actually possess. If their interests conflict with organizational goals, they will be more concerned for their self-interest than for the goals of the organization (Dean and Sharfman, 1996).

## **2.5 Internal Firm Characteristics and Strategic Decision Effectiveness**

The strategic decision-making process has a direct influence on strategic decision effectiveness, and that this relationship is moderated by firm characteristics.

### **2.5.1 Firm Performance**

Performance can be defined as how a firm performs in comparison to companies similar in size and industry, not only on financial indicators of performance, but on non-financial indicators as well. Several authors have argued that firm performance may moderate the relationship between the strategic decision-making process dimensions and organizational outcomes (Fredrickson, 1985).

Bourgeois and Eisenhardt (1988) found that in high-velocity environments high-performing firms follow more rational decision-making processes, leading to the conclusion that the more rational the strategic decision-making process, the better the

performance of the firm. Findings reported by Rodrigues and Hickson (1995) suggest that the success of a decision is also a function of the availability of both resources such as money, material and technology (a product of good performance), and information (a dimension of rationality). These findings suggest a positive interaction between rationality and performance, which in turn influences strategic decision success.

Bourgeois (1981) argued that organizational performance will act as a conflict resolution mechanism within the company. Papadakis (1998) indicates that a number of studies have suggested the existence of a positive link between organizational performance and consensus among decision makers (Bourgeois, 1980; Child, 1974; Dess, 1987). Papadakis (1998) hypothesized that organizational performance will be negatively related to political behavior in strategic decision-making processes. Papadakis *et al.* (1998) report significant relationships between profit growth and both politicization and dissension. This discussion suggests a negative interaction between political behavior and performance, which in turn influences strategic decision success.

## **2.5.2 Company Size**

Many researchers have argued that company size can affect the strategic decision-making process (Fredrickson and Iaquinto, 1989; Snyman and Drew, 2003), such that larger firms will employ more formal and rational processes. Hart and Banbury (1994) report a moderating role of company size on the relationship between strategy-making process capability and performance. Specifically, process capability was positively associated with performance in larger firms but not in smaller firms. Khatri and Ng (2000) suggest that company size may interact with intuition; small organizations are more likely to rely on intuition than large ones. Similarly, Brouthers, Andriessen, and Nicolaes (1998) report that managers in small firms tend to rely on their intuition and ignore information gathered and analyses performed.

As the number of employees hired by the firm grows, the distance between top management and organizational members increases; additional levels of management are created and the strategy making process becomes less centralized (Pugh *et al.*, 1963) and

more complex (Chandler, 1962). Hart and Banbury (1994) argue that small firms can formulate and implement strategy simultaneously due to the small size of top management teams and their direct contact with operations. In such firms, strategy making relies on the idiosyncratic capabilities of a single (or a few) individual(s). Brouthers *et al.* (1998) argue that in small firms information flows easily, power is centralized and there are no separate departments or multilayered organizational structures. Hence, political activity is likely to be less in smaller firms.

By contrast, Papadakis *et al.* (1998) find that size has no significant relationship with politicization and problem-solving dissension. Inconsistency in the results of prior research may be attributed to a variety of differences among them (unit of analysis and methodology). In this study we lean toward the view of Brouthers *et al.* (1998) and Eisenhardt (1989) that there tends to be an interaction between organization size and political behavior, which in turn influences strategic decision effectiveness.



# **CHAPTER THREE: RESEARCH METHODOLOGY**

## **3.1 Research Design**

This was a survey study on the factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya Limited. This method was used so as to obtain information which was unbiased from the population.

## **3.2 Population**

The study was targeting the functional management heads in all CfC Stanbic Bank branches in Nairobi. The strategic decision was selected as our unit of analysis because, within the same organization, strategic decision-making processes are likely to differ from one decision to another (Papadakis and Lioukas, 1996). This unit of analysis is also consistent with a focus on decision outcomes rather than on organization performance more broadly.

This choice avoids the problem of ambiguity in the causal ordering that would accompany the selection of organizational performance as a focus. It also provides for a close link between the strategic decision-making process and its outcome, which is essential in the light of the many exogenous effects on organizational performance (Pearce, Freeman, and Robinson, 1987). The main strategic decisions sampled are: investment in capital equipment; introduction, development, or discontinuance of a product; geographical expansion; diversification; restructuring; divestment; and layoffs.

## **3.3 Sampling**

A sample of fifty (50) respondents who were closely involved in making the decisions regardless of their positions taking care of proportional (from each branch) representation was picked to constitute the sampling frame. Rosco (1975) proposes a rule of the thumb for determining a sample size and says that a size of 30 to 500 is appropriate for most researches.

### **3.4 Data Collection**

The study utilized both primary and secondary data. For primary data, a semi-structured questionnaire containing both open-ended and closed ended questions was used (see Appendix 2). The items in the instrument were developed from the literature review. It was administered using the drop and pick later method. It was delivered to the banks management. The questionnaire is composed of three parts. Questions on section A, were of general nature mainly demographics/personal. Part B, was on the strategic decision making, as Part C will focus on the factors that influence strategic decision effectiveness in Cfc Stanbic Bank Kenya Limited. Part B and C questions were structured and aimed at addressing the objectives of the study.

Secondary data was obtained from the following sources: The banks' published financial statements, and period balances obtained from head office of the bank and newspapers.

### **3.5 Data Analysis**

Data analysis was based on the research questions designed at the beginning of the research. Frequency tables, percentages and means were used to analyze the data. Responses in the questionnaires will be tabulated, coded and processed by use of a computer.

Completed questionnaires were edited for completeness and consistency. The data was then be coded and checked for any errors and omissions. One basic form of analysis was performed i.e. simple descriptive statistics for measured variables. Under these circumstances, the use of parametric test statistics will be inappropriate (Siegel and Castellan, 1989). The output was presented in frequency distribution tables with percentages, graphs, and the open- ended questions were coded by grouping responses according to recurring themes to address the objectives of the study.

