THE JOINT INFLUENCE OF ORGANISATIONAL RESOURCES, EXTERNAL STAKEHOLDERS AND EXPANSION STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

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D80/72686/2012

RESEARCH THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2016

DECLARATION

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

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DEDICATION

To the Glory and Honour of my Heavenly Father.

ACKNOWLEDGEMENTS

I thank my Heavenly Father, the Lord God almighty through whose grace and mercy I have found the courage, desire, health and strength to complete this degree. I would like to extend my appreciation to my wife and children who have supported me throughout the entire course as well as my parents and siblings with whom we have stood together through tumultuous times.

I appreciate the guidance accorded to me by my supervisors Professors Z. B. Awino, Ganesh Pokhariyal and Martin Ogutu in the process of writing this thesis. Thank you very much and God bless. I would like to also appreciate all University of Nairobi resource persons who contributed towards this research. I would like to thank the staff of CBK; Neala Wanjala and BSD staff particularly Mrs. Cynthia Lekolool for assistance data collection. I extend a word of appreciation to my classmates who have positively impacted my academic pursuit. To all others who in one way or another contributed to the success of this project but whom I could not mention here, thank you all so very much and God bless you.

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ABBREVIATIONS AND ACRONYMS

AQBLSC: Adaptive Quadruple Bottom-line Scorecard

BSC: Balanced Scorecard

CA: Competitive Advantage

CBK: Central Bank of Kenya

CEO: Chief Executive Officer

CSP: Corporate Social Performance

CSR: Corporate Social Responsibility

ICT: Information Communication Technology

ERS: Economic Recovery Strategy

PIMS: Profit Impact of Market Share

QBL: Quadruple Bottom-line

RBV: Resource Based View

RBT: Resource Based Theory

R&D: Research and Development

SBSC: Sustainable Balanced Scorecard

SCA: Sustainable Competitive Advantage

SCP: Structure-Conduct- Performance

SRI: Socially Responsible Investment

ST: Signaling Theory

TBL: Triple Bottom-line

TCE: Transaction Cost Economics

TCET: Transaction Cost Economics Theory

USD: United States Dollar

VRIN: Valuable, Rare, Inimitable and Non-substitutable

ABSTRACT

Firm performance is at the heart of strategic management research. Performance related research seeks to answer questions such what causes inter-firm performance differences, why they behave the way they do and how they make strategic choices. This study sought to establish the role resources play as drivers of performance in the presence of external stakeholders and expansion strategies. The overall goal of this thesis was to interrogate the joint influence of organisational resources, external stakeholders and expansion strategies on the on the performance of the banking industry in Kenya. The research was founded on a predominantly positivist research paradigm and a cross sectional survey design targeting the 43 commercial banks in Kenya. Empirical data was collected using a 5 point Likert scale questionnaire from senior managers within the banks. The data was analysed using regression analysis to establish the relationships between the variables. The thesis established that resources significantly account for variation in firm performance leading to the rejection the first null hypothesis. The test of the second hypothesis revealed that external stakeholders moderate the resource-performance relationship hence we rejected the second null hypothesis as well. The test of H3 established that expansion strategies have an intervening effect on the resources-performance relationship hence we rejected the third null hypothesis. Even though the fourth hypothesis coefficients supported the existence of a significant relationship among the four model variables, these coefficients were not greater in magnitude compared to individual model coefficients. In particular the interaction term coefficients were more significant than the joint influence variables hence we accepted (failed to reject) the fourth and final null hypothesis. The implications of the study include that managers should invest in value creating resources, pay close attention to key external stakeholders and carefully plan expansion strategies to ensure optimal sustained performance of their firms. Policy makers should provide policy guidelines that foster resource utilisation and informed expansion by banks which would result in good and sustainable performance. Managers should consider organisational resources, external stakeholders and expansion strategies separately and jointly influence performance. The recommendations made included that organisations should consider the impact of key external stakeholders on the with a view to effectively managing these relationships to ensure sustainable performance. The managers of commercial banks and other commercial entities, borrowing from these findings could enhance the utilisation of resources in their control to enhance the competitiveness of their organisations by appraising their policies accordingly. The small banks particularly, can borrow from these findings and implement productive expansion strategies that match their business philosophies and growth strategies. The regulator CBK can tailor regulatory capital requirements imposed on commercial banks to help banks meet their regulatory capital requirements. The study adds to the steadily growing body of literature in academic circles about the role or resources in driving firm performance and will aid theory building by validating various theories. The additionally demonstrated that resources are a key determinant of firm performance and a source of competitiveness. The overarching conclusion is that resources account for a significant variation of the performance in banks in Kenya. The resource-performance relationship in the Kenyan banking industry is moderated and intervened by external stakeholders and expansion strategies respectively.

CHAPTER ONE

INTRODUCTION

1.1 Background

Firm performance is a core theme in strategic management research seeking to answer questions such as drivers of inter-firm differences, firm behaviours and strategic choice (Porter, 1991). According to the resource based theory (RBT) even in equilibrium, firms exhibit resource and capability variation and consequently in performance (Amit and Schoemaker, 1993). External stakeholders influence the institutional resource contribution which could be increased or eliminated by transformations in the business environment (Levinthal and Myatt, 1994). Expansion strategies confer advantage to firms since bigger firms display enhanced survival rates leading to the conclusion that firm size and institutional survival (Porter, 1985). These variables separately and partially explain performance, an integrated view is likely to give a more complete and solid framework.

The theories chosen to anchor the variables include the RBT, DCT, stakeholder theory and the trade-off theory. The resource based theory (RBT) anchors propositions on organisational resources and contends that firm behaviors depend on resources (Barney, 1991). According to the DCT firm competitiveness is anchored on unique processes, aided by the firm's particulate resource configurations as well as coevolutionary path(s) selected or inherited (Teece et al., 1997). External stakeholder arguments are grounded in the stakeholder theory which proposes that an organization's excellence depends on the manner in which manages the relationships with vital stakeholder groups that have a bearing on its ability to achieve its primary goals (Freeman et al., 2004).

The stakeholder theory establishes the legitimacy and loci of influence of various stakeholders providing partial explanation for the roles of these key players on firm performance but falls short of articulating the joint influence of stakeholders and more so external stakeholders and other key aspects of the organisation such as resources in explaining intra and inter-firm performance variation. Expansion strategies are underpinned by the tradeoff theory which proposes that organisations have to make choices regarding the benefits of reserving retained earnings against the costs of doing so in establishing the an optimal or ideal capital structure (Cheng & Weiss, 2012).

This thesis motivated by the resilience in the performance of the industry given local and global economic challenges; interrogates the role of organisational resources, external stakeholders and expansion strategies on the outstanding performance. The performance has been characterised by year on year growth in profits as well as high profitability ratios as indicated in chapter four of the thesis.

The Kenyan banking industry is among the most mature regionally with significant progress in financial inclusion (88%) the highest in any developing country, mobile money transfer and significant regional presence in East Africa. Kenya is a global case study in financial inclusion, mobile money transfer and other technology innovations and is globally recognised as one of the fastest technology adopters as measured by diffusion of innovations. The industry has grown from 1 million account holders in 1996 to 15.861 million in 2012 and expanded locally through increased branch networks with 111 new branches in 2012 only in addition to increasing use of bank agents. The banks have utilised resources to increase regional presence and access to external stakeholders resulting in the outstanding performance.

1.1.1 Organisational Resources

Resources are essential to the existence, stakeholder management, expansion and performance of organisations. Resources could be inputs in production processes or any other tangible properties that an organization has control over in its operations (Helfat and Peteraf, 2003). Resources could financial, physical, human, or organizational and may be tangible or intangible (Helfat et al. 2007). A firm's competitiveness lies in the efficient utilisation of valuable resources that the firm controls (Wernerfelt, 1984). External stakeholders are defined as those who indirectly affect or have a distant locus of influence on the organisation. They do not closely participate in running the organisation.

Resources can either cause a culture of self-preservation and resistance following radical industry change and a history of successful utilisation it seems plausible for management to discourage change for as long as status quo seems to be working (Kraatz & Zajac, 2001). Most organisations become extinct for repeatedly doing what seems to work at the morning while ignoring environmental change signals to their detriment. Resources can either limit or expand the strategic options relative to competitors, and so represent a powerful source of sustained heterogeneity among firms (Lee, 2003).

According to Conner (1991) up to now the RBT of the firm has mainly focused on how firm's employ or use their existing resources which in turn results in providing partial explanation on the emergence of heterogeneous resource positions. Grant (1991) argues that lasting advantage requires the synergistic coordination of bundles of resources. Configuration of resources and capabilities can influence performance; this study interrogates the joint influence of organisational resources, external stakeholders and expansion strategies on firm performance.

1.1.2 External Stakeholders

Freeman et al. (2004) opine that stakeholders are players who determine the existence and success of a corporate entity. Organisations cannot exist and succeed in isolation, they need to establish and maintain vital coalitions with various internal and external groups in order to retain going concerns status. External stakeholders are those affected by the business in a significant way but are not members of the organisation (Calvert, 1995). For purposes of this thesis internal stakeholders have been modeled as human resources. External stakeholders are important since organisations have little control over them while they yield power that can influence performance.

Stakeholder literature has failed to articulate how external stakeholders interact with firms as well as the extent to which this interaction influences organisational outcomes including performance (Luk et al., 2005). Elements of the stakeholder theory have been used to account for variation in profitability, financing and capital structure (Istaitieh & Rodriguez-Fernandez, 2006). However, the empirical modeling of external stakeholder interaction effects is still scarce. According to (Bandeira-de-Mello et al., 2011) external stakeholders have positive impact on the performance of organisations.

Firms with business interactions with the government and community show superior performance (Bandeira-de-Mello et al., 2011). Stakeholders provide resource inputs that enhance firm expansion (Freeman et al., 2004) but are also final consumers of organisational output which enhances firm performance. Most of the studies on the stakeholder theory have focused on verifying the theory and its direct impact on performance. This thesis interrogates the moderating role of external stakeholders on the resource-performance relationship.

1.1.3 Expansion Strategies

Westerlund and Leminen (2012) define a firm's expansion strategy as the means by which the organization plans to achieve its objective to increase in size, volume and turnover. Extant literature falls short of drawing a clear line between expansion and growth with most scholars using the terms interchangeably (Kuuluvainen, 2011). Groeth may generally be seen as the increase in size stemming from internal operational scope variation while expansion is outward facing increase not just in size but scope and market influence as well.

Expansion is both a means to an end and an end in itself. Firms may employ expansion strategies in a bid to gain access to resources in new geographical regions, to this extent expansion is a means to an end. Businesses may also expand into new markets as a way of deploying the resources they control more effectively and profitably in new markets (Hitt et al., 2006). To this end expansion is an end in itself as firms are seeking to utilise their resources in replicating home advantage in new frontiers rather than accessing resources. Firms employ tangible resources and intangible resources in developing and implementing expansion strategies (Hitt et al., 2006; Barney, 1991).

Expansion strategies are a means to an end (improved performance) but an end in themself (enhanced access to markets and resources) and as such they play an intervening role in the relationship between organisational resources and the performance of commercial entities. Firm performance is an outcome of the interaction between internal factors and players as well as external factors, any framework that seeks to explain performance in isolation fails to capture the synergies of the factors. This thesis interrogated the joint influence of the variables providing a more solid framework.

1.1.4 Firm Performance

The firm according to Coase (1937) is the system or set of boundaries within which market exchange and resource allocation is accomplished. At a broad level, firms may be classified as for profit (private sector commercial entities) and not for profit (public sector) firms. Further, firms may be classified as small, medium or large based on the resources they control, their annual turnover and their structural configuration (Coase, 1937). The study focuses on commercial banks which are for profit organisations or commercial entities. Chow et al. (1994) defined performance as the degree of realisation of organisational goals and objectives.

