EFFECT OF STRATEGIC LEADERSHIP ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

I declare that this is my original work and has not been presented for an award of a degree in this university or any other institution of learning

Signed………………………………………….date……………………………….

Monte Nyangoka Joel
D61/74018/2014

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

Signed……………………………………………..date………………………………

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DEDICATION

I make a dedication of this project to my friend Lilian Omburo Kemunto who gave me moral and financial support and a constant encouragement never to give up and also to my mother Dorca Nyaboke Buengi and her son Monte Elvis Buengi who had their hand in the success of this my academic work.

ACKNOWLEDGEMENT

In my endeavor to produce this academic work, in many ways I got assistance from many people. They have been so invaluable to me in the course of my study and research and to them I am greatly grateful. The confidence they breathe unto me throughout enabled me to soldier on.

First I am thankful to my supervisor Dr. Kennedy Ogollah, who did all he could in guiding me through this research work and its output. His advice and input has helped me to complete this academic work to the extent I could have not managed without his valuable guidance. All through the he was thorough and very objective, may God bless him abundantly.

I am deeply thankful to my friend Lilian Kemunto Omburo who accorded all the support I needed and the confidence she had in me. Equally am grateful to my family for giving me a chance to fulfil my dream of getting a decent education. I cannot forget my friend George Moywaywa Maangi who was ever ready to support me. To all I say may God be with you always.

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ABSTRACT

This study project embarked on findings out the influence of strategic leadership on performance of commercial banks in Kenya. It used questionnaires that were presented to different commercial Banks in Kenya, out of the 42 banks 33 banks responded, and the respondents included the human resource managers, operations managers and the financial managers. The response rate was 78.57% which is an excellent response for analysis. This research depicts a positive relationship between strategic leadership and performance. Strategic leadership accounts for 87.6% of the variations in financial performance. The elements of strategic leadership form a good synergistic influence on the performance of organizations. The banks which have a vision and mission which are widely shared throughout the organization and can be reflected in the banks activities and have elaborate processes of strategy formulation involving all employees, which results to long term strategies, tend to have clear corporate, business and functional level strategies. If the banks employ competent workforce based on their skills, competencies, experience and develop workflow charts for employees and service delivery charters for customers in strategy implementation. These aspects of strategic leadership correlated positively to the performance indicators expressed in profits, return on assets and equity as they increase marginally. The correlation analysis that was done on the strategic leadership and performance showed that, a significant effect exists between strategic leadership and performance of commercial banks in Kenya. The outcomes are in tandem with other researchers' findings. This research contributes to the area of literature of strategic leadership and their influence on organizational performance. The researcher recommends that the ethical considerations and competencies should be given a keen attention and on performance a focus on customer satisfaction should equally be emphasized. Additionally another research can be done on the influence of strategic leadership on performance of the county governments as its recommendations can be very valuable.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategic leadership as a concept is viewed as the capacity to forecast, envisage, change according to the demand of different situations and capacitate employees to make a strategic adjustment to bring a new way of conducting processes within the organization to attain success within the organization Hoskisson (2004). Rowe (2001) views leading strategically as the capacity of making decisions that can influence the employees to at will make or take actions that in the long term will shape the organization for success but at the same time maintain short term attainment of the goals. Financial performance on the other hand is a measure of how an organization can use the resources at its disposal like financial, human and even the intangible resources to generate income or revenue to the organization. Ong'onge et al (2015), Performance of organizations can be assessed in many ways, key among them is; the financial performance.

There are many ways of knowing whether an organization's performance is healthy, the ability to make use of the assets in the organization to generate income, the amount generated from the investments or equity and the amount paid as dividends to the holders of equity. Customer satisfaction and loyalty is another angle of looking at the performance. This research is anchored on the tenets of the upper echelons theory. This is a theory that was introduced by Hamrick et al (1984); it is a theory that is anchored in the conception that the leaders at the apex of the organization interpret their circumstances in a very individualized way.

The different points of view and interpretation is brought about by the differences in their experiences, personalities, values among other factors. This theory further states that that the top managers perceptions of their general and competitive, corporate environment influences the strategic choices. Understanding the upper echelons of the organization is paramount and the extent of their effect on the returns or performance of the businesses they lead.

This study draws its motivation from the identified conceptual, contextual and methodological gaps emanating from previous research work outputs. The commercial banks in Kenya are 42 in number. This banks operate is a turbulent, unpredictable, and ever changing environment which needs a constant adjustments to the new changes. New innovations in the banking industry in Kenya like integrating ICT like the use of Mpesa and mobile banking have shifted the competition front from the mainstream banking to competing in mobile banking and online banking. Security is equally a big challenge especially in the use of the Automated Teller Machine cards. In the recent past there has been an upsurge of agency banking and a focus on the formerly unbanked population. A research focused on the two variables of strategic leadership and performance is a research whose output can be of a great significance to the policy makers, academicians and the government.

1.1.1 The Concept of Leadership

The most basic understanding of leadership is doing or achieving through others. In any organization there must be a decision making organ with authority, through which others get their assignments that help in achieving the organizational vision, mission and objectives. Northouse (2004) views leadership as an influence of a leader or leadership on the people they lead to enable them to make voluntary and deliberate efforts towards attaining the set targets, it is paramount to have a consensus of the goals, to enable each to have a firm commitment towards achieving them. Armstrong (2001) views leadership as impact and a legitimate authority attained by people on leadership to be capable of adequately changing the organization through the assignment of the employees, viewed as the most critical organizational resource, culminating in attainment of the anticipated or premeditated laid down targets and results.

Good performance in organizations anchors itself on many factors key among them is leadership. Leaders help to create order in organizations, to enhance smooth performance processes, therefore they help to create a unity of purpose, teamwork and singularity in terms goals to be attained and commitment to undertake the necessary action to achieve them. A common strategic direction is sought and followed. Leadership is the most critical factor, is the connection amongst the soul and the body of the business (Mathew, 2009). Leaders acquire the most competent, qualified and experienced staff as their human to aid in facilitating the strategy implementation.

Leaders organize the workforce in an organizational structure that fairly observe the shared responsibilities, power and authority to ensure that there is a smooth and free flow of information harmoniously to create a cohesion of a dedicated team. This can be shown through the workflow charts. This will ensure that each employee has a duty that is different from another.

1.1.2 Strategic Leadership

Strategic leadership entails executing a strategy through others. Leaders coin a vision and a mission for their organizations and give a strategic direction and course of action to be pursued by all employees. Hoskisson (2004), views strategic leadership in terms of the ability to foresee what the environment is likely to present or be like in the future, envisage the upcoming opportunities and threats, change according to the demands of different situations and enable employees to adapt to strategic changes essential in the organizational development. Strategic leaders have a panoramic view of where the organization is coming from, where it is and where it is going.

Rowe (2001) argues that strategic leadership is the capacity to enable other employees under a leader to transform unto the actions that lead to attainment of the long term strategies without losing a focus of the short term set goals, therefore striving to achieve them in the immediate future of the organization. The Strategic leadership is the unifying factor among the factors influencing strategy implementation.

A close study among the hard and soft factors the of strategy implementation point out that strategic leadership is not only a dominant but a factor that cuts across all the factors as the flesh and soul of strategy implementation, (Mathew,2009). Strategic leadership consists of the individuals in the apex of the organization, as the Chief Executive Officer, and the entire team that plays and advisory role in decision making, all these together consists of a top management team. Bonelli (2014), states that managers at the apex of the organization are really essential or critical in making strategic choices and engage in activities that influence the fitness, prosperity, and wellbeing of organizations but they act as imperfect beings for sometimes they can make decisions which can affect the organizations the head negatively or lead to loses.

Mason et al (1984) views strategic leadership in terms of characteristics of top-level managers and or the distribution of the top management team members' traits. Strategic leaders are responsible for creating harmony and balance among these factors for effective performance. According to Hambrick et al (1984), leaders achieve more depending on whether they have a training background on the area of management, their social skills on how to handle the human resource in their organizations, the intellect, cognitive values, age, tasks involved in before, additional occupational involvements, educational qualification, background and the top management team variability. Their achievement is determined by how they perceive the organization's internal and external environment.

Strategic leaders make deliberate attempts to position their organizations strategically within the industry in order to tap and exploit the opportunities that the environment presents to the organization. Leading strategically is the capability to forestall, envisage, fitting to different situations as they present themselves and inspire employees to spot and create unique opportunities and a competitive advantage that can be sustainable for the business (Kjelin, 2009). They capitalize on their organizations potential to optimize on their capacity with the main aim of performance boosting in their organizations. Strategic leadership entails the capability to knit together the long term strategies, short term strategies and aspirations of the organization (Hitt et al., 1994). Zaribaf et al (2010) identified three key roles of strategic leaders, to oversee and organize the entire strategic course, dealing with interrelationships between the workers, stakeholders and their environment and handling management skill development. These roles emphasize on the critical nature of leadership in organizations.

1.1.3 Performance of Organizations

Performance can be viewed as the output out of an engagement which is undertaken within a specified time period (Amstrong 1994), can be tangible in terms of goods or products and can be intangible like for the case of services. Good performance in organizations is not an accident but through a deliberate and a well thought out process through excellent strategic leadership. Among the main priorities of the upper echelons is to know or understand how customers view their performance, perceptions of customers are valued highly.