# **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

## **4.1 Introduction**

This chapter covers data analysis and findings of the research. The data is summarized and presented in the form of proportions, means, tables and graphs. Data was collected from Cfc Stanbic Bank Limited. The collected data has been analyzed interpreted in line with the aim of the study namely, to establish the strategic decision making process at Cfc Stanbic Bank; and to determine the factors that influence strategic decision effectiveness in Cfc Stanbic Bank Kenya. The respondents were the senior management, Middle management and Low-level management ("team leadership"). Out of the fifty (50) respondents to whom the questionnaires were administered, only thirty-seven (37) respondents at Cfc Stanbic Bank Kenya responded. This gave a response rate of 74% percent.

## **4.2 Organizational Profile**

Before assessing the factors that influence strategic decision effectiveness in Cfc Stanbic Bank Limited, there was need to check the organizational profile as follows:

The ownership structure of any organization influences its nature of decision making. Internationally owned organizations are highly influenced by many external and global factors as opposed to locally owned organizations. The respondents were asked to indicate the percentage of ownership either local or foreign. From the research data, it was found that Cfc Stanbic Bank Limited is 70% foreign owned and the government of Kenya has 30% shareholding. This is an indication that Cfc Stanbic Bank Limited can be influenced by both internal/local factors and external/international issues in this decision making process.

The number of years one has worked in a given organization influences his/her better understanding on what happens in that organization's decision making process. The respondents were asked to indicate the number of years that have worked with Cfc

Stanbic Bank in Kenya. From the research data, 78% of the respondents had worked for the bank for less than 9 years, as 22% has worked for between 10 - 29 years as contained in table 4.1. This takes care of the spread of the "team leadership" ranks and promotions as in senior management, Middle management and Low-level management.

**Table 4.1 The number of an employee has worked at Cfc Stanbic Bank**

<b>Number of years worked</b>	<b>Percentage (%) of total employees</b>
Less than 9	78
10-29	22

The respondents were also asked to indicate the number of branches which the bank has in Kenya, and from the research data, the bank has between 10 and 19 branches in Kenya. This is an indication that the strategic decision making process for the bank is a complex one. It was also established from the research data that the bank is specializing in both corporate and retail banking.

### **4.3 The Strategic Decision Making in Cfc Stanbic Bank Limited**

There is some influence of different decision characteristics on the decision-making process, and their performance implications remain unexplored. The respondents were asked to indicate in their opinion; whether they think that the strategic decision-making process has a direct influence on strategic decision effectiveness, and from the research data, all respondents (100%) indicated that the strategic decision-making process has a direct influence on strategic decision effectiveness at Cfc Stanbic Bank Limited. All departments/Units guided by executive committee (EXCO) are charged with the responsibility of strategic decision making and ensuring effectiveness in its implementation. The Chief Executive Officer, Human resources Manager, Operations Manager, Marketing Manager, Finance Manager and Immediate Supervisor are all

involved in strategic decision making process and ensuring effectiveness in its implementation in bank.

The respondents were further asked to indicate the extent to which they experience a number of expectations in CfC Stanbic's strategic decision-making process by indicating the influence of each purpose using a rating scale of 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent. The results are shown on table 4.2. From the results in table 4.2, the expectations in CfC Stanbic's strategic decision-making process are greatly (mean = 4) by the managers' respect of leadership and hierarchical distance. To a small extent (mean = 2), most managers are inclined to act according to the particular relationship involved rather than in accord with general rules or standards at the bank. The respect for leadership and hierarchical distance rather than particular relationship involved, is an indication that decision making in the bank is effective.

**Table 4.2 Expectations in CfC Stanbic's Strategic Decision-Making Process**

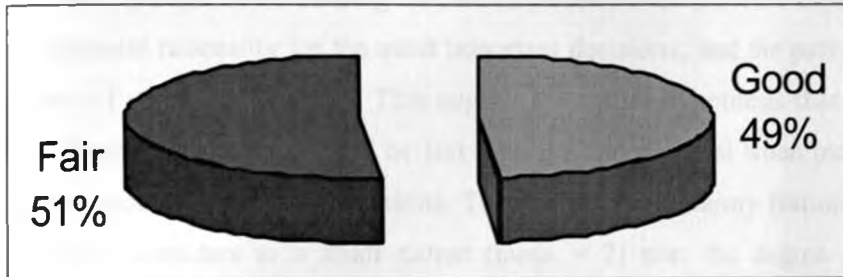
Expectations In CfC Stanbic's Strategic Decision-Making Process	Count			Descriptive Statistics		Rank
	N	Min	Max	Mean	Std. Deviation	
Most managers are relatively respectful of leadership.	37	4.00	5.00	4.2162	0.41734	1
Most managers are relatively respectful of hierarchical distance.	37	2.00	4.00	3.6216	0.79412	2
Most managers are inclined to act according to the particular relationship involved rather than in accord with general rules or standards.	37	1.00	4.00	2.5135	1.21613	3
Most managers are fatalistic.	37	1.00	3.00	2.1892	0.87679	4
Valid N (listwise)	37					

**Source: Research Data**

The respondents were asked to list any deficiencies that they have identified in strategic decision making process and systems at the bank. From the research data, there was no deficiency which was facing the bank. The respondents finally on the decision making

process, were asked to rate strategic decision making process/systems(s) in the bank as good, fair or bad, and the results are as in figure 4.1.

**Figure 4.1: Rating Strategic Decision Making Process in CfC Stanbic Bank**



**Source: Research Data**

From the results in figure 4.1, it was found that most respondents rated strategic decision making process/systems(s) in the bank as fair (51%) as 49% of them rated them as good, Hence the need to determine the factors that influence strategic decision effectiveness in CfC Stanbic Bank in Kenya.