The balanced scorecard is a broad performance measurement framework which considers additional markers of organisational influence and outcomes such as customers, processes, and organizational learning over and above the traditional financial performance measurement philosophy (Elkington, 1997). Performance measurement now to incorporate measures such as Profit Impact of Market Share (PIMS), the Sustainable Balanced Scorecard (SBSC), Quadruple Bottom-Line (QBL) (Elkington, 1997) and the Sustainable Quadruple Bottom-Line (SQBL). Various frameworks have been advanced to account for firm performance and the variation in firm performance.

These include resources (Helfat et al. 2003; Teece et al., 1997; Marino, 1996), external stakeholders (Bryson, 2004; Freeman et al., 2004) and expansion strategies (Westerlund and Leminen, 2012). Performance boundaries have been extended under the BSC to include external stakeholders (customers) and expansion (learning and growth). This thesis interrogates the joint influence of the conceptual variables seen as key drivers of performance under the BSC, SBSC and QBL.

1.1.5 Analysis of the Linkages of the Key Study Variables

Different resources, resource aggregations and skills have a part in the evolution and development of institutional competences (Prahalad and Hamel, 1990). Collis and Montgomery (2008) see the RBT as a link between institutional capabilities and the external stakeholders. As such, resources are antecedents to performance and a consequence of performance as well (Palmatier, Dant, and Grewal, 2007). Performance may be enhanced by changing resource application from building and strengthening business relationships towards making targeted investments in increasing the effectiveness of the relationship so as to improve the relationship's potential to generate commercial value (Palmatier et al., 2007).

Some studies have shown that it may be worthwhile to utilise resources towards more market capacity and tacit knowledge development efforts in hypercompetitive markets with higher levels of uncertainty and higher returns through expansion (Palmatier et al., 2007). Resources contribute to most organisational outcomes including performance, organisational structure, firm culture, stakeholder management, decisions regarding the choice and mode of entry into new markets and product domains etc.

Resources define the corporate form and structure of an entity, its philosophies and ideologies. For example technology companies will attract technology savvy staff and invest in technology assets. This in turn defines the firm boundaries and external stakeholders that the firm engages with. As such, physical, knowledge and technology assets facilitate management of external stakeholders as firms expand and deploy or seek resources in new territories. How effectively resources are deployed in external stakeholder management and expansion determines how well organisations perform.

1.1.6 The Banking Industry in Kenya

Due to capital and financial markets that are still evolving and maturing, Kenya's financial sector is largely bank-based (Teimet et al., 2011). Structural weaknesses in the industry occasioned by financial liberalization in the 1990s which opened the banking industry to stiff competition weakening financial performance leading to collapse of some banks. Kenyan banks went through tumultuous times in the 80s and 90s due to the effects of the liberalisation which included capital constraints, ballooning of non-performing loans as well as serious governance challenges (Teimet et al., 2011). The 2000's have seen resurgence in the performance of Kenya's banking industry and as a result only two commercial banks were put under statutory management compared to 37 bank-failures between 1986 and 1998.

The industry has maintained above average liquidity (37.0 per cent in 2008/2011 and 39.8 per cent in 2009) compared with the statutory minimum of 20 per cent due to a strong resource base anchored by high deposits (CBK, 2012). The sector is expected to maintain its growth momentum supported by the rollout of full file credit information sharing, efforts to establish the East Africa common market, advances in financial services ICT platforms and constitutional changes that brought devolution (CBK, 2013)

1.2 Research Problem

Efforts by various scholars to explain causes and drivers of inter and intra firm performance throughout the literature review as partially highlighted below yield partial and inconsistent explanations. Research has shown that organisational resources and alliances determine firm's capacity to gain additional technological capabilities (Dussauge et al, 2000). For instance Becker & Gerhart (1996) have demonstrated that

human resources improve efficiency and contribute to revenue growth. Separately Bergh et al. (2010) argue that brand assets reduce transaction costs with external stakeholders. Dussauge et al. interrogate resources from a technological and alliance formation conceptual standpoint while Becker & Gerhart interrogate human resources in isolation. With regard to external stakeholders Farrell (2005) argues that understanding customer needs and wants and providing them with high-quality products is key to the company's success while Bryson (2004) established that failure to attend to the concerns of stakeholders leads to poor performance or firm failure. These studies focus on customers only while this study considers the entire spectrum of external stakeholders.

Diversification can lead to preferential access to strategic resources and in the process contribute towards enhanced performance (Markides & Williamson, 1996) while new product development enhances expansion among multiproduct firms (Cucculelli & Ermini, 2012). Hitt et al. (2006) established a positive correlation between resources, expansion through internationalization and performance. None of the studies reviewed considered expansion strategies as a whole. This study addresses these gaps by establishing the joint influence of the conceptual variables on firm performance.

Against a background of poor global performance by financial institutions due to the 2007/2008 financial crisis, the Eurozone crisis and the weak shilling, Kenyan banks have sustained strong balance sheets and high profits. According to Mwega (2009) there were 37 bank-failures between 1986 and 1998 while only two banks have gone into receivership since then. The study is motivated by the resilient performance of the banking industry in recent years. Olweny and Sipho (2011) found that factors specific to commercial banks rather than market factors significantly influence profitability.

Kolapo and Adaramola (2012) used co-integration and error correction modeling of secondary time series data and found that credit risk impact on bank performance was similar across banks in Nigeria. Ongore and Kusa (2013) utilised exploratory study based on secondary data collected from published accounts and established that bank specific factors significantly affect the performance of the Kenyan banking industry. The choice of primary data addresses the gap of data relevance occasioned by use of secondary data while regression analysis helps in establishing relationships between the variables.

The study, in Kenya addresses the contextual gap by studies in different countries. Otuori (2013) found that higher interest rates lead to higher profitability in commercial banks in Kenya. Kumbirai and Webb (2010) found that overall bank performance increased considerably in the first two years of the analysis but the global financial crisis resulted in poor performance in the South African Banking sector. The synthesis of literature has established that there are conceptual linkages between the resources, external stakeholders, expansions strategies and resources. However, the joint influence is yet to be clearly articulated, defined, interrogated and integrated.

The empirical studies have returned conflicting results on varying operational bases and methodologies. The studies have been predominantly carried out in developed nations. Studies conducted in Kenya utilised secondary time series data and focused on financial performance only. The study sought to address the gaps by interrogating the joint influence of the variables on the performance commercial banks in Kenya and seeks to answer the question: What is the influence of expansion strategies and external stakeholders on the resources-performance relationship in Kenyan commercial banks?

1.3 Research Objectives

The general objective of the study was to establish the joint influence of organisational resources, external stakeholders and expansion strategies on the performance of commercial banks in Kenya. The specific objectives were:

i. To interrogate the linkages between organisational resources and firm performance
ii. To assess the influence of external stakeholders on the relationship between organisational resources and firm performance
iii. To explore the influence of expansion strategies on the relationship between organisational resources and firm performance
iv. To determine the joint influence of organisational resources, expansion strategies and external stakeholders on firm performance

1.4 Value of the Study

The study set out to determine the determinants of performance and causal factors for the variation in the performance of the banking industry in Kenya. The outcomes of the study highlighted the factors that affect organisational performance and the mechanisms through which they influence the critical organisational outcomes. For instance the study validated the proposition of the existence of a strong relationship between organisational resources and firm performance. Managers of commercial banks and other organisations will make informed efforts towards to focusing strategic efforts to the key performance drivers in order to improve performance. Detailed findings and their implications on practice is discussed extensively in chapter 6. External stakeholders are among the key variables of the study and these have been operationalized to include the regulator.

The study therefore established the effects of the regulatory environment and policy pronouncements on the performance of the banking industry in Kenya. The results indicated that external stakeholders have a significant effect on the resources-performance linkage. Based on the findings, policy recommendations that will foster a productive and resilient banking industry in Kenya were made. This will aid enactment of policies and laws that will in the long-run strengthen the industry against policy failures and enhance the performance of individual commercial banks.

Detailed discussions of the implications of the findings are contained in section 6.4. From a conceptual standpoint, the study contributed to the increasing knowledge on the causes of variation in firm performance by articulating the joint influence of the selected variables on firm performance. This will appraise existing theories by validating for example the RBT, based on research findings, and encourage further research to validate these theories. Particularly, the study proposes modifications to the stakeholder theory that shareholders who do not play an operational or managerial role in the business can be classified as external rather than internal stakeholders.

This helps advance strategic management, which is still in the pre-paradigmatic stages, towards a concrete theory and framework of strategic management. The study empirically verified the resource based theory (RBT), dynamic capabilities theory (DCT), and the tradeoff theory which are yet to be fully empirically validated. Based on the empirical findings of the study, we made the proposition that the RBT should be ratified as a concrete theory of strategic management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter presents conceptual and empirical literature along the themes of the study. The chapter begins with an overview of the theoretical underpinnings of the study highlighting the key theoretical perspectives. It then presents a detailed critique of the main study variables along the main lines of conceptualization and in tandem with the conceptual hypotheses. The review of literature highlights conceptual and empirical linkages between the predictor variables and the independent variable and makes incremental propositions with regard to their influence.

2.2 Theoretical Foundation

The core proposition of the resource based theory is the notion that firms compete based on resources and capabilities they possess (Barney, 1991). The RBT (Penrose, 1959; Barney, 1991) proposes that resources and skills controlled through ownership or other contractual arrangements can lead to competitiveness of firms when deployed in such a way that they lead to development and implementation of unique value-creating strategies. Value creating resources will give the controlling firm competitive advantage for as long as they are scarce, specialized, appropriable (Amit and Schoemaker, 1993), valuable, rare, inimitable or unsubstitutable (Barney, 1991). Organisations need resources to function and cannot exist in the absence of resources; the RBT provides a framework for defining the organisation's identity, purpose and mission.

The RBT provides a good basis for determining and measuring firm performance. The RBT is thus at the heart of organisational identity, strategy formulation and ultimately performance providing solid anchorage for this thesis. According to Priem and Butler (2001) the valuable, rare, inimitable, non-substitutable characteristics mentioned are individually necessary, but not sufficient conditions for sustainable competitive advantage. Within the framework of the RBT, it is important to articulate how resources and their linkages with other variables are a source CA. The thesis addressed this by interrogating performance differences from an efficient utilisation of resources perspective arguing that performance differences stem from efficient utilisation rather than aspects like rarity and inimitability.

Stakeholder theory is a management theory philosophy in the field of organizational strategy and ethics (Freeman et al, 2004). It is a bridge between academic theorization, institutional relations and actions and societal expectations of corporate entities. The stakeholder perspective postulates that organisational success depends on how well it manages the relationships with primary players such as customers, employees, suppliers, communities and others who directly affect the realization of corporate goals.

The traditional ST by Freeman (1984) argues that corporations should implement programs which only satisfy those who are closely affected by the organisation's activities. Just like in a supply or value chain process, success in managing stakeholders is closely associated to effectively integrating and providing oversight on relationships with primary interest groups in such a manner that guarantees long-term competitiveness and success. The stakeholder theory calls on managers to participate in creating, balancing, directing, harnessing and terminating the set of relationships that are critical

and essential to the realisation of cgoals (Freeman and Philips, 2002). Key (1999) criticised the stakeholder theory arguing that it is too generic, lacks specific focus which limits scientific hypothesisation in a way that allows scientific enquiry and investigation or validation.

He takes the position that the current conceptualizations of this theory do not meet the requirements of scientific theory (Key, 1999). The current framework of the ST fails to operationally distinguish internal and external stakeholders except for giving contrasting classifications of either. The ST falls short of providing specific guidance and direction upon which corporate governance decisions would be founded. This criticism may be biased given that the theory holds sacrosanct thee notion that all players affected by an organisation's activities should be managed well. Providing specific guidance on how this can or should be done is purely a managerial function tailored to a firm's philosophy.

The tradeoff theory posits that entities trade off the benefits and costs of retaining earnings in establishing optimal capital levels (Cheng & Weiss, 2012). Neither has the influence of these theories on performance been articulated nor have they been integrated with other prominent theories in strategic management. For instance, capabilities are internal assets as well as tools that help manage external boundary relationships (stakeholders) by reducing information asymmetry and transaction costs.