Strategic leadership is at the center of organizational performance, therefore establishing a connection between the two variables is of a paramount importance. Ongore (2008) argues that outcomes in an organization can be noted from the returns emanating from the investments or owner's equity put in the organization and assets engaged in production process, equally the dividends paid can be another good indicator of performance. Financial performance is a key factor and the most important factor of assessing the organizational general performance, because other performances of the organization come about due to the success in financial performance. It is evident that most organizations which fail to be financially sound due to poor financial performance collapse or are unable to meet their obligations in other performances.

Simons et al. (1999), measures organization performance using profitability and sales growth. Profitability is another indicator an organization's performance; it is good to note that the returns on investments and assets both point to the profitability of organizations. When the profits of an organization is higher an indication of a higher income as compared to its expenses. Ong'onge et al (2015), further says that, if portfolio quality is poor or efficiency is low, this will be reflected in profitability. A company can have a higher ROI and ROA and still not be a profitable company because of the expenses incurred. An organization which makes profits is both efficient and effective in delivering on its mandate.

1.1.4 Commercial Banks in Kenya

Commercial banks lend money and provide transactional saving and money market accounts and accepts time deposits (Shekhar, 1984). Commercial banks in Kenya have the Central Bank of Kenya as the common regulator (CBK, 2016). Among the many roles played by the commercial in Kenya key among them are: providing financial stability, issue of cheques, foreign exchanges, loaning the accountholders, saving money for the account holders, facilitating payment of salaries, bills and others among other functions. They facilitate business and flow of money in government and the private sector.

CBK (2016) reports that as at March 2016, there were 42 commercial banks in Kenya and a mortgage finance company. In these banks there were 8 representative offices of foreign banks and 12 Microfinance Banks. Consequently there were 3 credit reference bureaus and 15 Money Remittance Providers on top of that there are 80 foreign exchange bureaus. Amongst the 42 commercial banks, 40 are privately owned. The government of has a majority ownership in 3 commercial banks and a mortgage finance company, leading as to having 2 local public commercial banks. From the 40 privately owned institutions, 26 were locally owned; the control of shareholding is domiciled in Kenya. 14 commercial banks were foreign owned. In the 26 locally owned institutions comprised 25 commercial banks and 1 mortgage financier. Of the 14 foreign owned institutions, all commercial banks, 10 were local subsidiaries of foreign banks while 4 are branches of foreign banks. All licensed microfinance banks, credit reference bureaus, forex bureaus and money remittance providers were privately owned.

1.2 Research Problem

Strategic leadership stands at the center of organizational running and success. It involves harmonizing the long term and short term strategies of the business, as the short term strategies are derivatives of the long term strategies. (Hitt et al., 1994). Strategic leadership practices include: To determine corporate strategic direction, manage the corporate resource portfolio, ensure efficient way of conducting processes, emphasize on ethical values to be upheld at all time and place adequate organizational controls for smooth running of functions. Strategic leadership is the most critical factor in the financial success in any organization including the Kenyan commercial banks. This research seeks investigate the influence of this strategic leadership in the output of the commercial banks in Kenya. The concepts of this study have been studied by various researchers. However their contextual, conceptual and methodological gaps that have been identified. Mapetere et al (2012) conducted a research on leadership, the strategic role of it, in strategy implementation in enterprises owned by the state in Zimbabwe. This research was contextually based in Zimbabwe and focused on the actions of leadership.

Jooste et al (2009), carried on a research on effective strategy implementation focusing on the role of leadership, the research studied the perceptions of the South African Strategic leaders. Muchira (2013) carried a research on the connection between implementation of strategy and commercial banks performance. The research was anchored leadership and the financial performance, so the contexts and concepts are different pointing to a researchable gap.

Ongore (2013), researched on elements of performance in financial terms of commercial banks in Kenya, this research is pivoted on the external and internal factors affecting performance of commercial banks in Kenya. As much as the context is similar, there is a time and conceptual differences, pointing to a researchable gap. Samaitan (2014) conducted a research on leadership styles and performance of commercial banks in Kenya. Samaitan (2014) in her recommendation stated that more aspects of leadership quality could be studied in future including leadership style and return on assets, leadership style and Return on investment. In order to obtain in totality the relationship with performance. She identified a gap on research specifically on performance but narrowed to ROA and ROE, this are concepts of the financial performance that are key in this research. She focused on leadership in commercial banks in Kenya. This research focuses on strategic leadership in commercial banks. Pointing to a contextual and conceptual difference hence a gap in the study is identified.

Nthini (2013) conducted a research on; the effect of strategic leadership on the performance of commercial and financial state corporations in Kenya. She found out that leading strategically is directly and indirectly positively associated with performance of commercial and financial state corporations in Kenya. Contextually her research is different making it possible to spot a gap in the study literature. The question that this research seeks to answer is; what is the effect of strategic leadership in financial performance of commercial banks in Kenya?

1.3 Research Objective

The objective of the study was to establish the effect of strategic leadership on the performance of the commercial banks in Kenya.

1.4 Value of the study

The findings of this study can be useful to the government and the policy makers as it will provide an additional literature on the strategic leadership. The value of managing organizations through strategic leadership is explored. And further understanding on the effect of strategic leadership in management, which can be applied to public corporations and state owned organizations.

Further the findings can also be an important to the practice of management and practitioners. Through a keen study of its findings unanswered questions on strategic leadership may be answered. It can be an important basis for findings new ways of viewing and handling strategic leadership. The study can also be important to future investigators and academicians. The area of the challenges and limitations of the study will be an essential guide to further research. Consequently the areas suggested for further study can open a field that needs a study besides acting as a source of reference.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the research works from many different authors on strategic leadership and the performance in commercial banks. It opens by highlighting the theoretical framework and the assumptions of each: The upper echelons, transformation, transaction and trait theories are tackled. Further it analyses on the research output on the field of strategic leadership and performance. In conclusion it summarizes the literature output putting clear the contextual, methodological and conceptual gaps in the existing literature.

2.2 Theoretical Foundation

This section provides an overview of the theories that informs this study. The upper echelon theory, transformational leadership theory and the trait leadership theory. The examination of these theories is presented.

2.2.1 Upper Echelon Theory

The upper echelons theory was introduced by Hamrick et al (1984). It is a theory that is anchored in the idea that the top executives view their situations through highly personalized lenses. The different points of view and interpretation is brought about by the differences in their experiences, personalities, values among other factors. This theory further states that that the top managers interpretation of the general, business and competitive environment impacts the strategic decisions which they come up with that finally influences the output of their organizations. The essentials of the Upper Echelon Theory are that demographic features are substantially interwoven to the psychological and cognitive elements of the leaders at the apex of the organization. Upper echelons theory provides good forecasts of organizational results in direct proportion to how much managerial preference occurs, (Bonelli, 2014.) The strategic leadership's field of vision especially on the areas that they have laid their keen attention and the interpretation of their environment is constrained by their intellect and their ethics.

The personal prejudices, filters and distinctive processes of the people at the apex of the organization to a big extent affect the competitive performances' (Hambrick, 1994). Many researchers have interrogated the idea of, in what way does the structure of the top management team and the chief executive officer, affect the performance of organizations and how does the CEO personal characteristics affect the entire organization? However, many researchers seem to have concluded in general terms that if we want to understand the strategy and the success of these strategies then we have to understand the strategists. Organizations are a reflection of its top executives or the top management team. According to (Hambrick, 2007), there has been an introduction of the moderators to the upper echelon theory which are the administrative preference and executive task pressure influence the theory's projective strength. Bonelli (2014), says that another refinement of the upper echelon theory is that the top management team features produce robust forecasts of strategic performance.

When the divergent extents of control of members at the top are accounted aiming at their behavioral integration equally on the extent to which the executives are involved in common and shared interaction. The top management team is critical to organization's yield as they make choices and participate in actions that influence the fitness, prosperity, and wellbeing of organizations but they do so as imperfect people.

2.2.2 Transformational Leadership Theory

According to this theory transformational leaders, pay attention to team building, inspiration and working together with workforces at various cadres of the business to achieve a transformation for above average returns. Lai (2011) writes that, transformational leaders display appeal and common visualization of what they want to achieve with the people they lead, inspiring workers in production of unique and excellent products and services. Transformational leaders put targets and inducements to encourage the people working under them to produce above average results, at the same time giving chances for individual and career development for all workers.

Their ability emanates from their capability to encourage and motivate workers to yield excellent output. These leaders are in pursuit of the necessities for a transformation on the usual way of doing things, it provides visualization to the people led, integrates mission and vision to contrivance the transformation with the commitment of the employees. In this leadership, the trailblazer actions as a good example also as a promoter that provides a vision, enthusiasm, reassurance and optimism and also gratification to the employees.

The leader motivates his workers to upsurge their potentials, gain self-assurance and boost improvement in the entire organization. They focus on how they can enable the people working under them to produce results. This is enabled by focusing on the potentials and helping to develop them.