#### **4.4 The Factors That Influence Strategic Decision Effectiveness in CfC Stanbic Bank In Kenya**

##### **4.4.1 How Intuition, Politics, Rationality and the Decision Motive Issues lead to Successful Decision Making in the Bank**

A number of intuitive, political, rational and decision motive issues are key to the Successful decision making at CfC Stanbic Bank Limited. The respondents were asked to indicate the extent to which the decision makers in CfC Stanbic Bank consider a number of intuitive and political, rationality and the decision motive issues when making decisions key to the success of the bank. This was on the influence of each purpose using a rating scale: - 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent. The results are shown in table 4.2.

From the research data in table 4.2, the decision importance (Intuitive and Political Issues) which the bank considers to a great extent (mean = 4) are: the bank decision makers act more rationally when there are decisions implying important consequences; more attention is allocated to issues involving the highest cost or risk; bank executives are more rational when making decisions crucial to the success of the bank; managers demonstrate rationality for the most important decisions; and the perceived magnitude of impact of a strategic decision. This negates the earlier hypothesis that decision makers in CFC Stanbic Bank are likely to be less intuitive and political when making decisions key to the success of their organizations. The decision uncertainty (rationality issues) which the bank considers to a small extent (mean = 2) are: the degree of choice strategic decisions is also inhibited by limited and/or ambiguous information; uncertainty in Stanbic is a mystery that cannot be resolved by rational processes; and high uncertainty attaching to a decision in Stanbic may result in processes that are more intuitive. All the decision motives to a great extent influence the bank's decision making, i.e. the way in which Stanbic categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making; and the executives in Stanbic behave in a different way if they perceive a decision to be motivated by an opportunity rather than by a crisis. This is an indication that the relationship between rationality and strategic decision effectiveness is positive, but stronger for decisions perceived by decision makers as crises than for decisions perceived as opportunities. It therefore implies there is a positive relationship between rationality and strategic decision effectiveness and negative links between both intuition and political behavior and strategic decision effectiveness.

**Table 4.3: The Intuitive, Political, Rationality and the Decision Motive Issues**

Decision Importance (Intuitive and Political Issues)	Count			Descriptive Statistics		Rank
	N	Min	Max	Mean	Std Deviation	
The bank decision makers act more rationally when there are decisions implying important consequences.	37	4.00	5.00	4.5135	0.50671	1
More attention is allocated to issues involving the highest cost or risk	37	4.00	5.00	4.2162	0.41734	2
Bank Executives are more rational when making decisions crucial to the success of the bank	37	4.00	5.00	4.2162	0.41734	3

Managers demonstrate rationality for the most important decisions	37	4.00	4.00	4.0000	0.00000	4
The perceived magnitude of impact of a strategic decision	37	4.00	4.00	4.0000	0.00000	5
The bank executives deal with strategic decisions in different ways	37	2.00	4.00	3.6216	0.79412	6
Collecting and analyzing information is used to symbolize capable management	37	3.00	4.00	3.4865	0.50671	7
<b>Decision Uncertainty (Rationality)</b>						
The degree of choice strategic decisions is also inhibited by limited and/or ambiguous information	37	1.00	4.00	2.9189	1.32032	1
Uncertainty in Stanbic is a mystery that cannot be resolved by rational processes	37	2.00	3.00	2.7838	0.41734	2
High uncertainty attaching to a decision in Stanbic may result in processes that are more intuitive	37	2.00	3.00	2.7027	0.46337	3
The degree of choice strategic decisions is limited by action determinism and the constraints of the intra-organizational political process	37	1.00	4.00	2.6216	1.13899	4
Coping with decision uncertainty forms the nub of decision making	37	1.00	3.00	2.4054	0.92675	5
Uncertainty on strategic issues in Stanbic is negatively related to procedural rationality.	37	1.00	3.00	2.4054	0.92675	6
There is always a clash of opinions during the initial stages of problem formulation and a surge of political activities during the issue resolution process.	37	1.00	3.00	2.4054	0.92675	7
<b>Decision Motive</b>						
The way in which Stanbic categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making	37	4.00	5.00	4.2162	0.41734	1
The executives in Stanbic behave in a different way if they perceive a decision to be motivated by an opportunity rather than by a crisis.	37	4.00	5.00	4.2162	0.41734	2
Valid N (listwise)	37					

Source: Research Data

#### 4.4.2 The Strategic Decision Outcomes

The respondents were asked to indicate the strategic decision outcomes in CfC Stanbic Bank as explicitly portrayed in decision effectiveness, by showing the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent. The results are as in table 4.3.



**Table 4.4: Strategic Decision Outcomes**

Strategic Decision Outcomes	Count			Descriptive Statistics		Rank
	N	Min	Max	Mean	Std Deviation	
<b>Rationality</b>						
Rational processes in decision making has a positive relationship between planning and superior performance in Stanbic	37	4.00	5.00	4.2162	0.41734	1
Stanbic's public policy decisions employ rational methods to be more successful than those that did not.	37	3.00	4.00	3.7838	0.41734	2
<b>Intuition</b>						
Stanbic has emphasized rational processes rather than intuitive processes.	37	3.00	4.00	3.7838	0.41734	1
In Stanbic, intuition has an important role in strategic decision making	37	2.00	4.00	3.3243	0.78365	2
Intuition has a positive impact on the pace of strategic decision making	37	2.00	4.00	3.0270	0.64492	3
The use of intuition in strategic decision making is negatively related to strategic decision effectiveness.	37	1.00	3.00	1.8919	0.69856	4
<b>Political Behaviour</b>						
The decisions in Stanbic emerge from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail.	37	1.00	5.00	2.5405	1.48314	1
The presence of political behaviour in strategic decision making in CfC Stanbic Bank is negatively related to strategic decision effectiveness	37	1.00	4.00	2.2973	1.10214	2
Political behaviour among the actors concerned in Stanbic has long been recognized as an aspect of decision making	37	1.00	4.00	2.1351	1.08429	3
Valid N (listwise)	37					

**Source: Research Data**

From the results in table 4.3, the following are some the most important (mean = 4) strategic decision outcomes in CfC Stanbic Bank as explicitly portrayed in decision effectiveness: based on rationality (Rationality is the reason for doing something and to judge a behavior as reasonable is to be able to say that the behaviour is understandable within a given frame of reference), in CfC Stanbic, intuition has an important role in strategic decision making since CfC Stanbic's public policy decisions employ rational methods to be more successful than those that did not. On the intuition outcome, CfC

Stanbic has emphasized rational processes rather than intuitive processes; and rational processes in decision making has a positive relationship between planning and superior performance in CfC Stanbic. There are no political outcomes as such since to a very small extent (mean = 2), the decisions in CfC Stanbic emerge from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail.