2.3 Organisational Resources and Firm Performance

The RBT is platform for operationalisation of tangible and intangible assets and identifying how they can be combined and configured for lasting advantage. It explains how reputation assets lead to market prominence which in turn influences performance (Rumelt, 1991). As such reputation built on a firm's tangible and intangible assets is part of a chain of integrated relationships that create unique value and position for an entity in its industry. This unique value proposition is what the market is willing and able to pay a premium for resulting in enhanced firm performance.

Barney (1991) argues that resources can be used as raw materials and tools in the production process or could be intangible knowledge and process assets that enhance the conversion process (Miller and Shamsie, 1996). Process, information and knowledge assets are the primary foundation for creating irreplicable value that confers sustainable competitive advantage upon firms, because they are not easy to identify, separate and imitate (causal ambiguity), as such they are a foundation for continuous differentiation (McEvily and Chakravarthy, 2002), which enables them to anchor the firm's ability to be innovative and enhance performance (McGrath et al., 1996).

Structure creates the framework through which resource acquisition, bundling and deployment are executed. A direct causal linkage model of RBT associates resources and performance directly whereas the knowledge and efficient resource utilisation approach attributes SCA to resource bundling and process efficiency. Over the years significant empirical research on the influence or organisational assets and other resources on firm performance have been inconsistent (Liang et al., 2010).

This apparent inconsistency is premised on the notion that resources on their own cannot result in lasting competitive advantage which has been empirically tested in a sample of studies that we highlight here. According to Weill (1992) high investment in ICT can lead to high firm performance. Grant's framework highlights resources and capabilities not only as drivers of performance but also a source of sustainable competitive advantage based on the premise that resources are a foundation for strategy formulation, a source of direction and a basis for corporate profitability (Grant, 1991).

A firm's propensity return profit earnings in excess of the market's cost of capital is determined by industry attractiveness and ability to create lasting competitive advantage over peer firms and other industry rivals. Cost advantage which is a necessary condition for good performance is partly dependent on the possession of scale-efficient facilities, superior process design, unique technological support, and access to sufficient low-cost raw materials and labour. According to Ansoff (1965) competitive strategy requires the alignment of an organisation's strategic intents and actions with external environmental dictates as well as an internal resource appraisal.

Alignment is a core element of strategic success as it not only enhances internal efficiency and internal process to external environment matching but ultimately informs resource seeking and deployment behaviours which are the heart of firm competitiveness. Successful strategy iimplementation is anchored on aligning systems and processes, coupling and matching resources, and coordinating decisions within the firm (Kaplan, 2005).

In order to gain and sustain long-term competitive advantage firms must be in a position to gain access and control resources and deploy these resources that must coherent with the organization's competitive needs as well as profit appetite and institutional philosophies (Porter, 1996). Various scholars in the field of strategic management have emphasised the material role strategic positioning plays in informing the choice between cost and differentiation strategy as well as market scope.

Both Grant and Barney (1991) established that the resource endowment of firm's fundamentally informs these choices. Differently expressed business strategy should be viewed more as pursuit of Ricardian rents which may be defined as the returns to the resources which confer competitiveness above the industry costs of the resources and less as a quest for monopoly rents which can be defined as the returns to market power. In turbulent and constantly morphing environments the optimal level of strategic consistency is exemplified by incrementally changing action patterns which build a repertoire of competitive actions and the grounding capabilities which pave the way for a new strategic direction (Lamberg et al., 2005).

Barney (1991) sees three types of resources as conferring strategic competitiveness to firms. These resources are physical resources, organizational resources, and human resources. According to the RBT; physical capital resources of a firm includes things like plant, equipment, and finances. The RBT of strategic management has increased in relevance and applicability as a basis for explaining sustainable competitive advantage and inter-firm performance differences revealed by efficiency in resource utilization (Peteraf, 1993; Grant, 1991; Rumelt et al., 1991).

Rumelt et al. (1991) found that the systematic identification of quality assets and the efficient deployment of the so identified assets leads to creation of specialized resources which enable organisations to establish cash promising market situations as well as entering into contracts that have the potential to help in optimally utilizing, maintaining, and extending these resources. Efficiency is also founded in the attribute of resource heterogeneity and dissimilarity as the value creation power of resource bundles differs across firms (Rumelt et al., 1991).

The efficiency of resource utilisation together with other attributes that confer sustainable competitive advantage on firms are path dependent and should result in or be complemented by capabilities. Capabilities are complementary resources and resource attributes which act as transitory goods in helping firms attain and sustain CA (Amit and Schoemaker 1993). It is these resource positions and configurations rather than the resources themselves that are the source of causal ambiguity and sustained competitive advantage. This process of bundling and reconfiguring resources is key to internal efficiency and is a primary source of internal competitiveness which is a precursor to external competitiveness.

Historically firms tend to pursue market and process trajectories or paths of competence development that have in the past resulted in positive outcomes. They strategy is to walk down the same road or a road similar to the one that led to success in the past. The path will more often than not be potent with a series of options open to the firm today that present a competitive value proposition as well as defining interaction boundaries for probable future internal repertoire.

This subtly, deliberately or otherwise forces firms into long-term, pseudo-irreversible undertakings to certain areas of competitive engagement (Teece, Pisano & Shuen, 1997) which in the long-term define and determine their CA. There is a close linkage between human resources, knowledge management, organisational learning and organisational capabilities. Development of organisational capabilities is dependent on individual and organisational learning. Nonaka (1994) associates organisational capabilities and competence to their willingness and ability to acquire, process, refine and embed the knowledge in internal operations as well as external engagement.

Defining strategy as the process of successfully matching internal resources and capabilities to external environmental opportunities in a way that optimizes the risk-return equation, then successful strategy implementation of the strategy is incumbent upon the organisation's capabilities. This calls for a deliberate investment in process that enhance not just incubation of these competences and capabilities to match these strategies through transformative capacity (Windeknecht et al., 2005).

Transformative capacity may be defined as the capacity to efficiently select requisite and relevant technologies, refine and enhance them over time for conversion of inputs into outputs, and reactivating them as and when the need for their utilisation arises. Senge (1990) argued that organizations of the future with a focus on excellence had just but one challenge, the ability to enlist, tap, develop and deploy human resource capability through organisational learning with focus on creating unique, inimitable knowledge assets (Senge, 1990). Performance measurement and monitoring is one of the organisational processes that critically depend on information flows.

Capabilities have been found to play a role in competitive dynamics and response strategies. The coupling of resources, processes and experience results in unique organisational configurations which result in institutional learning and memory without which firms may have difficulty in interpreting the current competitive situation and determining the most appropriate, cost effective and efficient strategic responses to environmental changes (Teece, Pisano & Shuen, 1997).

Over time, norms and practices that inform operational business conduct are encoded in in either formal processes or informal rules governing the conduct of organisational affairs that eventually become difficult, if not impossible, to separate and explain. Sackmann (1992) argues that organisational culture partly stems from need or task specific capacity development interventions. This view of organisational culture resonates with Grant's (1991) definition of a resource. Lack of common organisational culture underlying operational and learning negatively influence an entity's ability to realize its vision and mission due to lack of a common language to appraise decision making, operational engagement and ultimately strategic forecasting (Schein, 1992).

Organisational culture and organisational learning are coupled and complementary since learning shapes culture and culture informs learning. Culture is developed through repeated processes and embedded organisational norms; however, leadership is essential in actuating the performance attributes of institutional culture. Berrio (1999) set out to test and validate the applicability of the competing values framework in public universities with the aim of understanding the most practical approach to achieving Senge's (1990) objective of establishing an effective learning organization.

His study established that an organisation-wide clan culture that supported learning and information growth was absolutely essential. The 21st century strategic management paradigm places great emphasis on human resource management as a source of competitive advantage. Cameron and Quinn (1999) found a lot of support for a relationship between how accurately individuals describe the cultures. To summarise this discussions we argue that organisations cannot exist in the absence of resources.

Even a one man consultancy business will have the proprietor as a key resource supported other basic tangible tools of trade and skills. Resources offer a basis for firms to define their identity, are a foundation for strategy formulation, a source of direction, a basis for corporate profitability, a means to defend a firm against competitive attacks. As organisations grow, intangible assets become embedded in the tangible (including human) resources through processes that eventually translate into organisational culture. Organisation culture and organisational learning play a coupling role and are antecedents of organisational capabilities.

The review of both empirical and conceptual literature highlights the value of capabilities in attaining and maintaining sustainable competitive advantage. This is because capabilities enable firms to coordinate and control resources efficiently and effectively. Technology and culture based studies have tended to place little value on the role of tangible resources in attaining and sustaining CA. However, most successful organisations have extensive tangible resources. Certain resource intensive industries such as the airline and manufacturing industries succeed due to heavy resource bases. Efficient utilisation of internal organisational resources leads to internal competitiveness which is the primary level of competitiveness.

This can be likened to Adam Smith's production exchange observation that companies that faced steep competition at home tend to excel more internationally, that is internal competitiveness forms a platform for external competitiveness. Internal resource value is enhanced through learning and development that translate to new capabilities and knowledge. The total internal value of tangible and intangible assets is the foundation of internal competitiveness. This proposition which is founded on evidence from literature is the basis and focus of our first conceptual hypothesis, H1.

Resources will be productive and generate above average rents if and only if the organisation holds value appropriating capabilities for the particular resource set that facilitate efficient resource utilisation. Varying resources affect how organisations develop and implement strategies; they also influence organisation structure and strategic choices adopted by organisations.

2.4 Organisational Resources, External Stakeholders and Firm Performance

The RBT explains the ability to deliver SCA from an external stakeholder management perspective. The RBT presents the argument that resources can be so managed that organisational outcomes cannot be imitated by rivals a process which would ultimately create a competitive barrier that ensures market dominance and above average returns on investment (Mahoney and Pandian, 1992). A firm can attain SCA through unique resources in its control. Barney (1991) defines four attributes of an organization's resources that would provide the potential for a sustainable competitive advantage.

Strong reputations (brand assets) reduce transaction costs associated with the search and selection of partners, negotiation and enforcing of contracts (Bergh et al., 2010) and are a key source of external stakeholder satisfaction and performance enhancement. Resources value can also be established, embedded and actualized through causal ambiguity. Causal ambiguity is more likely to emerge in the event that the resource bundles are socially complex, not individually identifiable or knowledge based since such resources are more likely to be particular to the firm in which it resides (Peteraf, 1993).

Consequently and in tandem with Miller and Ross (2003) we make the proposition that imperfect imitability by rivals has an intra-firm correlate which is imperfect replicability. This proposition has a value limiting feature, which is if inimitability of resources and capabilities is the source of sustainable competitive advantage and then even within the firm replication or imitation of the said resources may not be possible. Two challenges then emerge from this situation. The first is that sustainable competitive advantage may be embedded in inimitable resource-capability combinations but these may over time fade away due to imperfect replicability.

Secondly, it may not be possible for the firm to successfully replicate its successes in new market and product domains which in turn will limit expansion strategies and erode the sustainable competitive advantage earlier attained. Simply put, should sustainable competitive advantage be embedded in organisational resources, it cannot be anchored on inimitability. This is because inimitability may limit the firm from replicating its own successes, this, in the long run will result in competitive disadvantage. It is therefore quintessential for firms to put a finger to their capability drivers.

We argue then, consistent with our initial value appropriation proposition that continued above average efficiency in resource utilisation is the primary source of internal competitiveness and SCA. This is because internal efficiency forms an initial boundary condition for external competitiveness. Further, it is easier to replicate internal process successes over time through knowledge and capability building than it is for competitors to imitate successfully. The efficient utilisation of resources in value creating ways explains why some resource rich entities fail to secure competitive advantage while some resource scarce entities perform better under similar environmental conditions.

We further contend that resource value appropriation is a territorial or circumstantial attribute. The initial value created through internal efficiency can be maximized for a given set of external stakeholder relationships. Internal value should be actualized in meeting organisational objectives by addressing certain external stakeholder needs that eventually influence the performance. The signaling theory and the transaction cost economics theory cement this boundary relationship by explaining how resources help bridge the information asymmetry gap between external stakeholders and the firm.