2.2.3 Trait Leadership Theory

This theory is anchored on the traits or the individual characteristics of leaders. Some specific traits are key to the success of a leader and his leadership. Intelligence and ability to communicate among others are very essential traits necessary for success of leadership. This theory makes an assumption that leaders are have innate great character qualities that enable them to be better suited for leadership. This makes them different from other people or their followers. These qualities of leaders are very pertinent when any great leader possesses them; they make them to perform their roles with excellence.

Key among the traits is to be a good communicator, ability to make excellent decisions and empathy in various situations. Derue et al (2011), argues that even if many of these traits have been researched by many scholars. Many of them group these qualities as: intellect, diligence, appetite for risk, and emotional maturity. Research suggests that leadership qualities associated with occupational proficiency and interactive qualities are eminent projectors of management efficacy.

2.3 Strategic leadership

Rowe (2001) views strategic leadership that unique ability to capacitate the employee working under them to at will make deliberate choices and decisions that can benefit the organization in the short term and long term in its pursuit of performance viability. Strategic. Strategic leaders create a unique fit between the short term aspirations of the businesses and the long term visualization of the goals and strategies, they so fully aware that neither can be downplayed on its importance in organizational success. Leadership preoccupies itself with creation of a purpose for the business and communicating the intent to the stakeholders (Boal et al, 2001). This affects the organization internally and externally. The key competencies within the organization are developed in order to deliver value, and the organization rebrands itself before its competitors and the entire market to enhance their competitiveness. Selznick (1984) argues that strategic leadership is main engagement is the improvement of the business in its entirety which includes its transforming its aims and competencies.

Their focus is on the entire organization given their level of authority and unique position that helps them to have a panoramic view of the organization and the industry at large. Their viewpoint is not shared by any member of the organization in other levels, but if they have, they can only play an advisory role, this makes strategic leaders have a sense of autonomy to steer the organizations they head to a superior performance. According to, Hoskisson et al (2004), strategic leaders help in determining strategic direction of the organization.

They also explore the core competencies within the organization, developing human capital and equipping them with skills necessary to execute the strategy, sustaining organizational culture to aid in strategy implementation, emphasize ethical practices to boost the image of the organization and balance ethical controls. Whereas leadership may be exercised at all cadres and points of the business like the departments and different functions, strategic leadership can only be exercised from the top or the apex of the organization. Strategic leadership is mainly preoccupied with the apex of the organization, with the understanding that the administrators are at a pivotal point effect the course and vision of the business organization (Finkelstein et al, 1996).

Beatty and Quinn (2010), argue that, strategic leaders reorganize their organizations by aligning their systems, through the strategy operationalization by ensuring that all departments of the organizations are changed to reflect the strategy commonly agreed and implemented. Strategic leadership is about having a panoramic view of where they want to take the organization, formulating strategies on how to affect the visualized state of achievement and creating a robust implementation framework geared towards actualizing the goals (Kouzes et al 2009). Strategic leaders have a high appetite from risk, work best in risky endeavors and more so when the returns are compensative (Rowe, 2001). Hambrick (1989), writes that strategic leadership manifests itself in a surrounding full of uncertainty, intricacy and saturated with information as the external environment to the organization has increasingly become more turbulent, as reviewed by Howland (2013).

Therefore this implies that banks that embrace strategic leadership stand a better chance to survive in an ambiguous and turbulent environment. Howland (2013), in their review, wrote that the understanding of the strategic leadership has a narrow understanding of the person who occupy the top office or the chief executive officer, equally on another scope it includes all those people that form part of the leadership at the apex of the organization they are referred to as the top management team. This fits the argument that the leaders do not make decisions in isolation but they have a whole team of consultancy that aid them with the information and advice that is pertinent in their decision making. Earlier researchers based their outcomes on the observable properties of the top management team like lengthy of service, age, previous engagements, education qualifications and their history in the organizations performance (Hambrick et al, 1984).

2.5 Strategic Leadership and Performance

Leaders play a pivotal role in the outcomes of organizations and their continued success (Nunes et al, 2006). Leadership interacts and determines nearly all factors of strategy implementation, making it a very critical factor in the performance of the organizations, (Azhar, 2009). Leadership is most critical joint in the various units of the organization (Mathew, 2009). Strategic leaders develop the vision and mission of the organization and serve as an important link between the factors of strategy implementation. Financial performance is a key indicator of how effective the leadership of the organization is.

Performance in an organization is the measure of the output or product out of a process that involves employment of resources through a value creation chain during a specified time of engagement (Armstrong, 1994). Financial performance can be indicated through profitability, return on investment and return on assets. Customer satisfaction is another critical indicator of the performance of organizations.

2.6 Conceptual Framework

This research seeks to research on the influence of strategic leadership on the performance of commercial banks in Kenya. This study will focus on the following main aspects of strategic leadership: Vision and mission creation, allocation and organization of resource portfolio, organizing the workforce, strategy formulation, strategy implementation and emphasis on ethical values. These aspects will be correlated with their influence on the performance of commercial banks in Kenya. The main aspects of performance that will be assessed will be; the level of profitability, the total returns on equity and assets of the organizations and the aspect of customer satisfaction.

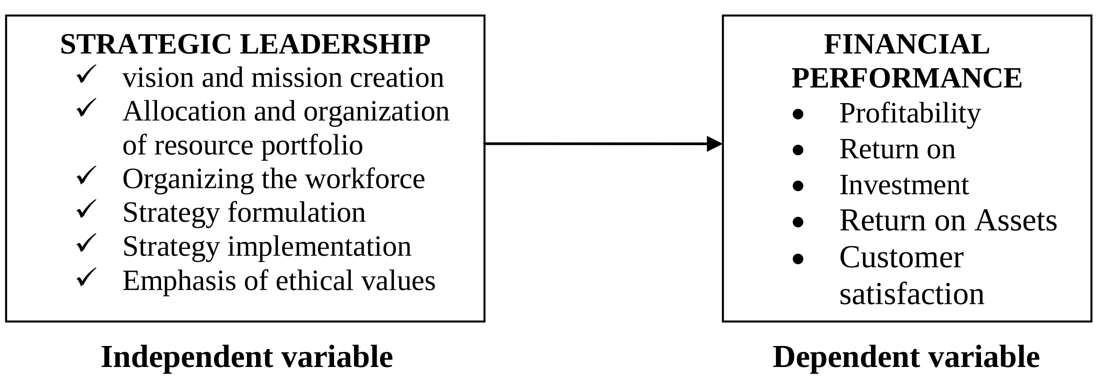

Figure 2.1: Conceptual framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section highlights the methodology that was employed in carrying out this study; it outlines the research design and the population type and size that were targeted for this study. Data collection methods that were used are discussed with reasons why they were preferred. Data analysis is also discussed on the models and programs that were used in giving the data collected meaning through adequate interpretation and presentation.

3.2 Research design

This research project adopted a descriptive cross sectional survey. A cross sectional is a study which represents the whole population. All the elements in the population were surveyed.

It is descriptive in nature as such studies may, to a big extent, support the cause and effect relationship of the variables. The two variables of the strategic leadership and the financial performance were dealt with adequately and the effect of one on another was identified.

3.3 Population of the study

The study covered all the 42 commercial banks that were operating in Kenya (CBK, 2016). This were the number of banks according to the central review as at the end of March, 2016 according to their quarterly review of the banking sector, (appendix 1.) It is a census survey since all the banks were involved in the study.

All banks are classified unto three groups of large (tier 1), medium (tier 2) and small (tier 3) cadres of banks. All these banks were subjected through the same process and were treated as same elements regardless of their classification. Respondents which were from financial, operations and human resource departments were interviewed thorough the questionnaires.

3.4 Data Collection

Data collection was mainly done using the questionnaires, where all the members of the population were subjected to the same questionnaires. The questionnaire was designed with closed and open ended questions and a drop and pick method was used; the questionnaires were dropped and picked after one week. The questionnaires were divided into three parts. Part one focused on the personal information, part two focused on the strategic leadership and part three focused on the financial performance of the institution. The information from the three sections provided a crucial input to the study and analysis.

Data equally was collected from the secondary sources. Information was sought from the central bank of Kenya, the Kenya Bankers Association and any other literature. The multiple sources of data were used to validate and add to the primary data collected through the questionnaires.

3.5 Data analysis

The interview questionnaires were collected from the field and were inspected for their completeness. This was followed by data entry and clean up and formatting to a format that it can be easy to technologically and analyze. Descriptive statistical tool was used to analyze the data. It was interpreted in frequencies, percentages, mean score also standard deviation.

The results were then produced in tabular and graphical forms for further analysis and to identify their correlation. Correlations measures the relationship between variables, a linear relationship can be found between two variables. The range of coefficients is from -1 to +1. In the correlation scale values of correlation that are near 1 are indicative of a strong relationship between the variables and the ones at 0 indicate a neutral relationship while towards -1 indicative no relationship. The SPSS computer program was used for the inferential (correlational) analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter highlights the elucidation and presentation of the outcomes found from the study. The chapter highlights is discussion the examination and outcomes of the research as indicated in the research methodological discussion. The study embarked on establishing the effect of strategic leadership on the performance of the commercial banks in Kenya.