#### **4.4.3 The External and Internal Environment Factors Influencing the Strategic Decision Effectiveness**

There are a number of external and internal environment factors that influence the strategic decision effectiveness. The respondents were asked to indicate the extent to some external and internal environment characteristics/factors in the strategic decision-making process influenced the strategic decision effectiveness in their bank (using a rating scale: - 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent), and the responses are as in table 4.5a and b.

From the results in table 4.5a, that is on the external environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the CfC Stanbic bank are to a great extent (mean = 4): the strategic decision processes in CfC Stanbic are affected by environmental attributes; given a stable environment, Stanbic uses synoptic processes rationally; with faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities; there is a positive relationship between rationality and strategic decision effectiveness in CfC Stanbic; a rational decision process in CfC Stanbic is strongly associated with organizational performance in environments that are high in munificence. To a small extent (mean = 2), lack of liquidity, increasing rate of unemployment, and declining exchange rate has given rise to a hostile environment. The human resource in CfC Stanbic is more concerned for their self-interest than for the goals of the organization when their interests conflict with organizational goals.

There is some uncertainty (mean = 3) on an unstable environment, where CfC Stanbic uses incremental processes intuitively; the environmental instability which does not

moderate the link between procedural rationality and organizational outcomes in CfC Stanbic; situations where in a hostile environment, CfC Stanbic's failure to respond to intense pressures and the environmental munificence.

**Table 4.5a: External Environment Factors**

External Environment Characteristics/Factors	Count			Descriptive Statistics		Rank
	N	Min	Max	Mean	Std Deviation	
Strategic decision processes in CfC Stanbic are affected by environmental attributes	37	4.00	4.00	4.0000	0.00000	1
Given a stable environment, CfC Stanbic uses synoptic processes rationally	37	4.00	4.00	4.0000	0.00000	2
With faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities.	37	3.00	4.00	3.8108	0.39706	3
There is a positive relationship between rationality and strategic decision effectiveness in CfC Stanbic	37	3.00	4.00	3.7838	0.41734	4
A rational decision process strongly associated with organizational performance in munificence environments	37	3.00	4.00	3.7838	0.41734	5
Environmental munificence in CfC Stanbic provides both the resource that a rational approach requires and favorable conditions for a successful outcome	37	3.00	4.00	3.7838	0.41734	6
In an unstable environment, CfC Stanbic uses incremental processes intuitively	37	3.00	4.00	3.2973	0.46337	7
Environmental instability does not moderate the link between procedural rationality and organizational outcomes	37	3.00	4.00	3.2973	0.46337	8
In a hostile environment, CfC Stanbic has responded to intense pressures for survival to avoid take-over	37	2.00	4.00	3.2162	0.88616	9
Environmental munificence in strategy-making processes and organizational performance.	37	3.00	3.00	3.0000	0.00000	10
Lack of liquidity has given rise to a hostile environment	37	2.00	4.00	2.8919	0.69856	11
An increasing rate of unemployment	37	2.00	4.00	2.8919	0.69856	12
A declining exchange rate	37	2.00	3.00	2.7027	0.46337	13
The human resource in CfC Stanbic is more concerned for their self-interest than for the goals of the organization when their interests conflict with organizational goals	37	2.00	3.00	2.5135	0.50671	14
Valid N (listwise)	37					

**Source: Research Data**

The results in table 4.5b, shows the internal environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness.

**Table 4.5b: Internal Environment Factors**

Internal Environment Characteristics/Factors	Count			Descriptive Statistics		Rank
	N	Min	Max	Mean	Std Deviation	
Owing to CfC Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success.	37	4.00	4.00	4.0000	0.00000	1
CfC Stanbic's more rational the strategic decision-making process has led to better performance of the bank	37	4.00	4.00	4.0000	0.00000	2
The success of CfC Stanbic's Stanbic's decision is a function of the availability of resources such as information (a dimension of rationality).	37	4.00	4.00	4.0000	0.00000	3
The success of CfC Stanbic's decision is a function of the availability of resources such as technology (a product of good performance)	37	3.00	4.00	3.8108	0.39706	4
There is a negative interaction between political behavior and performance, which in turn influences strategic decision success in CfC Stanbic	37	3.00	4.00	3.4865	0.50671	5
The success of CfC Stanbic's decision is a function of the availability of resources such as money	37	3.00	4.00	3.2162	0.41734	6
The success of CfC Stanbic's decision is a function of the availability of resources such as material	37	3.00	4.00	3.2162	0.41734	7
Strategic decision succession in CfC Stanbic has seen additional levels of management created	37	2.00	4.00	3.1081	0.84274	8
The strategy making process in CfC Stanbic has become less centralized and more complex in CfC Stanbic	37	2.00	4.00	3.0000	0.78174	9
CfC Stanbic's size has no significant relationship with politicization and problem-solving dissension.	37	2.00	4.00	3.0000	0.78174	10
There is a strong interaction between CfC Stanbic's size and political behavior, which in turn influences strategic decision effectiveness.	37	2.00	4.00	2.6216	0.82836	11
Process capability in CfC Stanbic is positively associated with performance in larger branches but not in smaller branches	37	1.00	4.00	2.4324	1.14359	12
Small branches in CfC Stanbic are more likely to rely on intuition than large ones	37	2.00	3.00	2.4054	0.49774	13
The distance between top management and organizational members in CfC Stanbic has increased	37	1.00	4.00	2.2973	1.10214	14
Managers in small branches tend to rely on their intuition and ignore information gathered and analyses performed.	37	1.00	3.00	2.1081	0.84274	15
Valid N (listwise)	37					