To unlock the potential explanatory power that these complementary perspectives offer, scholars suggest that the theories should be integrated. The action-based process model of CA offered by Grimm et al. (2006) proposes that actions would likely mediate the relationship between resources and performance. Peteraf and Bergen (2003) established that resource value is appropriated and enhanced through their deployment in market domains in ways that generate customer value. This recent paradigm of the RBT resonates with the efficient resource utilisation proposition we made earlier on in this section while creating vital linkages to external stakeholders.

The efficient resource utilisation model further elucidated our conceptual understanding of the linkages between resources, actions, and performance. The most productive and relevant thesis of the resource based theory that is yet to be explored extensively in academic research is that efficient resource deployment and utilisation is as important as control of the resource (Hansen, Perry and Reese, 2004). This explains performance differences between industry peers with similar resource endowments. Resources can be used by firms as signalers of the firm's health and as tools for stakeholder management.

Primarily, resources determine the strategic options available to the firm in responding to competitive pressure and managing strategic change processes such as expansion. The proposition is that the current resource base shapes the menu of strategic options available to a firm. Managers can use resources to deter rivals and manage competitors in a way that fosters co-operation. This study takes a proposition consistent with these criticisms against the causal ambiguity school. Organisations do not succeed due to unknown resource contributions; otherwise Senge's (1990) work on organisational learning, Nonaka's (1994/95) proposition on knowledge management and Teece et al.'s

(1997) dynamic capabilities would be of no effect. Brands frequently use extensions to other product categories to leverage their current customer base and parent brand image (Aaker & Keller, 1990). Brand assets play a key role in establishing and protecting the relationship between external stakeholders, primarily customers, and the firm.

Beyond brand assets, information systems play a critical role in organisational performance directly through instituting and increasing the effectiveness of internal controls as well as increasing internal efficiency and effectiveness of external stakeholder management. Two types of software have been linked to organisational performance improvement; ERPs and E-procurement systems. As final consumers of organisational output, external stakeholders can influence a firm's performance through social responsiveness or active participation in the firm's activities (Wood & Jones, 1995).

External stakeholder effects include the regulatory environment and the spillover macroeconomic effects. Country effects, regulatory and macroeconomic effects and conditions contribute in development and decomposition of firm resources and capabilities. Regulation and supervision are complementary functions whose key objectives are to protect depositors, in the case of regulated deposit taking entities, and safeguard the safety and soundness of individual institutions and that of the financial system (Chavez & Gonzalez-Vega, 1994). Value is created and enhanced through process efficiencies within the organisation initially but as management begins to consider the firm's boundary conditions, external stakeholders are likely to yield further value. Based on the literature in this section and the primary relationship in H1, we make a secondary value appropriation proposition.

That in the presence of external stakeholders, appropriation of resource bundles and capabilities is greater than the internal resource value appropriation in the absence of external stakeholders. To illustrate this linkage between resources, external stakeholders and performance we discuss how monopolies and market dominant forms emerge over time. Monopolies arise out of preferential access to resources such as crude oil, gold, land or preferential access to supply chains and markets courtesy of regulation such as electricity supply companies and other state corporations. For these institutions to ascend to monopoly status they must leverage internal resources efficiently enough to serve mega markets.

This preferential access is granted via external stakeholder influence particularly government legislation and is protected by the lack of competition from external stakeholders. Secondly, global dominance can be achieved through possession of valuable and marketable resources/products/services, preferential access to supply chains and first mover advantages. Microsoft gained preferential access to supply chains through an early mover advantage in the operating system business earning it above average returns. With time this global dominance in operating systems has seen Microsoft spread software competencies into the now lucrative smartphone OS market.

The idea is that after internal efficiency confers internal competitiveness to firms, it gives a firm external competitiveness compared to peer firms. This is a necessary but not sufficient condition for territorial competitiveness and superior performance. An appropriate set of external stakeholder relationships help a firm attain territorial competitiveness.

2.5 Organisational Resources, Expansion Strategies and Firm Performance

Two criteria constitute a necessary and sufficient condition for organisations to excel and outperform peers and rivals alike. The first is that firms have to select, refine, combine and appropriate resources internally in such a way that ensures internal competitiveness. Secondly, firms have to scan their external environment for opportunities and deploy their internal capability resources to exploit these opportunities while simultaneously mitigating the attendant threats that manifest in the form of business risks. For organisations to compete effectively, they need to expand into new territories and product domains to gain access to new suppliers and clients as well (George, 2005.

This thesis proposes that after firms achieve optimal efficiency in resource utilisation and deploying them to effectively manage external stakeholders two likely scenarios can emerge. The organisations will be very successful at home and amass sufficient resources and capabilities that they can effectively deploy in competing regionally and globally. As a result these firms will expand regionally and globally and into new products either to stretch their success record globally or to protect their home advantage. In expanding regionally and globally and into new products, these firms gain access to complementary resources domiciled within these new territories leading to greater heterogeneity and complementarity enhancing regional and global competitiveness.

This is an initial explanation of resources, expansion strategies and performance. Conversely, after internal efficiency is attained firms may fail to deploy their internal competitiveness effectively within territorial markets. This could result from either excessive competition, late market entry, an environmental-capability mismatch which makes it difficult for organisations to meet current external stakeholder needs.

This may force management to consider deploying the internal competitiveness in new products and markets through expansion strategies. The long-term strategy may either be to become successful in the new domains as a platform for gaining sufficient financial and other resources to come and dominate the current markets or total divesture in the long run. These organisations cannot divest from the failing market due to lack of a fall back plan and uncertainty in the new ventures. Finally, expansion strategies may be thought of response strategies for companies caught between success and failure (problem child).

Resources and capabilities are the main tools which the organisation uses in decoding the complex web of relationships in managing international expansion and managing the increasing number of stakeholders and the emergent relationships. Lawrence and Lorsch (1967) established that the business environment plays a key role in setting the strategic direction and tone leading to emergence of ccontingency theory of the firm that organisations headlining the goodness of fit with the various environmental contingencies and the predispositions of members.

Hence it is plausible to conclude that resources gain enhanced value relative to rivals after internal value appropriation within matching or optimal utility markets, its performance is enhanced. Intangible resources and capabilities and particularly intellectual capital are seen as vital in this process. Through this dual internal and external role, slack influences performance. Resources and expansion strategies can be integrated through a co-alignment process to enhance firm performance. Young firms may be particularly vulnerable to the quantity of their resource endowments.

Excess resources permit investments in developing capabilities to overcome the liabilities of newness in start-ups, thereby increasing the probability of survival (Hannan, 1998). Slack resources allow firms to adapt to complex competitive landscapes; this increases their survival chances and enhances their performance (Levinthal, 1997). Slack can be accumulated by firms over time due to success that enables them to enhance process efficiency, develop new capabilities, accumulate large reserves and invest considerably in tangible and intangible resources.

The presence of adequate or excess resource endowments provides the flexibility for a firm to decide on a course of action when trying to adapt to its environment (Thompson, 1967). Firms should evaluate their boundary conditions and seek an appropriate balance between internal resource endowments and expansion opportunities. Expansion strategies include growing existing operations, restructuring, franchising, strategic alliances, mergers and acquisitions. New product development expansion strategies are associated with the development and renewal of firm-level capabilities and not only to the expansion of a firm's product portfolio (Kuuluvainen, 2011).

Resources and capabilities not only exert effects beyond the boundaries of the firm but require these boundaries to remain relevant. Diversification (of products and markets) is a key expansion strategy that gives rise to a wide scope of products and geographical locations that organisations contend with. Capacity growth (internal increase in size) as well as external scope expansion into new product and market domains has the strategic benefit of either creating new shareholder wealth or developing conduits through which increase in shareholder wealth can be realized by securing above market returns on investment, supply chain colonization as well as industry and market dominance.

This process also results in the emergence, cementing and capitalizing on core competencies that result in subsumable competitiveness. This is how gone global corporations secure and sustain global dominance even in hard to venture and compete markets where chances of success are minimal and non-economically feasible.

We have argued that for firms to survive any market, they need a degree of internal competitiveness conferred either by process efficiency or unique product offering. Depending on initial boundary conditions firms may succeed at home and develop capacity for regionalisation/internationalisation resulting in expansion. Conversely, territorial resource mismatch could see competitive firms struggling in their current markets forcing them to expand into new product or geographical domains.

Expansion strategies give firms an opportunity to deploy extant resources in either new ways (product expansion) or new places (new markets, regional, global). The application of resources in new products and markets enhances the total value appropriation of these resources which in turn enables the firm's to develop or invest in new resource bundles resulting in global competitiveness. This global competitiveness enables gone-global firms to effectively manage new stakeholder frontier needs in a way that makes success a cyclical affair. This section makes the proposition that the resource-performance relationship is optimized for certain resource-product-geographical boundaries and seeks to establish the intervening role of product and geographical expansion strategies on the resource-performance relationship by testing hypothesis H3 (The relationship between organisational resources and performance of commercial banks in Kenya is intervened by expansion strategies). Expansion strategies as discussed above can take various approaches and entail different capital injections with varying turnaround times.

Where a company adopts a capital intensive expansion strategy that involves setting up new operations from scratch, the expansion strategies may initially depress financial performance before the operations become profitable. If the expansion involves an acquisition of a profitable operation say on credit then the effect on financial performance may be neutral as or even improved as the profits from the business will adequately cover the principal and interest payments while the acquired asset offsets the loan liability in the balance sheet. Expansion strategies should positively influence performance in the long run regardless of the expansion model adopted. As such well-crafted and executed expansion strategies are a long-term necessary and sufficient condition for sustainable competitive advantage.

2.6 Organisational Resources, External Stakeholders, Expansion Strategies and Firm Performance

Over the last two decades RBT has emerged as a very popular theoretical perspective for explaining performance (Newbert, 2007). Resources are the foundation upon which the dreams and aspirations embodied by the owners and managers of businesses are built. Great ideas sale for much, but are not worth much without resources creating formal structures through which these ideas are incubated, bred, natured and offered to markets that are willing and able to trade in them. For the value of tangible assets to be maximized firms have to invest in intangible assets, new geographical and market domains in order to access new stakeholders and resources but ultimately leverage capabilities in creating optimal resource, external stakeholder and expansion boundaries.

Growth is a desirable organisational outcome but it must be benchmarked against the organisation's philosophy, strategy and objectives (Peng et al., 2005). An equilibrium point has to be struck between the resource, including management and institutional capabilities, the growth appetite, profit appetite and the legal and framework against which such growth is planned. Otherwise organisations are likely to find themselves stretched out too thin and in the process of trying to redeem themselves reputational hazards occasioned by unethical business practices which could lead to the demise of the organisation (Peng et al., 2005).

Enron is a good case in point where ambitious growth was in disharmony with the resource, capability, legal and ethical environment. . Firms have to evaluate internal resources and processes and their ability to continue to conduct all activities effectively to serve external stakeholders including those in new markets.

The value chain changes due to expansion, regardless of the expansion mode adopted by organisation, call for closer attention to managing stakeholder needs, relationships and coalition interests. The optimal product and geographical expansion strategies have to be well aligned with the firm resources (including ideologies and objectives), and external stakeholders must be aligned with the expansion strategies. The interaction between a firm and its environment is a situational issue with the firm's critical outcomes such as performance being highly contingent on a set of internal (resources and capabilities) as well as external (stakeholders, industry, market) factors.

Dynamic capabilities are path dependent implying that a series of deliberate and emergent situations enable firms to develop unique processes and intangible assets that confer long term competitive advantage. These could enable the firms to produce at a lower cost making a cost focus strategy possible and likely. Resources and capabilities are appropriated and exploited through structural dynamics. Capabilities are contingent and path dependent and so is structure which can act as a complementary resource. The current paradigm in RBT confers CA creating value in combinations of products, processes, knowledge-assets and capabilities.

All these are path dependent and unless organisations can replicate these path dependencies (which is very difficult), then it is impossible to copy competitiveness. Organizational capital resources consist of a firm's structures, planning, coordinating, controlling, systems. (Yilmaz-Genc, 2014). Organisational structures form a basis for development and deployment of resources and capabilities. They act as conduits for incubating and curing competitiveness uniquely. Managerial resources can be deployed through a centralized hierarchy or through a flatter structure.