4.2 Response Rate

The study covered all the 42 commercial banks operating in Kenya (CBK, 2016). This was according to the CBK (2016). Referring to Table 4.1, out of the 42 questionnaires administered to the respondents, 33 filled and returned the questionnaires thus creating 78.57% response rate. According to Mugenda et al (2009), a feedback rate of a percentage amounting to 50 is enough for examination and drawing conclusions; equally a feedback rate of 60 percent is good and a feedback of up to 70 percent and over is excellent. Owing to this claim, the feedback rate was deliberated to be excellent. This equally considers the argument of Bailey (2000) who indicated that a feedback rate of 50% is adequate, while a feedback rate greater than 70% is very good. This implies that based on this affirmation; the feedback rate in this situation is of 78.57% which is very good.

Table 4.1: Response rate

Questionnaires	Frequency	Response rate
Returned Questionnaires	33	78.57%
Unreturned Questionnaires	9	21.43%
Total	**42**	**100**

Source: Research data, 2016

4.3 Personal Profile

The study sought to find out the background information on the respondents. Personal information sought by the study included; gender, educational qualification, position, years of service in the same position, worked in any other bank or institution before, cadre of bank, the ownership of this bank.

4.3.1 Gender

The study sought to find out the gender of the respondents involved in the research and the findings were presented in the Figure 4.1

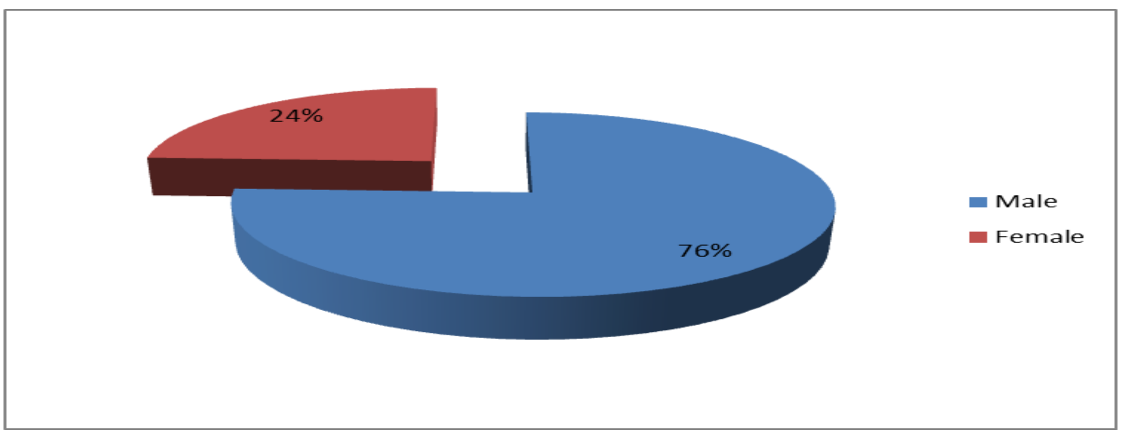

Figure 4.1: Gender of the respondents

The findings in Figure 4.1 illustrate that most of the respondents were male with a percentage of 76%. This implies that the commercial banks studied in Kenya are dominated by men. In addition the study also found that relatively smaller number of 24% of the respondents were female.

4.3.2 Age Bracket

The study sought to determine the age bracket of the respondents and the findings were presented in the Figure 4.2

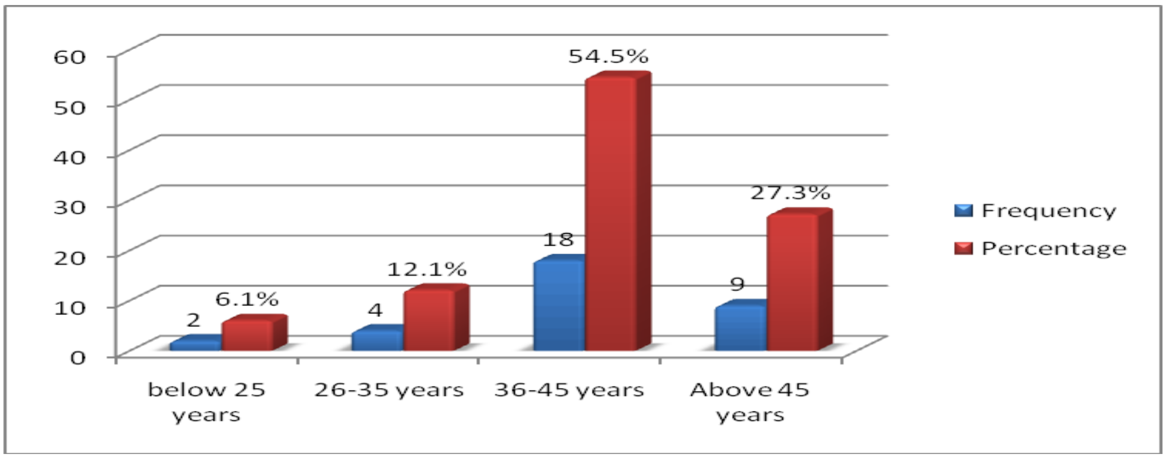

Figure 4.2: Age Bracket of respondents

The findings in Figure 4.2 indicates that most of the respondents specified to have been in the age bracket of 36-45 years and formed 54.5%. The study results also revealed that those with the age bracket of above 45 years followed with 27.3% as indicated by the study. Those with the age range of 26-35 years had 12.1% of the respondents that were targeted by the study, while the respondents who indicated to be below 25 years of age carried 6.1% and was noted to being the least in the respondents that the study targeted.

4.3.3 Level of Education of respondents

Furthermore the respondents were required to indicate their level of education, and the results are as shown in Figure 4.3

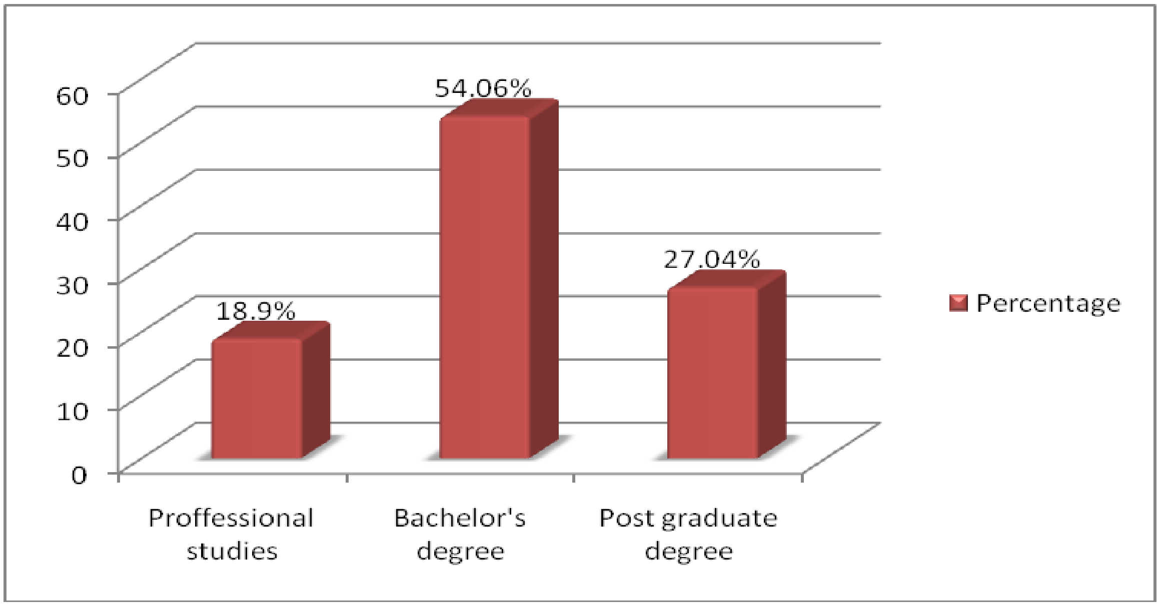

Figure 4.3: Level of education of respondents

The outcome illustrated in Figure 4.3, exposes that more than half of the respondents amounting to 54.06% of the had attained a Bachelor’s or undergraduate degrees as their highest level of education and 27.04% had a post graduate degree, while 18.9% had acquired professional studies level of education.