Source: Research Data

From the results in table 4.5b, that is on the internal environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the CfC Stanbic bank are to a great extent (mean = 4); owing to CfC Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success; CfC Stanbic's more rational the strategic decision-making process has led to better performance of the bank; The success of CfC Stanbic's decision is a function of the availability of resources such as information (a dimension of rationality); the success of CfC Stanbic's decision is a function of the availability of resources such as technology (a product of good performance).

There is some uncertainty (mean = 3) on the negative interaction between political behavior and performance, which in turn influences strategic decision success in CfC Stanbic; the success of CfC Stanbic's decision is a function of the availability of resources such as money and material. Strategic decision succession in CfC Stanbic has seen additional levels of management created and the bank has become less centralized and more complex although the bank's size has no significant relationship with politicization and problem-solving dissension.

To a small extent (mean = 2), there is a strong interaction between CfC Stanbic's size and political behavior, which in turn influences strategic decision effectiveness. Process capability in CfC Stanbic is positively associated with performance in larger branches but not in smaller branches. Small branches in CfC Stanbic are more likely to rely on intuition than large ones. The distance between top management and organizational members in CfC Stanbic has increased. Managers in small branches tend to rely on their intuition and ignore information gathered and analyses performed.

The above findings contradicts Bourgeois and Eisenhardt (1988) findings that in high-velocity environments high-performing firms follow more rational decision-making processes, leading to the conclusion that the more rational the strategic decision-making process, the better the performance of the firm.

# **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter summarizes the findings and makes conclusions on this study on the factors that influence strategic decision effectiveness in Cfc Stanbic bank limited. It also includes the study recommendations for improvement and for further research

## **5.2 Summary**

Data was collected from the Cfc Stanbic Bank Limited in Kenya. The collected data has been analyzed interpreted in line with the aim of the study namely, to establish the strategic decision making process at Cfc Stanbic Bank; and to determine the factors that influence strategic decision effectiveness in Cfc Stanbic Bank in Kenya. The respondents were the senior management, Middle management and Low-level management ("team leadership"). Out of the fifty (50) respondents to whom the questionnaires were administered, only thirty-seven (37) respondents in the Cfc Stanbic Bank in Kenya responded. This gave a response rate of 74% percent. Literature review items were used to come up with the items on the questionnaire.

The research methodology was based on the fact that the study was exploratory study conducted as a cross sectional survey. This method allowed the collection of a large amount of descriptive information that was analyzed. A questionnaire with open ended and closed ended question was developed by the researcher and used in data collection. Data analysis tools used in the research were SPSS and data was presented in form of tables. Summary is based on the research questions as follows.

### **5.2.1 The Strategic Decision Making Process in CfC Stanbic Bank Limited**

There is some influence of different decision characteristics on the decision-making process, and their performance implications remain unexplored. The respondents were asked to indicate in your opinion; whether they think that the strategic decision-making process has a direct influence on strategic decision effectiveness, and from the research data, all respondents (100%) indicated that the strategic decision-making process has a direct influence on strategic decision effectiveness at CfC Stanbic Bank Limited. All departments/Units guided by executive committees (EXCO) are charged with the responsibility of strategic decision making and ensuring effectiveness in its implementation. The Chief Executive Officer, Human resources Manager, Operations Manager, Marketing Manager, Finance Manager and Immediate Supervisor are all involved in strategic decision making process and ensuring effectiveness in its implementation in bank.

The respondents were further asked to indicate the extent to which they experience a number of expectations in CfC Stanbic's strategic decision-making process by indicating the influence of each purpose using a rating scale of 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent. The results are shown on table 4.1 below. From the results in table 4.1 below, the expectations in CfC Stanbic's strategic decision-making process are greatly (mean = 4) by the managers' respect of leadership and hierarchical distance. To a small extent (mean = 2), most managers are inclined to act according to the particular relationship involved rather than in accord with general rules or standards at the bank. The respect for leadership and hierarchical distance rather than particular relationship involved, is an indication that decision making in the bank is effective.

The respondents were asked to list any deficiencies that they have identified in strategic decision making process and systems at the bank. Rom the research data, there was no deficiency which was facing the bank. The respondents finally on decision making process, were asked to rate strategic decision making process/systems(s) in the bank as good, fair or bad, and it was found that most respondents rated strategic decision making

process/systems(s) in the bank as fair (51%) as 49% of them rated them as good. Hence the need to determine the factors that influence strategic decision effectiveness in CfC Stanbic Bank in Kenya.

### **5.2.2 The Factors That Influence Strategic Decision Effectiveness in CfC Stanbic Bank In Kenya**

A number of intuitive, Political, Rationality and the Decision Motive Issues are key to the Successful decision making. The respondents were asked to indicate the extent to which the decision makers in CfC Stanbic Bank consider a number of intuitive and political, rationality and the decision motive issues when making decisions key to the success of the bank. From the research data the decision importance (Intuitive and Political Issues) which the bank considers to a great extent (mean = 4) are: the bank decision makers act more rationally when there are decisions implying important consequences; more attention is allocated to issues involving the highest cost or risk; bank executives are more rational when making decisions crucial to the success of the bank; managers demonstrate rationality for the most important decisions; and the perceived magnitude of impact of a strategic decision. This negates the earlier hypothesis that decision makers in CfC Stanbic Bank are likely to be less intuitive and political when making decisions key to the success of their organizations.