As firms contemplate their expansion strategies, they must make appropriate decisions regarding the most appropriate organisational structure that would ensure successful expansion. Rural financial intermediation is expensive because of the spatial distribution of clients, numerous and sometimes scarce low value financial transactions, low unstable incomes and a general unwillingness to trust financial intermediaries (Schrieder, 2000). The arrival of MMT service in Africa (Kenya in particular) has significantly altered the status quo by resolving the constraints low income earners face in accessing finances through transaction cost reduction.

It has also resulted in access to financial inclusion of hitherto low income earners by reducing the costs of accessing remitted funds or depositing small savings. MMT is a platform for strategic expansion by commercial banks to the low value high volume transaction segment profitably (Demombynes and Thegeya, 2012). According to them information systems play a critical role in the current banking system as the entire cash flows of most banks are linked to information systems including e-banking modules. As such, technology assets and resources play a critical role in reducing business transactions costs which in turn affects the bottom-line.

Electronic money (e-money) payment systems: smart cards and software-based products for Internet payments have gained prominence and momentum in the recent past. E-banking leads to higher profits though in long-term but not in short-term due to high ICT investment cost. Aduda and Kingoo (2013) investigated the relationship between investment in e-banking measured by the number of ATMS and debits cards issued and performance measured by return on assets. Secondary data was collected from annual reports of target banks and CBK.

Business entities exist primarily to serve given customer needs and business segments. Customers consume a company's products and are the main source of business legitimacy and profitably. To meet increasing customer demands, firms need financial resources to invest in new products and services as well as sales and marketing. As the customer engages in more such activities and develops more relationships with its supplier, the level of involvement will increase. Based on this understanding organisations are developing integrated strategic ICT customer relationship models to maximize returns.

According to CBK (2012) the number of customers being served by a bank employee has increased with banks leveraging on technology in offering banking services. This is evidenced by the ratio of customer deposit accounts to employee which shows that in 2011, one employee used to serve an average of 474 customers while in 2012 the same employee was serving 502 customers. Ongore and Kusa (2013) found that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions. Resource configurations are the foundation for firm flexibility and capability to respond to such changes and are thus at the heart of organisational survival.

High competitive pressure reduces industry profitability and attractiveness which affect individual firm performance and ultimately inform expansion strategies and eventual divesture from certain markets. These internal resources and capabilities form the firm's initial value offering to the external stakeholders. External stakeholders form the initial external boundary for value appropriation of resources through letigitimising the firm's existence, business support, competition and collaboration.

The total resource value is higher due to this boundary appropriation value of external stakeholders as elaborated in preceding sections. Within a limited product range or a limited geographical domain this competitive advantage will be subject to natural inelasticies and diminishing returns to scale. As the company enjoys success within a given product range or geographical domain the profitability of these domains will reduce as the marketable space either shrinks or attracts new participants and saturates. Domain misfit could initially manifest through poor territorial competitiveness with a long-term risk of rapid deterioration of resources, capabilities and CA.

To ensure SCA, firms have to employ expansion strategies as a means to either deploy or seek capabilities in new markets and products. These new markets could offer a more perfect fit enabling them to extend territorial competitiveness to new frontiers, to go global or to protect home tuffs. Based on the preceding discussions we conclude that the value appropriation of resources is maximized when resources are deployed not only in consideration of the immediate external stakeholders but also when firms, through expansion, deploy their resources in product and geographical niches that deliver optimal fit. The total value appropriation of firm resources is maximized for the best fit of internal resource efficiency, external stakeholder boundary conditions and ultimately the right product and market domains or domain combinations.

The final proposition is that efficient utilisation of organisational resources, appropriate external stakeholder boundary conditions and properly executed expansion strategies constitute necessary and sufficient conditions for global competitiveness, good performance and ultimately sustainable competitive advantage.

2.7 Knowledge Gaps

Table 2.1 summarizes the gaps identified in the review and synthesis of literature. The variables presented in the model have been extensively studied; none of the studies investigated the relationship between resources and performance using expansion strategies as an intervening variable and external stakeholders as a moderating variable.

Table 2.1: Knowledge Gaps

Author/ Researcher	Focus	Methodology	Findings	Knowledge Gap (s)
Ongore and Kusa (2013)	Determinants of financial performance in Kenyan commercial banks	Exploratory study based on secondary data collected from published accounts	Bank specific factors significantly affect the performance of commercial banks in Kenya, except for the liquidity variable. The global influence of macroeconomic variables was inconclusive at 5% confidence level.	The study focused on firm specific attributes and their influence on financial performance. Failed to consider expansion strategies and external stakeholders
Otuori (2013)	Influence of exchange rate determinants on the performance of commercial banks in Kenya	Descriptive design using primary data collected via self-administered questionnaires	Interest rate and external debt had positive and significant effects on performance while inflation rate and external debt had negative and significant effects on performance	Otuori's study focused on exchange rate determinants while the current study considered resources, external stakeholders and expansion strategies

Table 2.1 Continued…

Author/ Researcher	Focus	Methodology	Findings	Knowledge Gap (s)
Cucculelli and Ermini, (2012)	The effect of New product introduction and product tenure on firm growth	Cross-sectional survey utilizing primary and secondary data	New product launch increases growth in multiproduct firms. New product designs and launches increases growth of firms that are highly commited to R & D	Their study's dependent variable is growth while ours is performance. Their independent variable is product, ours is resources
Kolapo & Adaramola (2012)	The Impact of Capital Market on Economic Growth	Co-integration and error correction modeling of secondary time series data	There exists a strong positive correlation between core competencies and CA	The study did not consider external stakeholders and expansion strategies. The focus is core competencies and competitive advantage
Ogollah (2012)	Organisational configurations, stage of development and performance of commercial banks in Kenya	Empirical investigation utilizing regression analysis of primary data	Strategy-structure configuration affects market share and non-financial measures but does not affect ROA.	His study focuses on configurations and stage of development while ours focuses on resources, external stakeholders and expansion strategies

Table 2.1 Continued…

Author/ Researcher	Focus	Methodology	Findings	Knowledge Gap (s)
Cucculelli and Ermini, (2012)	The linkage of new product launch and product lifecycle on institutional growth	Cross-sectional survey utilizing primary and secondary data	New product launch fosters generic growth in multiproduct firms. Product development promotes growth of firms in sectors with stronger commitment to R & D	Their study's dependent variable is growth while ours is performance. Their independent variable is product, ours is resources
Kolapo & Adaramola (2012)	The Impact of Capital Market on Economic Growth	Co-integration and error correction modeling of secondary time series data	There is a significant positive relationship between core competencies and competitive advantage from the sample point of view	The study did not consider external stakeholders and expansion strategies. The focus is core competencies and competitive advantage
Ogollah (2012)	Organisational configurations, stage of development and performance of commercial banks in Kenya	Empirical investigation utilizing regression analysis of primary data	Strategy-structure configuration affects market share and non-financial measures but does not affect ROA.	His study focuses on configurations and stage of development while ours focuses on resources, external stakeholders and expansion strategies

Chapter two contains a detailed critique of literature along the four objectives of the study. The chapter interrogates extant literature supporting the conceptual hypotheses and eventually the conceptual framework. The critique of the literature is summerised in Table 2.1 Knowledge Gaps, which in turn informed the research problem. The literature reveals the existence of a strong relationship between organisational resources and firm performance. For instance, when the business environment is undergoing rapid, unpredictable and turbulent changes, it is more desirable and practical to define a firm on the basis of the resources and capabilities it possess or controls.

External stakeholders defined by their locus of influence are at the heart of organisational performance. Customers, regulators and other governmental institutions influence performance directly by consuming products and services as well as enacting policies which either enhance or reduce firm profitability. Expansion strategies are an outcome of performance and a driver of performance. Companies that are successful at home seek to expand into regional and global markets to replicate their success models and protect their competitive advantage.

Conversely, poorly performing organisations may seek to expand into regional or global markets to overcome their competitive disadvantage in current markets. These effects can be synergistic on performance depending on a couple of firm specific and external environmental factors. Conversely, they can result in competitive disadvantage, for instance, where firms adopt counterproductive expansion strategies. The conceptual framework and conceptual hypotheses are discussed below, illustrating the conceptual relationships between the main study variables.

2.8 Conceptual Framework

The conceptual model in Figure 2.1 forms a foundation for addressing the research gaps that were made apparent from the interrogation of existing literature on the core conceptual variables. The model proposes a direct primary linkage between organisational resources which are defined as the independent variable and firm performance which is the dependent variable.

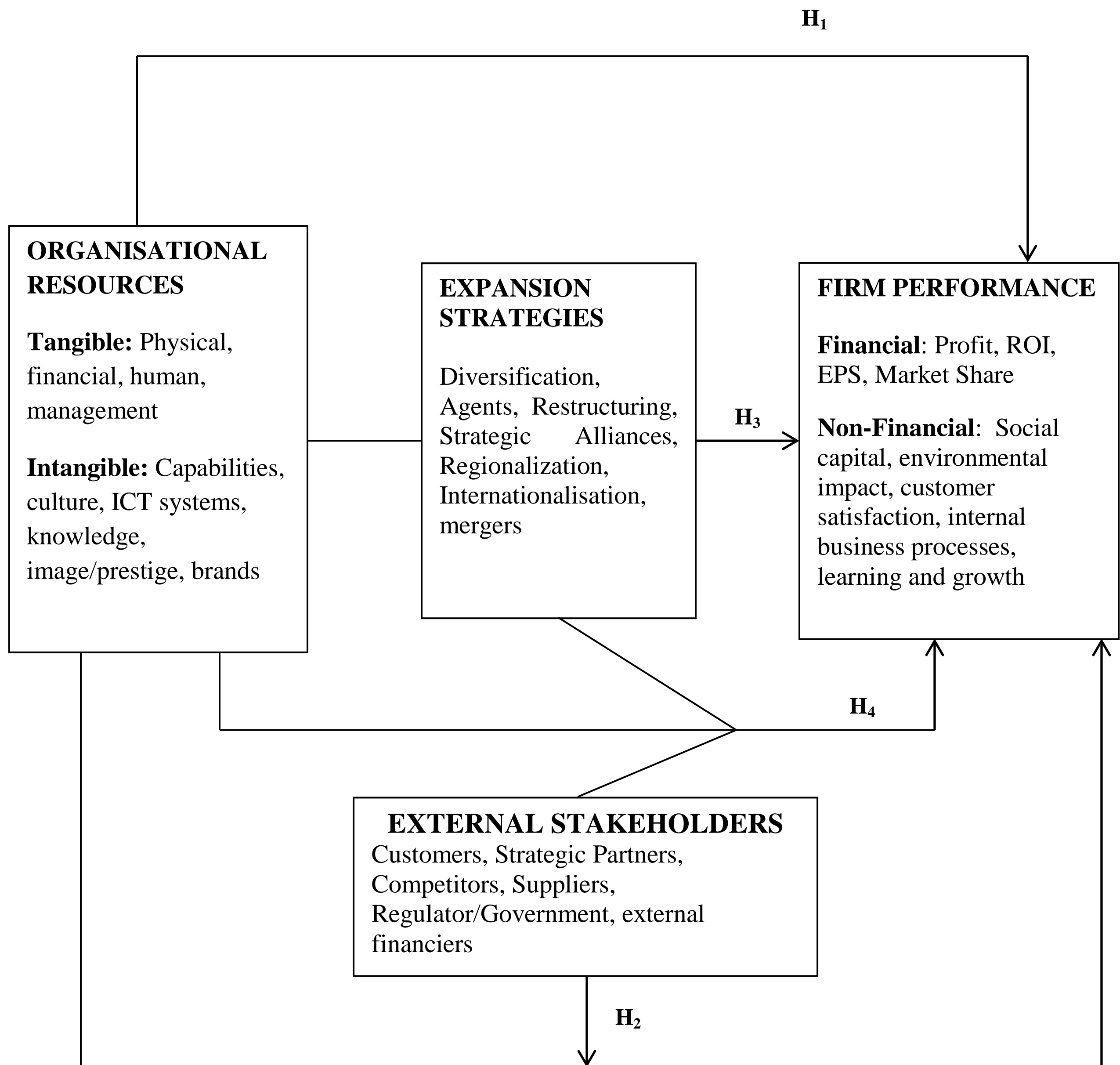

Figure 2.1 Conceptual Model

The Model proposes that external stakeholders and expansion strategies jointly mediate the resource-performance relationship and seeks to validate the relationship. Expansion strategies act as an intervening variable while external stakeholders moderate the relationship between organisational resources and expansion strategies.