4.3.4 Position of occupation in the bank

The study further requested the respondents to state the position they were holding in the bank and the period they had been occupying the same position. The findings were presented in Table 4.2

Table 4.2: position of occupation in the bank

Position	Frequency	Percentage
Operations Managers	13	39.4
Human resource Managers	11	33.3
Financial Managers	9	27.3
Total	**33**	**100**

Source: Research data, 2016

From the Table 4.2 it illustrates that most of the respondents interviewed were operations managers with a percentage of 39.4 and human resource managers with a percentage of 33.3%. The financial formed the least number of respondents in this research

4.3.5 Period of service

The study also sought to find out the period that each respondent had been in the position in the bank and the study results were presented in the Figure 4.4

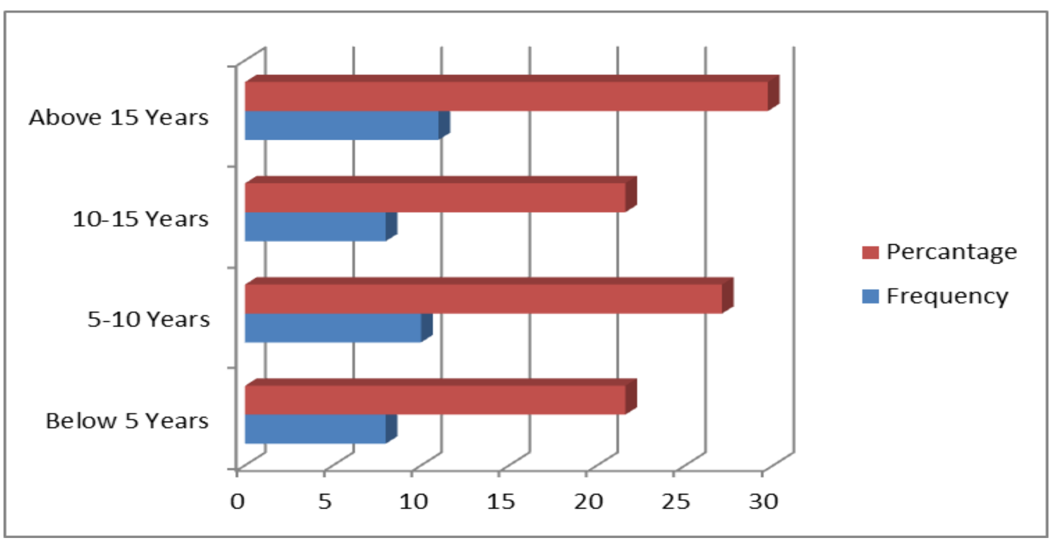

Figure 4.4: position of occupation of the respondent in the bank

The findings shown in Figure 4.4, indicate that many of the people who respondent had had worked in the bank for more than 15 years therefore they were better placed to provide dependable and appropriate feedback to the research queries. 27.1% of the respondents had worked in the institutions in the duration of 5-15 years having the frequency of 10 respondents and those that have worked in the institutions within 5-10 years and below 5 years having the same percentage of respondents. These findings indicate that those that have worked in a given institution for many years having great experience to carry out their duties effectively thus helping the researcher to satisfy the area of study in the topic: The effects of strategic leadership on the performance of the commercial banks in Kenya.

4.3.6 Worked in any other bank or institution before

The study sought to find out whether the respondents have ever worked in any other bank or institution before joining the current bank and position held. The findings were presented in the Figure 4.5:

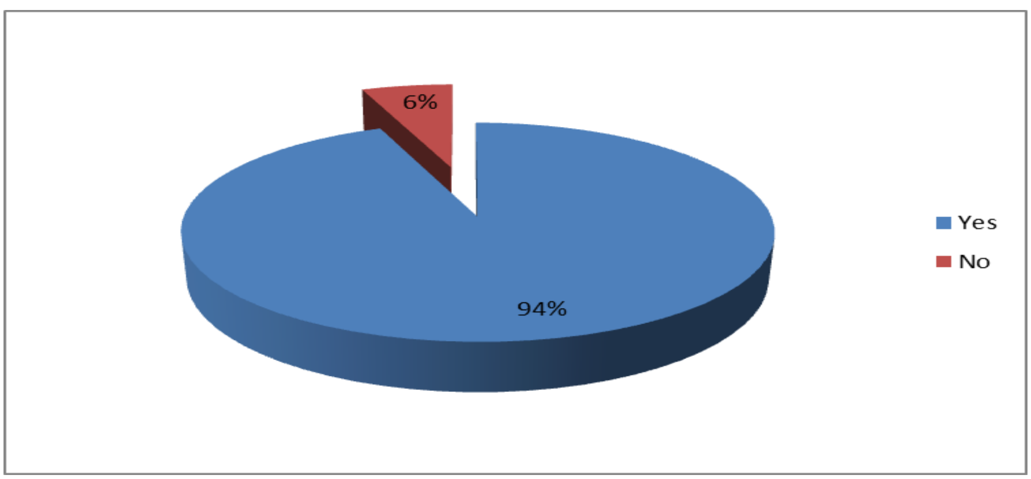

Figure 4.5: The respondent worked in other institution before

The finding of the study illustrated in Figure 4.5, indicate that most of the respondents, 28 in number, had earlier on worked in another institutions and banks by 94% that indicated that it gave the first experience to perform their duties effectively thus satisfying the bank objectives while 6% or 5 of the respondents indicated that they had not worked in any other institution nor bank thus it was their first institution.

4.3.7 Cadre of the bank

The study embarked on finding out the cadre that the respondent's bank belonged to and the results were presented in the Figure 4.6.

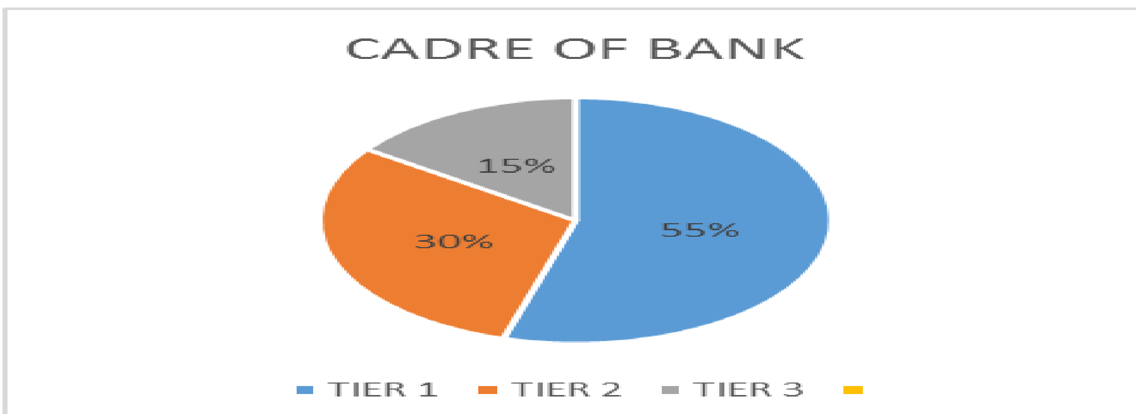

Figure 4.6: Cadre of the bank of the respondent

The results of the examination shown in Figure 4.6, indicates that 18 banks studied or 55% of the banks and institutions had tier 3 cadre followed by tier 2 with 30% or 10 banks while the banks with tier 1 having 15% or 5 banks. These results imply that majority more than 1/2 of the banking institutions are in tier 3 or are small banks.

4.3.8 Bank of the respondent's ownership

The study further requested the respondents to indicate whether the banks or institutions whether were owned by local public, local private or foreign. The findings were obtained from the central bank annual report and presented in the Figure 4.7:

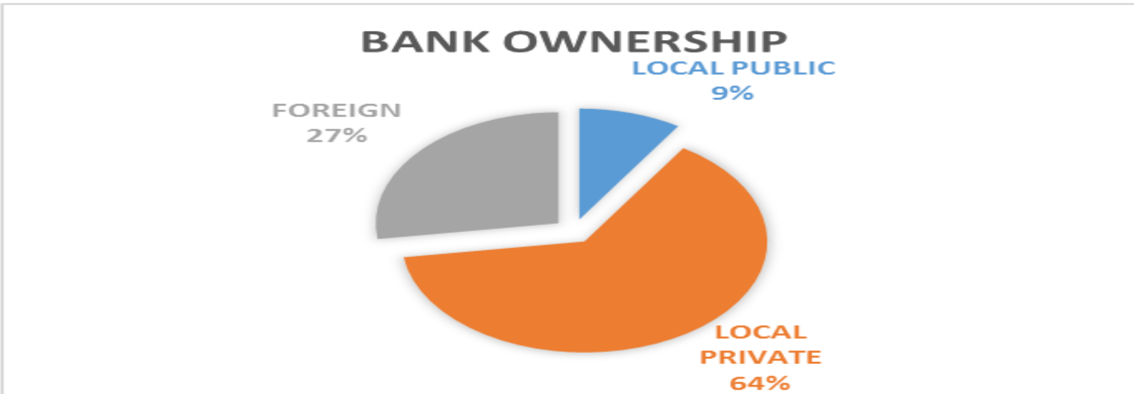

Figure 4.7: Bank ownership

The findings shown in Figure 4.7, indicate that those banks that were owned by local private were 21 banks, 3 banks had the government having a majority shares. Those banks that had foreign ownership were 9. The results established that most of the banks were locally owned by private.

4.4 Analysis of the profitability, return on assets and return on investments of commercial banks in Kenya for 5 years from 2011 to 2015

Analysis of a 5 year period of the performance of an institution can give a clear picture of the performance and the effectiveness employed resulting to the performance analysed. The data analysed below was retrieved from the regulator the central bank of Kenya annual reports for all the past 5 years. The data was inclusive of the profits before tax in millions, the return on assets and equity. This cross examination portrays an impression of the entire industry. At a glance it is indicative of the upsurge of the profits while the return on equity and assets kept on dwindling. Equally a comparison between the profit before tax, returns on equity and on assets can be compared.