The decision uncertainty (Rationality Issues) which the bank considers to a small extent (mean = 2) are: the degree of choice strategic decisions is also inhibited by limited and/or ambiguous information; uncertainty in CfC Stanbic is a mystery that cannot be resolved by rational processes; and high uncertainty attaching to a decision in CfC Stanbic may result in processes that are more intuitive. All the decision motives to a great extent influence the bank's decision making, i.e. the way in which CfC Stanbic categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making; and the executives in CfC Stanbic behave in a different way if they perceive a decision to be motivated by an opportunity rather than by a crisis. This is an indication that the relationship between rationality and strategic decision effectiveness is positive, but stronger for decisions perceived by decision makers as crises



than for decisions perceived as opportunities. It therefore implies there is a positive relationship between rationality and strategic decision effectiveness and negative links between both intuition and political behavior and strategic decision effectiveness.

Some the most important (mean = 4) strategic decision outcomes in CfC Stanbic Bank as explicitly portrayed in decision effectiveness are : based on rationality (Rationality is the reason for doing something and to judge a behavior as reasonable is to be able to say that the behaviour is understandable within a given frame of reference), in CfC Stanbic, intuition has an important role in strategic decision making since CfC Stanbic's public policy decisions employ rational methods to be more successful than those that did not. On the intuition outcome, CfC Stanbic has emphasized rational processes rather than intuitive processes; and rational processes in decision making has a positive relationship between planning and superior performance in CfC Stanbic. There are no political outcomes as such since to a very small extent (mean = 2), the decisions in CfC Stanbic emerge from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail.

There are a number of external and internal environment factors that influence the strategic decision effectiveness. The external environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in CfC Stanbic bank are to a great extent (mean = 4): the strategic decision processes in CfC Stanbic are affected by environmental attributes; given a stable environment, CfC Stanbic uses synoptic processes rationally; with faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities; there is a positive relationship between rationality and strategic decision effectiveness in CfC Stanbic; a rational decision process in CfC Stanbic is strongly associated with organizational performance in environments that are high in munificence. To a small extent (mean = 2), lack of liquidity, increasing rate of unemployment, and declining exchange rate has given rise to a hostile environment. The human resource in CfC Stanbic is more concerned for their self-interest than for the goals of the organization when their interests conflict with organizational goals.

There is some uncertainty (mean = 3) on an unstable environment, where CfC Stanbic uses incremental processes intuitively; the environmental instability which does not moderate the link between procedural rationality and organizational outcomes in CfC Stanbic; situations where in a hostile environment, CfC Stanbic's failure to respond to intense pressures and the environmental munificence.

The internal environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the CfC Stanbic bank are to a great extent (mean = 4); owing to CfC Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success; CfC Stanbic's more rational the strategic decision-making process has led to better performance of the bank; The success of CfC Stanbic's decision is a function of the availability of resources such as information (a dimension of rationality); the success of CfC Stanbic's decision is a function of the availability of resources such as technology (a product of good performance). There is some uncertainty (mean = 3) on the negative interaction between political behavior and performance, which in turn influences strategic decision success in CfC Stanbic; the success of Stanbic's decision is a function of the availability of resources such as money and material. Strategic decision succession in CfC Stanbic has seen additional levels of management created and the bank has become less centralized and more complex although the bank's size has no significant relationship with politicization and problem-solving dissension.

To a small extent (mean = 2), there is a strong interaction between CfC Stanbic's size and political behavior, which in turn influences strategic decision effectiveness. Process capability in CfC Stanbic is positively associated with performance in larger branches but not in smaller branches. Small branches in CfC Stanbic are more likely to rely on intuition than large ones. The distance between top management and organizational members in CfC Stanbic has increased. Managers in small branches tend to rely on their intuition and ignore information gathered and analyses performed.

### 5.3 Conclusions

Based on the results from data analysis and findings of the research, one can safely conclude the following, based on the objective of the study;

There is some influence of different decision characteristics on the decision-making process, and their performance implications remain unexplored. First, the strategic decision-making process has a direct influence on strategic decision effectiveness at CfC Stanbic Bank Limited. All departments/Units guided by executive committees (EXCO) are charged with the responsibility of strategic decision making and ensuring effectiveness in its implementation. The expectations in CfC Stanbic's strategic decision-making process are greatly influenced by the managers' respect of leadership and hierarchical distance. That is, the respect for leadership and hierarchical distance rather than particular relationship involved, is an indication that decision making in the bank is effective. There was no deficiency which was facing the bank as the strategic decision making process/systems(s) in the bank is fairly good.

Secondly, it was found that to a great extent, the decision importance (Intuitive and Political Issues) which the bank considers are: the bank decision makers act more rationally when there are decisions implying important consequences; more attention is allocated to issues involving the highest cost or risk; bank executives are more rational when making decisions crucial to the success of the bank; managers demonstrate rationality for the most important decisions and the perceived magnitude of impact of a strategic decision. This is an indication that the relationship between rationality and strategic decision effectiveness is positive, but stronger for decisions perceived by decision makers as crises than for decisions perceived as opportunities. It therefore implies there is a positive relationship between rationality and strategic decision effectiveness and negative links between both intuition and political behavior and strategic decision effectiveness.

Thirdly, it was found that some of the most important strategic decision outcomes in CfC Stanbic Bank as explicitly portrayed in decision effectiveness are : based on rationality, in CfC Stanbic, intuition has an important role in strategic decision making since CfC

Stanbic's public policy decisions employ rational methods to be more successful than those that did not. On the intuition outcome, CfC Stanbic has emphasized rational processes rather than intuitive processes; and rational processes in decision making has a positive relationship between planning and superior performance in CfC Stanbic.