2.9 Research Hypotheses

Based on the synthesis of empirical and conceptual literature, we derived the following research hypotheses.

H1: There is no significant relationship between organisational resources and performance of commercial banks in Kenya

H2: External stakeholders do not significantly moderate the relationship between organisational resources and performance of commercial banks in Kenya

H3: The relationship between organisational resources and performance of commercial banks in Kenya is not significantly intervened by expansion strategies

H4: Organisational resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya

The primary relationship between firm performance and organisational resources has been conceptually and empirically validated based on a detailed review of strategic management literature spanning decades. What has not been established is the joint influence of external stakeholders and expansion strategies on the relationship between organisational resources and firm performance. The study seeks first of all to empirically validate the relationship between the primary variables; organisational resources and firm performance then later to establish the joint influence of the variables on the performance of the Kenyan banking industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter begins with the research philosophy highlighting the research philosophy supporting the empirical research. The research philosophy guided the choice of the research design and consequently the data analysis technique. The chapter further outlines the research design, target population and sampling technique adopted in order to answer the research questions and realize the research objectives. It goes further to outline the data collection procedures and the data analysis technique.

3.2 Research Philosophy

The research paradigm is predominantly positivist because positivism follows a logical process to verify claims about knowledge or epistemology. Epistemology is the branch of philosophy concerned with determination of the nature of knowledge and the extent of human knowledge and attempts to address the distinction of adequate and inadequate knowledge. Paradigms represent alternative philosophical orientations to knowledge and its justification. Two major schools of thought exist with respect to research paradigms representing two distinct paradigms; positivism and interpretivism based on assumptions regarding knowledge (epistemology) and truth or reality (ontology).

Positivists argue that using scientific method and language to investigate and write about human experience is supposed to keep the research free of the values, passions, politics and ideology of the researcher. To achieve the objectives of the study; hypotheses were deduced operationalized, tested and inferences drawn from the data analysis results which formed a basis for generalization.

3.3 Research Design

The cross-sectional survey design was chosen because it was the best research design to infer the joint influence of the study variables. The design is observational and enabled the researcher to record information about the subjects without manipulating the study environment (Babbie, 2010). The process has greater control over measurement, maximizes completeness of key data and requires no follow-up (Mugenda & Mugenda, 2003). Due to this inferential nature, the cross-sectional survey design facilitated collection of data to enable testing of the hypotheses to answer the research questions.

The general objective of the study was to investigate the joint influence of resources, external stakeholders and expansion strategies on the performance of commercial banks in Kenya. However, the design is prone to common method variance which reduces causal inference. Multiple informants were employed during the survey to reduce systematic method error due to the use of a single rater or single source otherwise known as common method variance (CMV) and to enhance causal inference (Erdem et al., 2006). In particular, the survey targeted two key respondents in each organisation, the CEO and the Finance Manager to minimize CMV.

3.4 Population of the Study

The study targeted all the 43 active commercial banks in Kenya which formed the population (CBK, 2013). According to Trochim (2001) the first step in deciding how data will be analysed is to define a unit of analysis which is the “who” or the “what” that you are analyzing for your study. The unit of analysis for this study was commercial banks drawn from the population.

The primary objective of the study was to assess the joint influence of organisational resources, external stakeholders and expansion strategies on the performance of commercial banks in Kenya. The researcher selected the respondents carefully so that the targeted respondents could provide relevant and accurate information to adequately address the high level strategic objectives of the study. The research questions could best be addressed by responses from members of senior management who have access to high level strategic expansion and performance information. The study targeted the CEO and Finance Manager in each of the 43 commercial banks thus respondents = 2*43 = 86

3.5 Data Collection

The study relied predominantly relied on primary data collected directly from respondents within the banking industry in Kenya. Primary data was collected using a Likert type scale questionnaire (Appendix 1) which elicited respondents' views on the influence of the variables. Primary data means the researcher gets information directly from the organization (Hussey & Hussey, 1997).

The candidate elicited the services of an experienced research assistant to help in administering the research instrument for the appointments that he could not honour. The researcher made administered a majority of the instruments personally in order to ensure the accuracy of the information obtained based on his understanding of study. The commercial banks were contacted initially via telephone to set meetings to administer the instrument to the CEOs and Finance Managers who had been targeted. In a few cases the respondents insisted on us delivering the instrument for them to fill then we were advised on when we could collect the filled questionnaires.

3.6 Validity Test

Validity is the ability of the research instrument to measure what it is supposed to measure (Cooper and Schindler, 2006). Internal validity renders sample data and conclusions drawn therefrom correct and makes possible inferences and generalization of trends applicable to populations. These threats were addressed with appropriate research design, sampling, treatment and measurement counterbalancing, and forethought in preparing the research instrument. The pilot study was conducted on 10% of the sample to ensure validity (Mulusa, 1990). The overall alpha for the sample was put at a value had to be over 0.70 (Nunnaly, 1978).

The questionnaire was tested for validity by interpreting the Cronbach's alpha reliability coefficients of the scale items in the instrument (Kothari, 2005). The Alphas ranging between 0.734 and 0.856 are all acceptable according to George and Mallery (2003). The Alphas derived from this test are a measure of how well the results obtained above address different constructs and delivers reliable scores. The coefficients indicate a very high level of validity hence we can rely on the data.

Table 3.1 Validity Coefficients

Variable	Coefficient	N of Items
Resources	.856	10
External Stakeholders	.796	10
Expansion Strategies	.829	11
Performance	.734	11

Source: Research Data (2016)

3.7 Reliability Test

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. In short, it is the stability or consistency of scores over time or across raters. To be valid a test must provide consistently accurate measurements. Reliability was tested using the Cronbanch's alpha reliability coefficients of the scale items in the instrument (Kothari, 2005). According to Hughes (2003) there are several ways to ensure reliability. These include gathering information about the test candidate by adding extra and more detailed questions, balancing the difficulty of questions and restricting questions that may allow for too much elaboration; encouraging consistency across administrations on large scale testing, using items that utilize objective scoring.

The pilot study was conducted on a sample of 10 senior managers from within peer ranks of the respondents targeted for the final survey. However, deliberate effort was made to ensure that the senior managers targeted by the pilot survey would not be the same ones targeted by the final survey. The reason for this was three fold; first, this survey covers the entire banking industry and it would not be possible to target a unique set of institutions for the pilot survey to avoid surveying the same institution twice.

Secondly, the nature of the information sought was highly strategic and as such we targeted senior managers of the rank of those targeted in the final survey. The coefficients range between 0 and 1 with tendency towards 0 indicating low or no reliability while values tending towards 1 indicate high reliability.

Table 3.2 Reliability Statistics

Variable	Cronbach's Alpha	N of Items
Resources	0.715	10
External Stakeholders	0.763	10
Expansion Strategies	0.766	11
Performance	0.754	11

Source: Research Data (2016)

The values ranging from 0.715-0.766 indicate an acceptable level of reliability based on Nunnaly and Bernstein (1994).

3.8 Operationalisation of the Research Variables

The variables have been operationalized based on the literature review as summarised in Table 3.3 and Figure 2.1. Table 3.3 summarizes the variable, its nature, indicator and measurement that enable the development of the regression model for each relationship hypothesised to enable the multivariate regression analysis of the empirical data.

Table 3.3: Operationalisation of the Study Variables

Nature	**Variable**	**Indicator**	**Questionnaire**	**Analytical Tools**
Resources	Independent	Value of land, buildings, machinery, furniture and other equipment in Kes Investments, Number/qualification of staff Value of software, brands, patents, and knowledge assets in Kes Unique processes/formulas	5 point Likert scale questionnaire Section B	Correlation coefficient Coefficient of determination ANOVA/F-statistic

Table 3.3 Continued…

Nature	Variable	Indicator	Questionnaire	Analytical Tools
External Stakeholders	Moderating	Number of customers, Key competitors, Key suppliers Strategic partners like mobile telephone and mobile money transfer operators	5 point Likert scale questionnaire Section C	Multiple Pearson correlation, Multiple Coefficients of determination ANOVA/F-statistic
Expansion Strategies	Intervening	New products New branches and agents Number and nature of organisational changes (restructuring) New alliances, mergers and acquisitions Operations in foreign countries	Likert type 5 point scale Section D	Multiple Pearson correlation, Multiple Coefficients of determination ANOVA/F-statistic

Table 3.3 Continued…

Nature	Variable	Indicator	Questionnaire	Analytical Tools
Performance	Dependent	Profit after tax and ratios (ROI, EPS computed thereon), capital and reserves, market share by weighted market size, net assets, customer deposits, CBK Annual reports, published Financial reports, Sustainability reports	Likert type 5 point scale Section E	Multiple Pearson correlation, Multiple Coefficients of determination ANOVA/F-statistic

3.9 Data Analysis

Data was analyzed using descriptive statistics, linear and multi-variate regression stepwise regression. Descriptive statistics were used to obtain a general understanding of the respondents' demographic information. The demographic details of the respondents and banks were tabulated and appropriate graphs depicting the information profiles drawn. The regression model was used to conduct the first face of the statistical data analysis. The model variables helped in determining how much of the total variation in the dependent variable was produced by or associated with the predictor variables (Cohen et al., 2003). The analysis automatically yielded regression coefficients and correlational measures of various kinds that were used in inferring causation and the strength of the causal relationships between the variables.

The correlation coefficients (R) showed the strength of the relationships between the variables in the regression model while the coefficients of determination (R^2) ascertained the goodness of fit of the model. Stepwise hierarchical regression analysis enabled verification of the role of the intervening and moderating variables by adding them sequentially to the regression equation (Cohen et al., 2003). The regression model (Table 3.3) was of the general form;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

Where ,

Y = Performance,

β_0 = is the model constant,

$\beta_1 - \beta_3$ = coefficients of the criteria,

X_1 = organisational resources, X_2 = external stakeholders, X_3 = expansion strategies,

ε_I = Error term

The analytical model (Table 3.4) links the objectives of the study to the conceptual hypotheses and eventually the analytical model. The model specifies the multi-variate regression equations which operationalise the conceptual variables through specific and measurable variables. The four conceptual hypotheses have been operationalized.