Table 4.3: Analysis of Banks' profits, ROA and ROE from 2011 to 2015

YEARS	PROFIT BEFORE TAX	% OF RETURN ON ASSETS	% OF RETURN ON EQUITY
2011	88,478	4.4	30.89
2012	106,996	4.7	30
2013	124,547	4.7	29.2
2014	139,861	4.46	28.2
2015	132,280	3.86	24.4
MEAN	118,432	4	29
STANDARD DEVIATION	20,715	0.343627706	2.517184936

Source CBK (2011), (2012), (2013), (2014) & (2015)

Table 4.3 shows the outlook of the banking industry in the period of the past five years. It shows an industry that is fairly stable and has maintained a performance in terms of profits, return on assets and equity. Therefore it means that the investors can easily predict the returns at the end each year. A standard deviation of 20,714.64809 for the profits, 0.34362 for the return on assets and 2.517184 are showing the little variations that are shown by these aspects, an indication of the level of predictability. Long term strategic plans take a span of 5 years and above and hence ensure that once the aspects of strategic leadership are adequately implemented organizations can adapt better to their environment and make above average returns in the industry. The trend of the return on assets is presented in Figure 4.8,

Figure 4.8: The trend of the Banks return on assets from 2011 to 2015

In Figure 4.8 showing the trend of the return on assets between the years 2011 and 2015. It is indicative of an increase in the return on assets between the year 2011 and 2012. Equally there was a nearly stagnation of the change in the return of assets between 2012 and 2014 but there is a significant drop on the return on assets from 2014 to 2015. In the same period the profits before tax increased from 2011 to 2014, before they dropped from 2014 to 2015. This indicates that an increase in profits does not directly translate to an increase on the return on assets but may be the reverse. The trend of the return on equity is shown on Figure 4.9

Figure 4.9: The trend of the Banks return on equity from 2011 to 2015

Referring to Figure 4.9 it is shown that the trend of the return on equity for the period of five years from 2011 to2015. This Figure indicates that the return on equity decreased steadily but with a small margin from 2011 to 2015. The decrease was gradual between the year 2011 and 2014, but was marginal between 2014 and 2015. When we compare the return on equity and the profit before tax over the same period it is indicative that, there was an increase in the profit before tax in the years between 2011 and 2014 when the return on equity was reducing this is a reverse of the two aspects of performance, this indicates that the change in one aspect does not necessarily imply the same change in the change of the other aspects of performance. The trend of the profits before tax for the period of the years between 2011 and 2015 is shown in Figure 4.10,

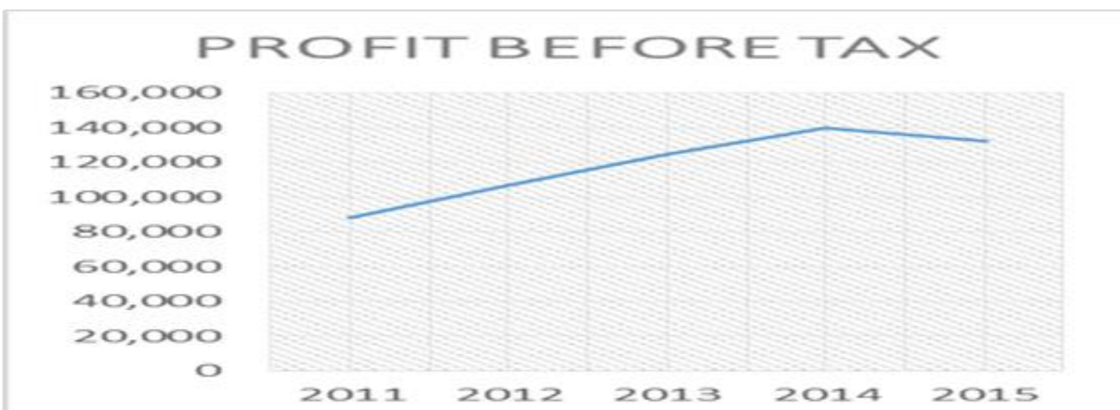

Figure 4.10: The trend of the Banks profit before tax in millions from 2011 to 2015

From Figure 4.10 which analyses the trend of profits from 2011 to 2015 it shows that the profits before tax increased steadily from 2011 to 2014 but decreased in 2015. Form the Figures 4.8, 4.9 and 4.10 there is an indication that the return on equity and assets showed a decreasing trend in the period between 2011 and 2014 but in the same period the profits before tax showed an increasing trend.

4.5 The bank strategic leadership and performance

The analysis was done the effect of each aspect of strategic performance on each aspect of performance and the results presented in Table 4.4

Table 4.4: Descriptive Statistics

Aspects of strategic management and performance	N	Minimum	Maximum	Mean	Std. Deviation
The bank has a vision and mission which is shared widely throughout the organization and can be reflected in the banks activities	33	4.00	5.00	4.8182	.39167
The bank has an elaborate process of strategy formulation involving all employees	33	3.00	5.00	3.8182	.46466
The bank has a long term plans (strategies) which all stakeholders participated in formulating and regular meetings are held to review its progress	33	2.00	5.00	3.9394	.60927
The bank has clear corporate, business and functional level strategies and objectives with appropriate timeframes and workforce responsive	33	3.00	5.00	4.0000	.43301
The bank has a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience etc.	33	2.00	5.00	3.9394	.55562
The bank has a clear organizational workflow charts for employees and service delivery charters for customers in strategy implementation	33	2.00	5.00	3.9394	.70442
The bank has a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics	33	2.00	5.00	3.6364	.65279
Each of the bank's business portfolio is allocated enough resources (human resource, financial etc.) and are released appropriately and timely	33	2.00	5.00	3.5152	.79535
The bank's customer's satisfaction can be described as excellent.	33	3.00	5.00	3.6364	.65279
The bank's net profits are above the industry average	33	3.00	5.00	3.6364	.65279
The bank's return on investment (ROE) is above the industry average	33	2.00	5.00	3.4242	.96922
The Banks's return on assets (ROA) is above the industry average	33	2.00	5.00	3.5455	.79415
Effective bank's strategic leadership is the main driver of the performance	33	2.00	5.00	3.6364	.85944
Valid N (List wise)	33				

Source: Research data, 2016

From the SPSS analysis in Table 4.4, respondents very strongly agreed that the commercial banks in Kenya have a vision and a mission which are widely shared throughout the organization and can be reflected in the banks activities, this is indicated by the calculated mean of 4.8182 and the variations between respondents is minimal with a standard deviation of 0.39167. Respondents also agreed strongly that the banks have an elaborate process of strategy formulation involving all the employees, this is reflected in the mean of 3.8182 and there was little variations between respondents with a standard deviation of 0.46466.

It was established that that the banks have long term strategies and all stakeholders participated in their formulation and meetings were held to review their progress, this is represented by the mean of 3.9394 and there were very narrow variations in the responses with a standard deviation of 0.60927. Respondents equally strongly agreed that the banks had clear corporate, business and functional level strategies and objectives with appropriate timeframes and workforce responsive, this is indicated by the mean of 4.0000 and there were little variations of their responses with a standard deviation of 0.43301.

The respondents agreed strongly that the banks had a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience among others, this is evidenced with the mean of 3.9394 and little variations of the standard deviation of 0.55562. There was equally an agreement from the respondents that the banks had clear organizational workflow charts for employees and service delivery charters for customers in strategy implementation. This can be inferred from the mean of 3.9394 and there were little variations among their responses of 0.70442. The respondents agreed to the statement that the bank has a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics. This is reflected on a response rate of a mean of 3.6364 and there little variations of a standard deviation of 0.65279. Equally the respondents agreed that each of the bank's business portfolio is allocated enough resources (human resource, financial etc.) and are released appropriately and timely, this is indicated by the response average of 3.5152 and there were little variations among the responses with a standard deviation of 0.79535.

On the performance of the commercial in Kenya, many of the respondents agreed that the banks customers' satisfaction can be described as excellent, this is indicated by the mean of 3.6364 and there was a little variations between the responses shown by the standard deviation of 0.65279. The respondents also agreed that the banks' profits were above industry average, this is shown by the mean of 3.6364 and there were little variations among the responses by the standard deviation of 0.65279. The respondents agreed that the banks return on equity were above the industry, this is shown by the mean of 3.4242 and there were almost no variations among their responses indicated by the standard deviation of 0.96922. Majority of the respondents agreed that the banks' return on assets were above the industry's average with the average of 3.5455 and there were little variations amongst their responses with a standard deviation of 0.79415.

Most of the responders agreed that strategic leadership is the main driver of performance in commercial banks in Kenya, this is indicated by the mean of 3.6364 and a standard deviation of 0.85944 showing that the variations between their responses is small. From this analysis, there is a strong agreement amongst respondents that the strategic leadership practices influences strongly on performance.

4.6 Inferential Analysis

The research embarked on establishing the influence of strategic leadership on the performance of commercial banks in Kenya. A correlational examination was applied to attain the 99% and 95% confidence levels. The correlational examination enabled the testing of study's hypothesis that strategic leadership has a significant effect on performance. The eight strategic leadership aspects were correlated with four aspects of performance this aspects were correlated individually and their correlational coefficients interpreted. The correlational results are shown in Table 4.5.

From the correlation analysis on Table 4.5, it illustrates the contribution of the aspects of strategic leadership on the performance of commercial banks in Kenya indicates that when a bank has a vision and mission which is shared widely throughout the organization and can be reflected in the banks activities This aspect and the whole process make a contribution of 0.467 in profits and customer satisfaction. It also boosts the return on equity by a margin of 0.621 and the return on assets by a margin of 0.429.