Fourthly, the external environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in the CfC Stanbic bank are to a great extent: the strategic decision processes in CfC Stanbic are affected by environmental attributes; given a stable environment, CfC Stanbic uses synoptic processes rationally; with faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities; there is a positive relationship between rationality and strategic decision effectiveness in CfC Stanbic: a rational decision process in CfC Stanbic is strongly associated with organizational performance in environments that are high in munificence.

Lastly, the internal environment characteristics/factors in the strategic decision-making process that influence the strategic decision effectiveness in CfC Stanbic bank are to a great extent; owing to CfC Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success; CfC Stanbic's more rational the strategic decision-making process has led to better performance of the bank; The success of CfC Stanbic's decision is a function of the availability of resources such as information (a dimension of rationality); the success of CfC Stanbic's decision is a function of the availability of resources such as technology (a product of good performance).

## **5.4 Recommendations for Improvement**

The following challenges need to be addressed; the negative interaction between political behavior and performance, which in turn influences strategic decision success in CfC Stanbic; the success of CfC Stanbic's decision is a function of the availability of resources such as money and material. Strategic decision succession in CfC Stanbic has seen additional levels of management created and the bank has become less centralized and more complex although the bank's size has no significant relationship with politicization and problem-solving dissension.

On an unstable environment, where CfC Stanbic uses incremental processes intuitively; the environmental instability which does not moderate the link between procedural rationality and organizational outcomes in CfC Stanbic; situations where in a hostile environment, CfC Stanbic's failure to respond to intense pressures and the environmental munificence. They should remove the status quo to be supportive to any formulation of new ideas in order to respond to an ever-changing environment.

## **5.5 Recommendations for Further Research**

Areas of further research that were identified include a similar study to be carried out on other sectors of commercial and financial sector, A study on the key factors that influence strategic decision effectiveness in other sectors of commercial and financial sector in Kenya. Crucially further research should be done to determine how the factors that influence strategic decision effectiveness can contribute to a company's financial performance.

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[www.stanbicbank.co.ke](http://www.stanbicbank.co.ke)

[www.standardbank.co.za](http://www.standardbank.co.za)

## APPENDICES:

### APPENDIX I: LETTER OF INTRODUCTION

Dear \_\_\_\_\_

I am a student pursuing a postgraduate degree at the school of business, University of Nairobi. The title of my study is **“The Factors That Influence Strategic Decision Effectiveness in CfC Stanbic Bank Kenya Limited”**. You have been selected to participate in this study as a categorical respondent in your bank’s population because of your role and experience in strategic management-related activities.

The questionnaire attached asks questions about your organization’s strategic decision effectiveness and practices in the Kenyan banking industry. Your participation is essential to this study and will enhance our knowledge of the factors that influence strategic decision effectiveness in CfC Stanbic Bank Kenya Limited. I also wish to inform you that the information you provide will only be used for academic purposes, alongside improving the strategic decision effectiveness theory, and will be treated with strict confidentiality. If you would like, we can send to you the report of the findings on request. My address is provided below.

Thank you very much.

Anampiu Raphael (Mr.)

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## APPENDIX II: QUESTIONNAIRE

### PART A: PERSONAL/ORGANIZATIONAL DETAILS

Name of Bank Branch.....Your job title.....

### Indicate Your Responses by Checking the Boxes Provided Below

1. For long have you worked in CfC Stanbic Bank in Kenya?
  - a) Less than 9 years [    ]
  - b) 10 – 19 years [    ]
  - c) 20 – 29 years [    ]
  - d) Over 30 years [    ]
  
2. What is the ownership structure of your Bank in Kenya?
  - a) Foreign ownership [    ]
  - b) Government Owned [    ]
  - c) Locally Owned [    ]
  - d) Government/Foreign Owned [    ]
  - e) Government/Locally Owned [    ]
  
3. What unit does your bank specialize in?
  - a) Corporate [    ]    b) Retail [    ]    c) Both [    ]
  
4. How many branches does your bank have?
  - a) Less than 10 [    ]
  - b) 10 – 19 [    ]
  - c) 20 – 29 [    ]
  - d) 30 - 39 [    ]
  - e) Above 40 [    ]

## PART B: STRATEGIC DECISION MAKING

5. In your opinion, do you think that the strategic decision-making process has a direct influence on strategic decision effectiveness?

a) Yes [ ] b) No [ ]

6. Which department/Unit is charged with the responsibility of strategic decision making and ensuring effectiveness in its implementation? (Kindly state)

---

7. Who is involved in strategic decision making process and ensuring effectiveness in its implementation in your bank? (Tick more than one).

a) Immediate Supervisor [ ]

b) Chief Executive Officer [ ]

c) Human resources Manager [ ]

d) Operations Manager [ ]

e) Marketing Manager [ ]

f) Finance Manager [ ]

g) Personally responsible [ ]

h) Others \_\_\_\_\_

8. To what extent do you experience the following expectations in CfC Stanbic's strategic decision-making process? (Please indicate the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent)

Factor	1	2	3	4	5
Most managers are relatively respectful of leadership.					
Most managers are relatively respectful of hierarchical distance.					
Most managers are fatalistic.					
Most managers are inclined to act according to the particular relationship involved rather than in accord with general rules or standards.					