Table 3.4: Research Objectives, Hypotheses and Analytical Models

Objectives	Hypotheses	Analysis Technique	Interpretation
Establish the relationship between resources and performance of commercial banks in Kenya	H1: There is no relationship between resources and performance of commercial banks in Kenya	Simple Regression Analysis **Equation:** Y = f(Resources) $Y = \beta0_1 + \beta_1 X_1 + \varepsilon_1$ Where Y= Performance of commercial banks $\beta0_1$, β_1 are coefficients X_1 = Resources ε_1 = error term	R value (Range +1 to -1) If R = +1 there exists a strong positive relationship If R = -1 then there is a strong negative relationship
Determine the role of external stakeholders in the resource-performance relationship	H2: External stakeholders do not influence the resource-performance relationship	Stepwise Regression Analysis **Equations:** $Y = \beta0_1 + \beta_1 X_1 + \varepsilon_{M0}$ $Y = \beta0_2 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon_{M1}$ $Y = \beta0_3 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1X_2 + \varepsilon_{M2}$ Y = performance of commercial banks in Kenya; X_1 = resources; X_2 + external stakeholders; X_1X_2 = interaction term	If change in R^2 after addition of interaction term (moderator) is significant (R^2 change, F change, β, t are significant. $P < 0.05$) the external stakeholders moderate the relationship

Table 3.4 Continued…

Objectives	Hypotheses	Analytical Model	Interpretation
Establish the role of expansion strategies on resource-performance relationship	H3: Expansion strategies do not influence the relationship between resources and firm performance	Stepwise Regression Analysis Equations: Y = f(Resource, Expansion strategies) $Y = \beta 0_1 + \beta_1 X_1 + \varepsilon_{I0}$ $M = \beta 0_2 + \beta_2 X_1 + \varepsilon_{I1}$ $Y = \beta 0_3 + \beta_3 M + \varepsilon_{I2}$ $Y = \beta 0_4 + \beta_4 X_1 + \beta_5 M + \varepsilon_{I3}$ Where: Y = performance of commercial banks in Kenya X_1 = resources M = Expansion Strategies	If the relationship between resources and performance of commercial banks in Kenya is significant (β, t are significant, $P<0.05$): relationship between resources and expansion strategies is significant β, t are significant, $P<0.05$): relationship between expansion strategies and performance of commercial banks in Kenya is significant (β, t are significant, $P<0.05$): and the relationship between resources and performance of commercial banks in Kenya is no longer significant when the effect of expansion strategies are controlled for (β, t are significant, $P<0.05$) then expansion strategies intervene the relationship

Table 3.4 Continued…

Objectives	Hypotheses	Analytical Model	Interpretation
Determine the joint effect of expansion strategies and external stakeholders on the resource-performance relationship	H4: The resource-performance relationship is not jointly mediated by external stakeholders and firm expansion strategies	Multivariate Regression Equation Y= f(Resources, Expansion strategies, External stakeholders) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_4$ Where Y = performance of commercial banks in Kenya X_1 = resources X_2 = external stakeholders X_3 = expansion strategies	If R^2 for the joint influence is greater than R^2 for individual effect model, then the joint influence of organisational resources, external stakeholders and expansion strategies is greater than the individual effect of organisational resources on the performance of commercial banks in Kenya.

This analytical model is based on the operationalisation of the variables based on the literature review. These models will feed into the linear and multiple regression analyses for each of the four objectives and will be used to test the influence of the variables on the performance of commercial banks in Kenya. The conceptual hypotheses (null) and the analytical models are based on the study objectives and the primary relationships as articulated in the conceptual model (Figure 2.1).

Chapter three contains the research methodology of the thesis. It succinctly explains the research paradigm (positivisms) and the justification for adopting the positivist paradigm which follows a rigorous scientific process of developing and testing hypotheses. The chapter then explains the research design (cross-sectional survey) and clarifies that the cross-sectional survey design was chosen because it was the best research design to infer the joint influence of the study variables. The chapter then explains the study population and the data collection method and instrument. It then summarises the validity and reliability tests and the test results based on the pilot study.

The chapter then summarizes the variable, its nature, indicator and measurement that enable the development of the regression model for each relationship hypothesised to enable the multivariate regression analysis of the empirical data in Table 3.3. Further the data analysis approach is substantiated lending itself to the regression model for the thesis. This facilitates the development of the detailed analytical model for the key relationships which are based on the conceptual hypotheses. These are summerised in Table 3.4 and form a strong basis for interrogating the relationships through the regression analysis of the empirical data.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4. 1 Introduction

This fourth chapter presents a statistically driven, detailed analysis of empirical data on each of the four hypotheses of the research. The first section of the chapter is the introduction followed by an articulation of the background and conceptualisation of the study. The second part of the chapter focuses on primary data analysis. The initial part of the primary data analysis covers descriptive statistics which lay a foundation for the detailed analysis and interpretation of data in the subsequent sections. The details of the analysis are discussed in the summary of procedures.

4.2 Primary Data Analysis

Data from the 46 respondents was coded in excel to facilitate statistical analysis in SPSS. For analytical purposes the study adopted a regression model to determine the linkages between organisational resources, external stakeholders and expansion strategies adopted by the banking industry in Kenya and the effect these linkages on their performance.

4.2.1 Summary of Procedures

Organisational resources constituted the independent variable (IV), external stakeholders the moderating variable (MV), expansion strategies the intervening variable and performance the dependent variable (DV). Responses were grouped and coded with organisational resources represented by (R), External Stakeholders (ES), Expansion Strategies (EE) and performance (P). The questions were numerically labeled as they appear in the questionnaire and the variable code affixed as a unique identifier for example R1 represents the question one on organisational resources.

The demographic results were summarised and tallied to facilitate demographic analysis. The demographic analysis was conducted in excel and Microsoft word. After coding, the responses were uploaded into SPSS for computation of descriptive statistics and regression coefficients. The responses were then averaged and the data run in the SPSS regression to give the correlations, coefficients of determination, ANOVA, beta and other coefficients for interpretation. The analysis did not eliminate any response for insignificance hence the N consistent with data input was 46 for all the relationships considered. The analysis was done for each of the hypotheses and the results interpreted in tandem with the literature review and conceptual hypotheses.

4.2.2 Response Rate

The study targeted the CEO and head of finance in each of the 43 active commercial banks in Kenya that were surveyed. Out of the target respondents (43*2 = 86), there were 46 responses accounting for 53% response rate. However, out of the 43 commercial banks targeted 34 commercial banks corresponding to 79% responded. All but one of the top 10 commercial banks as well as all the 15 commercial banks in the bottom-tier retuned completed questionnaires. The non-response rate was highest in the middle-tier commercial banks due to the fact that the mid-tier banks are managed by banking technocrats in whom the culture of academic research in not inculcated were not enthusiastic to divulge information for academic research.

Most of the technocrats have the feeling that sharing information is tantamount to leaking out critical information on the bank's operations and performance that would lead to competitive disadvantage against the bank. They fear that this strategic information will find its way into the hands of competitors.

4.2.3 Normality Test

Both the Kolmogorov and Shapiro-Wilk normality significance coefficients are greater than 0.05 which implies that the results are not statistically significantly different from a normal distribution hence we do not reject the null hypothesis of a normal distribution. The results of the normality test indicate that all the data is normal and hence we can use parametric tests. A small tolerance value (less that 0.1) implies a near perfect linear association between the independent variables added to the equation and the conceptual variable being considered in the model which has the global implication that the additional independent variable should be excluded from the model.

Table 4.1 Normality Coefficients

	K-S			S-W		
	Coefficient	dof	Sig.	Coefficient	dof	Signf.
R	.115	46	.156	.966	46	.204
ES	.105	46	.200*	.973	46	.351
EE	.088	46	.200*	.966	46	.195
P	.097	46	.200*	.974	46	.381

Source: Research Data (2016)

4.2.4 Collinearity Diagnostics

4.2.4.1 Multicollinearity Diagnostics

The outcome of various research efforts has shown that tolerance values under 0.1 may be inadequate. The tolerance values are all significantly greater than 0.1 and within acceptable limits indicating no multicollinearity amongst the variable set. Variance Inflation Factor (VIF) values greater than 10 will generally indicate the existence of multicollinearity between model variables for fairly to significantly string models. In much weaker models values greater than 2.5 could raise concerns of multicollinearity.

Table 4.2 Multicollinearity Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
	R	.556	1.798
1	ES	.517	1.934
	EE	.520	1.922

a. Dependent Variable: P

Source: Research Data (2016)

The VIF coefficients are all less than 30 with the highest VIF of 21.626 safe enough for us to conclude the absence of multicollinearity among the variables.

Table 4.3 Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	R	ES	EE
1	1	3.946	1.000	.00	.00	.00	.00
	2	.042	9.735	.06	.00	.01	.64
	3	.008	21.626	.23	.96	.03	.15

Source: Research Data (2016)

According to Freund and Littell (2000) eigen coefficients that are more or less the similar in magnitude are a sign of absence of collinearity or presence of minimal collinearity. A zero eigenvalue would point towards perfect collinearity among model input variables while very small eigenvalues would imply the existence of a very high instance of model variable multicollinearity. The condition outcomes (non-zero) Eigen values indicate the absence of multicollinearity among the variables. This result is consistent with the preceding findings of the multicollinearity diagnostics in Table 4.2.

4.2.5 Demographic Analysis

A majority of the executive management staff have worked for the commercial banks for between 1-5 years, therefore 17 or 38 percent of all the respondents were in this bracket. The trend is mirrored in the number of years that the respondents have been in their current role with 59% or 27 out of the 46 respondents having been in their current roles for between 1-5 years. Several inferences can be drawn from these demographic trends. The banks seem to be head hunting to fill in senior executive positions than promoting. This could be driven by a pervasive culture of human talent acquisition to fill executive positions in the Kenyan corporate sector.

Table 4.4 Tenure with the Bank and Current Position

Item	<1	1-5	5-10	>10	Total
Years with the Bank	4	17	13	12	46
Percentage	9%	37%	28%	26%	100%
Years in Current Position	8	27	7	4	46
Percentage	17%	59%	15%	9%	100%

Source: Research Data (2016)

The trend of fairly new (1-5 years) executives leading commercial banks could also be attributed to the fact a number of DTMs have transformed into commercial banks and require executives with mainstream commercial banking experience to deliver competitive advantage. Finally, due to rapid expansion there is high position turnover as banks as they head hunt from each other and the positions have to be filled with skilled executives from within and without the industry.

The number of senior executives who have been in the current role for less than 1 year increases slightly to 17 percent which not only reinforces the trend on the number of years in the current bank but also the assertions regarding the high position turnover. The second interpretation would be that there are fast-track internal promotions within the first five years leading to rapid career growth. This could be attributed to the desire to retain the staff who are initially brought in a tier below the senior most positions and groomed for executive leadership. It could also be the case that the head hunted staff have exceptional talent and abilities which lead to their rapid promotion and growth.

Finally, it could be that charismatic and high credential individuals enjoy favourable perception and treatment leading to exceptional career growth while riding on institutional success. These findings are corroborative of the trend for less than 1 year with the current employer and in the current role. On aggregate, 43 percent of the respondents have been with the current employer for less than 5 years while 77 percent have been in their current roles for the same amount of time. The percentage of respondents who have occupied position decays with appreciation in time.

The respondents who have been with the current employer for 5-10 years and over 10 years 28 are 26 percent respectively. The staff who have been in the current role for the 5-10 years was 15 percent while over 10 years was 9 percent which resonates with the arguments we raised earlier of high position turnover within the upper echelons of the commercial banks in Kenya. There are less and less senior executives who have been in the current organisation and role for over 10 years. The executives who have been in these organisations and roles for this long could be from small banks run by owners, their kin or professionals with whom they have forged solid relationships based on loyalty.

4.2.6 Descriptive Statistics

Table 4.5 Descriptive Statistics-Individual Question

Qn	N	Range	Min	Max	Mean	Std. Deviation	Coef. of Variation
P11	46	3.00	2.00	5.00	4.5435	.65681	14 %
ES2	46	2.00	3.00	5.00	4.3913	.68242	16 %
R4	46	2.00	3.00	5.00	4.2609	.64755	15 %
P1	46	4.00	1.00	5.00	4.2609	1.23711	29 %
R1	46	2.00	3.00	5.00	4.1739	.67674	16 %
ES10	46	3.00	2.00	5.00	4.1522	.86839	21 %
ES3	46	3.00	2.00	5.00	4.1304	.80578	20 %
P2	46	4.00	1.00	5.00	4.0435	1.19176	29 %
R2	46	3.00	2.00	5.00	4.0217	.80247	20 %
R3	46	3.00	2.00	5.00	4.0000	.86923	22 %
ES8	46	3.00	2.00	5.00	4.0000	.91894	23 %
EE1	46	4.00	1.00	5.00	4.0000	.81650	20 %
R7	46	2.00	3.00	5.00	3.9565	.59466	15 %
ES6	46	4.00	1.00	5.00	3.9348	1.04141	26 %
R6	46	3.00	2.00	5.00	3.9348	.71187	18 %
P10	46	3.00	2.00	5.00	3.8913	.76676	20 %
R8	46	3.00	2.00	5.00	3.8696	.80578	21 %
EE11	46	4.00	1.00	5.00	3.8478	.98809	26 %
ES4	46	4.00	1.00	5.00	3.8043	1.04604	27 %
EE2	46	4.00	1.00	5.00	3.7391	1.14377	31 %
P8	46	3.00	2.00	5.00	3.7174	.86057	23 %
P7	46	4.00	1.00	5.00	3.6522	.87477	24 %
R5	46	4.00	1.00	5.00	3.6522	.99370	27 %
R9	46	4.00	1.00	5.00	3.6304	1.08236	30 %
P9	46	4.00	1.00	5.00	3.5435	1.20566	34 %
ES5	46	4.00	1.00	5.00	3.5217	.91261	26 %

Source: Research Data (2016)

The question on whether the bank had introduced new products (P9) returned the highest coefficient of variation (34%) while question P11 on core capital had the lowest coefficient of variation (14%). Question P9 had a high dispersion which could be attributed to the fact that some commercial banks may not have introduced new products leading to dispersed responses. As noted earlier the questions were coded so that R= Organisational Resources, ES=External Stakeholders, EE=Expansion Strategies and P=Firm Performance. Question P9 on whether the banks had introduced new products in the last 5 years had the highest coefficient of variation (CV, 34%).