Table 4.5: Correlation Analysis

ASPECTS OF STRATEGIC LEADERSHIP		The bank's customer's satisfaction can be described as excellent.	The bank's net profits are above the industry average	The bank's return on investment (ROE) is above the industry average	The Banks's return on assets (ROA) is above the industry average
The bank has a vision and mission which is shared widely throughout the organization and can be reflected in the banks activities	Pearson Correlation	.467**	.467**	.621**	.429*
	Sig. (2-tailed)	.006	.006	.000	.013
	N	33	33	33	33
The bank has an elaborate process of strategy formulation involving all employees	Pearson Correlation	.599**	.599**	.662**	.531**
	Sig. (2-tailed)	.000	.000	.000	.001
	N	33	33	33	33
The bank has a long term plans (strategies) which all stakeholders participated in formulating and regular meetings are held to review its progress	Pearson Correlation	.650**	.650**	.786**	.716**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33
The bank has clear corporate, business and functional level strategies and objectives with appropriate timeframes and workforce responsible	Pearson Correlation	.663**	.663**	.670**	.636**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33
The bank has a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience etc	Pearson Correlation	.698**	.698**	.863**	.787**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33
The banks has clear organizational workflow charts for employees and service delivery charters for customers in strategy implementation	Pearson Correlation	.707**	.707**	.696**	.636**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33
The bank has a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics	Pearson Correlation	.854**	.854**	.802**	.729**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33
Each of the bank's business portfolio is allocated enough resources (human resource, financial etc.) and are released appropriately and timely	Pearson Correlation	.871**	.871**	.904**	.895**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	33	33	33	33

Source: Research data, 2016

From Table 4.5 it is clear that, when banks involve their employees an elaborate process of strategy formulation boosts performance by increasing customer satisfaction by 0.599 and this increases the return on equity by 0.662 and the return on assets by 0.531. This is very indicative that formulation of strategies has a contribution in performance. Strategy formulation enables the formulators to internalise and own the strategies this is because they are the same people who will be involved it its implementation.The results show that when banks have clear corporate, business and functional level strategies and objectives with appropriate timeframes and workforce responsible. This will make the performance of banks to rise by 0.633 in customer satisfaction and also profitability. Equally it boosts the return on equity by 0.670 and the return on assets by 0.636. This is indicative that the institutionalization of strategy and operationalization of strategy will boost performance by a great margin. This is done by breaking the strategies unto small workloads which can be assigned to individual workers from implementation given specific timeframes and expectations.

Further the analysis from Table 4.5 show that when banks has a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience among others, increases the customer satisfaction and the profitability by 0.698 and the return on equity by 0.863 and return on assets by 0.787. This is a very significant contribution to performance, mainly because when the employees have the necessary skills in service delivery or production they are likely to produce a very quality output efficiently and timely. Equally they can be able to work with the chief executive officer come up with sound strategies that when implemented will boost the performance and the results. This is boost by the banks having clear organizational workflow charts for employees and service delivery charters for customers in strategy implementation. This on its own contributes 0.707 on customer satisfaction and profitability and 0.696 on return on equity and 0.636 on the return on assets. This aids in adding values to the internal processes and communicating the intent of the organization to the customers in a clear way of achieving the objectives. By outlining the expectations from the customers perspective enables the employees to be able to satisfy the expectations of the customers. It should be noted that quality can be defined as meeting the customers' expectations.

On the the bank's business portfolios. When there is allocation of enough resources (human resource, financial etc.) and are released appropriately and timely. It makes performance to improve significantly by 0.87 on customer satisfaction and profitability. Equally an increase on return on equity by 0.904 and return on assets by 0.895, this is a very significant increase. This points out that when each business portfolio is not suffocated for resources but allocated enough can be able to be timely in delivery of its mandate at the expected proportion. Business portfolio management is among the key roles of strategic managers. Ethical considerations play a key role in the performance of organizations, from the analysis it is indicative that organizations that have a clear framework on ethical considerations and competencies and employees are taken on regular training on ethics, can boost their performance by 0.854 on customer satisfaction and profitability and 0.802 on return on equity also 0.729 on the return on assets. This implies that when employees conduct the operations of an organization in an ethical way greatly increases the customer satisfaction and hence having a ripple effect on other aspects on performance.

Table 4.6 presents the regression model goodness of fit to establish if regression analysis is suited for the data. This model shows the impact of strategic leadership on performance. When all the aspects of performance are combined they create a synergy which influences a great percentage of the performance improvement.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.936[a]	.876	.834	.29440	.876	21.164	8	24	.000

A Pearson Correlation value of 0.936 was established depicting that the strategic leadership practices had a very good linear relationship with the dependent variable which is performance. An R-square value of 0.876 was established depicting that this relationship was very strong and the strategic leadership practices explained 87.6% of performance in the commercial banks in Kenya. These are the findings from the 33 of the commercial banks in Kenya that were studied. Therefore it is concluded that the model variables were influential and should be considered in enhancing performance of commercial banks. The analysis of variance was conducted to determine whether a significant relationship do exist between the variables and the results presented in Table 4.7.

Table 4.7: Analysis of Variance (ANOVA)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.674	8	1.834	21.164	.000[b]
	Residual	2.080	24	.087		
	Total	16.754	32			

a. Dependent Variable: Performance

Source: Research data, 2016

The ANOVA results presented in Table 4.7 shows that the regression model has a margin of error of $p < .001$. This indicates that the model has a probability of less than 0.1% of giving false prediction. The conclusion made therefore was that the model was significant. A regression analysis was conducted on the aspects of strategic leadership on performance and the results are presented in the Table 4.8.

Table 4.8: Regression analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.011	.936		2.149	.042
	Each of the bank's business portfolio is allocated enough resources (human resource, financial etc.) and are released appropriately and timely	.697	.313	.535	2.224	.036
	The bank has a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience etc	.636	.180	.619	3.533	.002
	The bank has a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics	.694	.146	.763	4.761	.000

a. Dependent Variable: Performance

Source: Research data, 2016

From Table 4.9, it is established that when the bank has a clear framework on ethical considerations and competencies, employees are taken on a regular training on ethics and each of the bank's business portfolio is allocated enough resources like the human resource, finances and are released appropriately and timely are zero, the employee performance would be 2.011. The study also established that holding other factors constant, a unit increase in each of the bank's business portfolio in allocation of enough resources in terms of human resource, finances among others and are released appropriately and timely would lead to a 0.697 increase in performance. A unit increase in the bank's having a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies and experience among others would yield a 0.636 increase in performance. A unit increase in the bank's having a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics would result in a 0.694 increase in performance. From the coefficients, it was established that each of the strategic leadership practices were significant in explaining performance.

4.7 Discussion

Many researchers have researched on the area of leadership and others specifically on strategic leadership. The output of this research work can be compared with the output of other researchers. This comparison will aid in identifying the specific contributions of this work in the strategic leadership literature. Nthini (2013) conducted a research on the influence of strategic leadership on the outcome commercial and financial state corporations in Kenya; in her study she established that the correlation of the variables was strongly significant. Corporate strategic direction and the satisfaction of clients were found to be strong positive correlation of 0.725. This is an assertion of the significance of the strategic leadership. She also found out the effective management of the corporate resource portfolio and customer satisfaction has a positive correlation with performance. This study established a strong correlation between the management of the resource portfolio, and emphasis of ethical values to customer satisfaction.

The corporate strategic direction equally has a positive correlation to performance. Leperleen (2014), conducted a study on leadership styles and performance of commercial banks in Kenya. She established that there was significant correlation between leadership style employed and the performance of commercial banks in Kenya. Part of the styles she studied was the democratic leadership type. This study established that there was an increase in performance when employees are all involved in strategy formulation, which asserts on involvement and consultations. Consequently Muchira (2013), conducted a research on strategy implementation and performance of commercial banks in Kenya. He established that strategic implementation contributed to the employee satisfaction and reduced their turnover, he asserted that strategy implementation involves all employees. This is the assertion that this research has made that strategy formulation involves the employees because they will participate in its implementation.

Ongore et al (2013), conducted a research on determinants of financial performance on commercial banks in Kenya. He found out that the quality of staff and the ability of management to deploy resources efficiently contributes to the financial performance of the banks in Kenya. Based on these assertions the findings of this research concurs with the findings of other researchers reviewed. It is the assertion of this study that when banks have a clear vision and mission, have clearly and participatory formulated strategies, organize the business portfolios by allocating enough resources and emphasize ethical values among the employees result to a significant improvement in performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main objective of the research was basically to evaluate the influence of strategic leadership on the financial performance of the commercial banks in Kenya. Out of the 42 questionnaires administered to the respondents, 33 filled and returned the questionnaires. This created a 78.57% response rate, which is an excellent rate and can be used for examination and analysis.