9. What deficiencies have you identified in your strategic decision making process and systems in your bank?

---

10. How would you rate strategic decision making process/systems(s) in your bank?

- a) Good [       ]
- b) Bad [       ]
- c) Fair [       ]

### **PART C: THE FACTORS THAT INFLUENCE STRATEGIC DECISION EFFECTIVENESS IN CfC STANBIC BANK IN KENYA**

11. To what extent do the decision makers in CfC Stanbic Bank consider the following intuitive, political, rationality and the decision motive issues when making decisions key to the success of the bank? (Please indicate the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent)

Decision Importance (Intuitive and Political Issues)	1	2	3	4	5
The bank executives deal with strategic decisions in different ways					
Managers demonstrate rationality for the most important decisions					
Collecting and analyzing information is used to symbolize capable management					
More attention is allocated to issues involving the highest cost or risk					
Bank Executives are more rational when making decisions crucial to the success of the bank					
The bank decision makers act more rationally when there are decisions implying important consequences.					
The perceived magnitude of impact of a strategic decision					



<b>Decision Uncertainty (Rationality)</b>					
Coping with decision uncertainty forms the nub of decision making					
The degree of choice strategic decisions is limited by action determinism and the constraints of the intra-organizational political process					
The degree of choice strategic decisions is also inhibited by limited and/or ambiguous information					
Uncertainty in CfC Stanbic is a mystery that cannot be resolved by rational processes					
High uncertainty attaching to a decision in CfC Stanbic may result in processes that are more intuitive					
Uncertainty on strategic issues in CfC Stanbic is negatively related to procedural rationality.					
There is always a clash of opinions during the initial stages of problem formulation and a surge of political activities during the issue resolution process.					
<b>Decision Motives</b>					
The way in which CfC Stanbic categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making					
The executives in CfC Stanbic behave in a different way if they perceive a decision to be motivated by an opportunity rather than by a crisis.					

12. To what extent do you agree with the following strategic decision outcomes in CfC Stanbic Bank as explicitly portrayed in decision effectiveness? (Please indicate the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent)

Strategic decision outcomes	1	2	3	4	5
<b>Rationality</b>					
Rational processes in decision making has a positive relationship between planning and superior performance in CfC Stanbic					
CfC Stanbic's public policy decisions employ rational methods to be more successful than those that did not.					
<b>Intuition</b>					
CfC Stanbic has emphasized rational processes rather than intuitive processes.					
In CfC Stanbic, intuition has an important role in strategic decision making					
Intuition has a positive impact on the pace of strategic decision making					
The use of intuition in strategic decision making is negatively related to strategic decision effectiveness.					

<b>Political Behaviour</b>					
The decisions in CfC Stanbic emerge from a process in which decision makers have different goals, forming alliances to achieve their goals in which the preferences of the most powerful prevail.					
Political behaviour among the actors concerned in CfC Stanbic has long been recognized as an aspect of decision making					
The presence of political behaviour in strategic decision making in CfC Stanbic Bank is negatively related to strategic decision effectiveness					

*'Rationality is the reason for doing something and to judge a behaviour as reasonable is to be able to say that the behaviour is understandable within a given frame of reference'*

13. To what extent have the following external environment characteristics/factors in the strategic decision-making process influenced the strategic decision effectiveness? (Please indicate the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent)

<b>External Environment Characteristics/Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Environmental Uncertainty</b>					
Strategic decision processes in CfC Stanbic are affected by environmental attributes					
Given a stable environment, CfC Stanbic uses synoptic processes rationality					
In an unstable environment, CfC Stanbic uses incremental processes intuitively					
With faster decision making in CfC Stanbic, more decisions could be made, leading to more learning and the capturing of fleeting opportunities.					
Environmental instability does not moderate the link between procedural rationality and organizational outcomes in CfC Stanbic					
There is a positive relationship between rationality and strategic decision effectiveness in CfC Stanbic					
<b>Environmental Hostility vs. Munificence</b>					
Environmental munificence in CfC Stanbic is a moderator of the relationship between strategy-making processes and organizational performance.					
A rational decision process in CfC Stanbic is strongly associated with organizational performance in environments that are high in munificence.					
Environmental munificence in CfC Stanbic provides both the resource that a rational approach requires and favorable conditions for a successful outcome					

Lack of liquidity has given rise to a hostile environment					
A declining exchange rate has given rise to a hostile environment					
An increasing rate of unemployment has given rise to a hostile environment					
In a hostile environment, Cfc Stanbic has responded to intense pressures for survival to avoid take-over					
The human resource in Cfc Stanbic is more concerned for their self-interest than for the goals of the organization when their interests conflict with organizational goals					

*The strategic decision-making process has a direct influence on strategic decision effectiveness, and that this relationship is moderated by external environment characteristics*

14. To what extent have the following internal bank characteristics/ factors in the strategic decision-making process influenced the strategic decision effectiveness? (Please indicate the influence of each purpose using a rating scale:- 1= Very Small Extent; 2= Small Extent; 3= Uncertain; 4= Great Extent; 5= Very Great Extent)

<b>Internal Bank Characteristics/ Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Firm/Bank Performance</b>					
Owing to Cfc Stanbic's performance in comparison to companies similar in size and industry, is sound strategic decision success.					
Cfc Stanbic's more rational the strategic decision-making process has led to better performance of the bank					
The success of Cfc Stanbic's decision is a function of the availability of resources such as money					
The success of Cfc Stanbic's decision is a function of the availability of resources such as material					
The success of Cfc Stanbic's decision is a function of the availability of resources such as technology (a product of good performance)					
The success of Cfc Stanbic's decision is a function of the availability of resources such as information (a dimension of rationality).					
There is a negative interaction between political behavior and performance, which in turn influences strategic decision success in Cfc Stanbic					
<b>Bank Size</b>					
Process capability in Cfc Stanbic is positively associated with performance in larger branches but not in smaller branches					
Small branches in Cfc Stanbic are more likely to rely on intuition than large ones					
Managers in small branches tend to rely on their intuition and ignore information gathered and analyses performed.					
The distance between top management and organizational members in Cfc Stanbic has increased					
Strategic decision succession in Cfc Stanbic has seen additional levels of management created					
The strategy making process in Cfc Stanbic has become less centralized					

and more complex in CfC Stanbic					
CfC Stanbic's size has no significant relationship with politicization and problem-solving dissension.					
There is a strong interaction between CfC Stanbic's size and political behaviour, which in turn influences strategic decision effectiveness.					

**THANK YOU FOR TAKING TIME TO FILL THIS QUESTIONNAIRE**