5.2 Summary of Findings

The findings illustrate that most of the operation managers, human resource managers and financial managers 76% were male which implies banking managements in the sampled banks in Kenya were dominated by men. The outcome was indicative of most of the people that responded had attained an age of between 36 and 45 years and accounted for 54.5%. The study results also revealed that those with the age bracket of above 45 years followed with 27.3% as indicated by the research findings. Findings of the research showed that majority of the respondents had early on worked in another institutions and banks by 94% that indicated that it gave the first experience to perform their duties effectively thus satisfying the bank objectives while 6% of the respondents indicated that they had not worked in any other institution nor bank before, therefore their banks were their first institutions of work. From this study, strategic leadership is very significant in influencing the performance of commercial banks.

Effective strategic leadership in most banks have visions and missions which are widely shared throughout the organization, this was established to impact significantly on the various aspects of performance like it contributes to about 42.9% of return on assets and 62.1% on the return on equity. When banks have long term strategies that are broken unto different levels of businesses and functional areas, experience a performance increase of up to 71.6% on performance. Effective strategic leaders acquire employees with adequate requisite skills and establish the work flow charts and service delivery chatters and allocate resources to different business portfolio in data informed approach increase their performance by 78.7%. When strategic leaders emphasize ethical values in service delivery that seeks to take care of the customers satisfaction and responsible to the environment and public safety, have the performance of their organizations increase by a margin of to 85.4% of performance.

It is established that all factors held constant strategic leadership accounts for to about 87.6% of the performance of the organization. The study established that a substantial direct correlation was manifest amid performance and strategic leadership ($R = .876$, $p < .001$). A correlation coefficient of 0.936 and determination coefficient of 0.876 was found amid strategic leadership and performance. These coefficients illustrate a strong correlation amid strategic leadership and financial performance in commercial banks in Kenya. Therefore strategic leadership accounts for 87.6% of the variations in performance.

5.3 Conclusion

The study concluded strategic leaders should reorganize their organizations by aligning their systems, through the strategy operationalization by ensuring that all departments of the organizations are changed to reflect the strategy commonly agreed and implemented. The study concluded that strategic leadership is about envisaging where you want the organization be or be like in the future articulated in a clear vision, formulating strategies that will facilitate the attainment of the visualized ideal, and the n implementing the strategies through a clear framework to achieve the objectives or goals.

The study also concluded that leadership interacts and determines nearly all factors of strategy implementation, making it a very critical factor in the performance of the organizations. The study also established that leadership is the pivot or plays a pivotal role in creating the most essential connection or joint between different elements, units and departments of an organization to craft a unanimity of resolve and also singularity of focus essential for success in the organization. Strategic leaders come up with the vision and mission of the organization and serve as an important link between the factors of strategy implementation.

5.4 Implications for policy practice and theory

The study establishes that in order to have an upsurge in performance there must be effective strategic leadership within the organization. This is indicated from the significant effect that was established from this study. All aspects of strategic leadership should be emphasized for a better performance in organizations.

Emphasis on ethical considerations forms a key ingredient in strategic leadership, this extents the theory from other researchers on strategic leadership literature. Owing to the very significant contribution of strategic leadership on performance, it is established that strategic leadership in practice helps to reorganize the organizations and affects other areas which are determinants in performance of organizations. Strategic leadership encompasses all the activities and processes within the organizations making it very significant and critical.

5.5 Recommendations

Allocation of adequate resources to different business portfolios and ensuring that the resources are released at the right time to ensure the smooth running of internal processes is recommended in this study. Resources engaged in production or a service play a key to ensure quality, timely delivery and in the right quantities. Therefore business portfolios that are suffocated of resources are not likely to deliver on their expectations.

It is the recommendation of the researcher that ethical issues should be coined within the culture of the organizations. When employees work from a very solid ethical considerations, it goes a long way to enhance to a very significant extent the customer satisfaction and this enhances a customer loyalty. Customers are the key marketers of the organization and once they feel that they are treated according to their expectations and are regarded as important they will come back with their family members and friends and in one way or the other the lead to the growth of the organization.

5.6 Limitations of the study

Respondents had suspicion were uncomfortable when approached to participate in the research and stated their fears of non-cognizant of any repercussions that could emanate. Others requested more time to conduct due diligence before deciding on their action. However it took the intervention of the researcher in explaining the nature of the research and the purpose of the results before they accepted to take part. When confidentiality was assured and most of them decided to cooperate.

These challenges could have adversely affected the validity and reliability of the data obtained or even made it impossible to complete this study. The researcher mitigated this by obtaining an introduction letter from the university and pledged confidentiality and assured the management of the institution that the data was to be used solely for academic purposes.

5.7 Suggestions for further research

Further a research can be conducted on the effect of strategic leadership on performance of the county governments. The study also recommends the need to establish the effect of strategic leadership in non-financial firms so as to get a comprehensive understanding on the effects of strategic leadership on performance of organizations.

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APPENDICES

Appendix 1: Questionnaire

This questionnaire seeks to gather information that will enable me to complete my academic research work on the effect of strategic leadership on the performance of commercial banks in Kenya. The information you will provide in this questionnaire will be used purely for academic purposes and no other purpose. Your kind acceptance to participate in this study is highly appreciated.

SECTION A:

GENERAL INFORMATION

Please tick appropriately

i. Your gender : Male [ ] Female [ ]

ii. Your age (years): Below 25[ ] 26-35 [ ] 36-45 [ ] above 45 [ ]

iii. Your educational qualification: Post graduate [ ] Graduate [ ] Professional studies [ ]

i. What is your position in this bank…………………………………………

ii. How many years have you occupied your current position………………..…

iii. Have you occupied any other position before in this bank……………...……

iv. Have you worked in any other bank or institution before…………………....

v. What is the cadre of your bank

a. Tier 1 [ ] Tier 2 [ ] Tier 3 [ ]

vi. What is the ownership of this bank

a. Local Public[ ] Local Private[ ] Foreign[ ]

SECTION B: THE BANK'S STRATEGIC LEADERSHIP AND PERFORMANCE

Please answer the questions to the best of your knowledge, they are about strategic leadership and performance. In case you are not sure about any question, leave it blank. Below is the scale that will guide your response.

Very Strongly agree	Strongly agree	Agree	Moderately agree	Disagree
5	4	3	2	1

Please tick appropriately (√)

No	Aspects of Strategic Leadership And performance	Very strongly agree	Strongly agree	agree	Moderately agree	Disagree
i.	The bank has a vision and mission which is shared widely throughout the organization and can be reflected in the banks activities					
ii.	The bank has an elaborate process of strategy formulation involving all employees					
iii.	The bank has a long term plans (strategies) which all stakeholders participated in formulating and regular meetings					

	are held to review its progress					
iv.	The bank has clear corporate, business and functional level action plans (strategies) and objectives with appropriate timeframes and the workforce responsible.					
v.	The bank has a clear framework of employing competent employees in a clear and competent process based on the employee skills, competencies, experience etc.					
vi.	The bank has clear organizational workflow charts for employees and service delivery charters for customers in strategy implementation					
vii.	The bank has a clear framework on ethical considerations and competencies and employees are taken on a regular training on ethics					
viii.	The bank's customer's satisfaction can be described as excellent.					
ix.	Each of the bank's business portfolio is allocated enough resources (human resource, financial etc.) and are released appropriately and timely					
x.	The bank's net profits are above the industry average					

xi.	The bank's return on investment (ROE) is above the industry average					
xii.	The Banks's return on assets (ROA) is above the industry average					
xiii.	Effective bank's strategic leadership is the main driver of the performance					

Appendix 11: A List of Commercial Banks in Kenya

1 Kenya Commercial Bank Ltd

2 Equity Bank Ltd

3 Co - operative Bank of Kenya Ltd

4 Barclays Bank of Kenya Ltd

5 Standard Chartered Bank (K) Ltd

6 I&M Bank Ltd

7 CfC Stanbic Bank (K) Ltd

8 Diamond Trust Bank (K) Ltd

9 NIC Bank Ltd

10 Commercial Bank of Africa Ltd

11 Citibank N.A. Kenya

12 Family Bank Ltd.

13 Prime Bank Ltd

14 Bank of Baroda (K) Ltd

15 Bank of India

17 Gulf African Bank Ltd

18 Victoria Commercial Bank Ltd

19 Guaranty Trust Bank Ltd

20 Sidian Bank Ltd

21 Habib Bank A.G. Zurich

22 Habib Bank Ltd

23 Giro Commercial Bank Ltd

24 African Banking Corporation Ltd

25 Guardian Bank Ltd

26 Trans - national Bank Ltd

27 Development Bank of Kenya Ltd

28 Paramount Universal Bank Ltd

29 Ecobank Kenya Ltd

30 Consolidated Bank of Kenya Ltd

31 Middle East Bank (K) Ltd

32 Oriental Commercial Bank Ltd

33 Jamii Bora Bank Ltd

34 First Community Bank Ltd

35 Credit Bank Ltd

36 Fidelity Commercial Bank Ltd

37 UBA Kenya Ltd

38 Equatorial Commercial Bank Ltd

39 Bank of Africa (K) Ltd

40 National Bank of Kenya Ltd

41 Chase Bank Ltd (Bank in receivership)

42 Imperial Bank Ltd (Bank in receivership)

43 Charterhouse Bank Ltd (Bank under statutory management)

Source: Central Bank of Kenya Bank Supervision Annual Report 2015