The large local commercial banks have heavily invested in agency banking while the large foreign banks and small local banks have not. This could explain the significant variability in responses to question P 9. It was further noted that the small commercial banks have hardly introduced any new products. Question EE2 on whether the commercial banks had diversified their product range in the last 5 years returned the second highest CV (31%). This could be explained by the same factors for P9 since the two are very closely related. New products and product diversification are closely related hence the results are consistent.

Question R9 which sought to establish whether the commercial banks invest in developing brand equity returned an equally high CV (30%). This can be attributed to the fact that the large commercial banks (both local and multinational) spend significant amounts of money on advertising and promotion so as to enhance their market as well as their brand equity. However, many of the small and some medium commercial banks that are predominantly family owned businesses have very conservative upper echelons who impose similarly conservative business philosophies on the banks.

Consequently, they do not invest much in advertising and brand equity. Question P11 on whether core capital had increased had the lowest CV (14%). This implies a great level of concurrence among the respondents that core capital and other assets have grown in the past 5 years. The reasons for this low variability are explained in the next paragraph. Question R4 on whether the commercial banks have qualified managers retuned a CV of 15%. As we shall see in the subsequent sections, commercial banks in Kenya have highly skilled and qualified managers and staff.

Question P11 which sought to establish if the core capital and other assets for the commercial banks have increased over the past 5 years returned the highest mean of 4.543 and a standard deviation of 0.65681. The highest mean is given by a performance related outcome which implies that the three predictor variables jointly influence the dependent giving it the highest score. The standard deviation is moderately spread from its mean indicating a significant clustering of responses around the mean. Since the mean (4.543) is tending towards 5 which means that most respondents agreed either to a large extent that the commercial banks have been profitable over the period of research interest.

Core capital is a function of the regulatory environment which dictates the minimum regulatory capital (risk capital + economic capital), the banks shareholder decisions on retained earnings, the expansion strategies the bank uses (new operations/activities will require more regulatory capital and will deplete reserves) among other factors. Core capital is a function of resources, external stakeholders and expansion strategies. The interesting exception in this discussion is the classification of shareholders as external stakeholders.

Most of the respondents ranked shareholders alongside customers, regulators and competitors as key external stakeholders who influence the performance of commercial banks in Kenya. Some of the CEOs and Heads of Finance especially from the large listed commercial banks stated that shareholders influenced their operations indirectly in a similar fashion to suppliers and customers. They opined that through expectation, pressure and voting in AGMs, shareholders of public listed entities influenced decisions like other external stakeholders. They argued they have just as little control over shareholders as they do over other external stakeholders.

The shareholders in some cases are as numerous as customers and their expectations equally as diverse as customers making their management equally challenging. This was not the case for the smaller privately owned owner managed commercial banks. This thesis proposed to make contributions towards theory building. This could modify the traditional stakeholder theory that classifies shareholders as internal stakeholders. Most respondents agreed that the banks had diversified their product range in the past five years hence question ES2 returned a mean of 4.3913 and a stddev of 0.68242.

This can be attributed to the proliferation of mobile banking and mobile money transfer in the past five or so years. Secondly, the Kenyan banking industry is quite reactive to changes in the business environment in order to conform and preserve the oligopolistic tendencies. The implications of the low standard deviation can be interpreted in the same way as P11 above. Questions R4 (the bank has qualified managers) and P1 (the bank has been profitable for the past five years) had a mean of 4.2609 and standard deviations of 0.64755 and 1.23711 respectively.

Since the mean is slightly higher than 4 means that most respondents agreed either to a large extent that the commercial banks have qualified managers and have been profitable for the period that the research queried. With respect to question R4, the finding complements the demographic analysis results on head hunting of high performing executives. The results of the study showed that most of the commercial bank staff had bachelors and master's degree qualification while a few had doctoral degrees. The human resource establishment is key to the outstanding performance.

This reinforces the research problem that the banking industry in Kenya has showed resilient performance against global banking sector challenges and deteriorating performance commercial banks in other jurisdictions. The banking industry in Kenya is able to transmit any additional costs and increase in rates directly and proportionately to customers thus sustaining above average returns. Questions R1 (The bank has sufficient physical resources for its operations) and ES10 (CBK policies influences expansion and performance) had means of 4.1739 and 4.1522 respectively. The respondents agreed that the banks had sufficient resources for operational purposes.

The five questions with the highest means are P11, ES2, R4, P1 and R1 respectively. Resources (R) have 40% representation in this cluster while external stakeholders have a 20 percent representation. The next five highest means are ES10, ES3, P2, R2 and R3 respectively. The high means had fairly low standard deviations indicating that most responses clustered around the mean and that there was very high consensus amongst the respondents with respect to the position taken. From the next five responses external stakeholders were 40 percent and resources 40 percent.

The low means associated with the expansion strategies were partly occasioned by a technicality in the design of the instrument and stratification of the population under survey. The banking industry in Kenya comprises three categories of banks; subsidiaries of international banks, large local banks and small local banks. The subsidiaries of large international banks are subject to parent company expansion strategies and as such questions on expansion strategies received very low scores.

Secondly, some of the very small banks had no branches or just a handful of branches, have not expanded in the recent past and have no plans of expanding in the near future. The respondents from these banks gave expansion strategies very low scores. The overall means within the main variable groups are as indicated in Table 4.26. The trend mirrors the findings in the preliminary descriptive statistics per question discussed in the preceding section. Organisational resources had the highest overall mean of 3.8783 and standard deviation of 0.56408. Questions on patents and brand assets had very low scores particularly from the smaller commercial banks that had no patented products.

Expansion strategies returned the highest coefficient of variation (27%) indicating the highest variability in responses while external stakeholders had the lowest coefficient of variation (11%) indicating the lowest variability in responses. This is expected in light of the preceding discussions that highlighted the varying trends in expansion strategies. For instance some banks had adopted agency banking while other could not. Secondly, large commercial banks had expanded their product range while the more conservative small and middle sized commercial banks had not expanded at all. The small commercial banks with between 1-10 branches have not embraced the agency model. Out of the large local commercial banks that have embraced agency banking, only three found it profitable.

Table 4.6 Descriptive Statistics-Variables

Variable	N	Mean	Std. Deviation	Coef. of Variation
Organisational Resources	46	3.8783	.56408	15%
External Stakeholders	46	3.6174	.39738	11%
Expansion Strategies	46	3.0652	.81873	27%
Performance	46	3.6043	.54076	15%
Valid N (listwise)	46			

Source: Research Data (2016)

The success of agency banking was correlated with the branch network, banks with large branch networks enjoyed more success with the agency model. Organisational resources and performance returned a coefficient of variation of 15% implying much less variability compared to expansion strategies. Most respondents agreed to a larger extent on performance attributes interrogated as well as the role of resources on the performance. For example most respondents agreed that their core capital had increased to CBK regulatory requirements. Finally, there was wide concurrence among the respondents that external stakeholders play the greatest role in the success of the commercial banks leading to the lowest coefficient of variation (11%).

4.3.7 The Relationship between Organisational Resources and Firm Performance

This section encompasses the test of the primary hypothesis, organisational resources versus firm performance. The coefficient of determination (R^2) for these two variables was 0.183 which implies that the model has a weak fit. The ($F = 9.85$, t = 4.007, $p < .05$) affirm the statistical significance of the results. This is congruent with the descriptive statistics which showed the organisational resources have a significant influence on firm performance.

Table 4. 7 Model Summary

	R	R^2	Adjstd R^2	Estimate Std. Error
1	.428[a]	.183	.164	.49432

ANOVA[a]

		Sum of Squares	dof	Mean Square	F	Signf
1	Reg	2.407	1	2.407	9.852	.003[b]
	Residual	10.752	44	.244		
	Total	13.159	45			

Coefficients[a]

		Unstandardized Coefsnts		Standardized Coefsnts	t	Signf.
		B	Std. Error	Beta		
1	(Constant)	2.030	.507		4.007	.000
	Resources	.408	.130	.428	3.139	.003

Source: Research Data (2016)

$Y = 2.030 + 0.428X_1$

A unit increase in resources improves performance by 0.428. These results confirm that organisational resources have a significant influence on the performance of commercial banks in Kenya and form a basis for accepting the first hypothesis. The regression of tangible assets on financial performance showed that tangible resources account for only 35.6 percent of the variation in financial performance.

Physical and financial assets are essential in realizing the agenda that organisations may have, in fact as we have seen in the discussions elsewhere in this section, financial resources are essential in originating credit for onward lending. This is because banks generate most of their revenue from interest income which depends on their ability to lend to customers.

Table 4.8 Tangible Resources vs Financial Performance

	R	R^2	Adjusted R^2	Estimate Std. Error
1	.356[a]	.126	.107	.60169

ANOVA

		Sum of Squares	dof	Mean Square	F	Signf.
1	Regression	2.306	1	2.306	6.370	.015[b]
	Residual	15.929	44	.362		
	Total	18.235	45			

Coefficients

		Unstandardized Coefsnts		Standardized Coefsnts	T	Signf.
		B	Std. Error	Beta		
1	(Constant)	1.844	.722		2.556	.014
	Tangible	.435	.173	.356	2.524	.015

a. Dependent Variable: Financial
b. Predictors: (Constant), Tangible

Source: Research Data (2016)

The linear correlation coefficient of 0.356 and the coefficient of determination of 0.126 indicate the existence of a weak relationship between the variables and a weak model fit respectively. The (F = 6.37, t = 2.524, $p < .05$) affirm the statistical significance of the

results. Hence we conclude there is a significant relationship between physical, human and financial resources and the financial performance of commercial banks in Kenya. The individual coefficients for the effect of tangible assets on financial performance are much weaker compared to the overall coefficients for the organisational resources versus firm performance. The relationship between intangible assets and financial performance was even much weaker with R = 0.168 and R^2 = 0.028 supporting a weak model fit. Respondents might have placed greater emphasis on non-financial performance.

Table 4.9 Model Summary for Intangible Assets vs Financial Performance

	R	R^2	Adjusted R^2	Std. Error of the Estimate
	.168[a]	.028	.006	.63463

ANOVA

		Sum of Squares	df	Mean Square	F	Sigf.
1	Regression	.514	1	.514	1.275	.265[b]
	Residual	17.721	44	.403		
	Total	18.235	45			

Coefficients

		Unstandardized Coeff.		Standardized Coeff.	t	Sigf.
		B	Std. Error	Beta		
1	(Constant)	3.071	.523		5.872	.000
	Intangible	.155	.137	.168	1.129	.265

a. Dependent Variable: Financial
b. Predictors: (Constant), Intangible

Source: Research Data (2016)

This could indicate paradigm shift from financial reporting to sustainability reporting along such lines as the balanced scored and the triple bottom-line or that resources influence firm performance indirectly. For instance tangible and intangible resources could enhance the customer service experience leading to customer satisfaction which could have a threefold effect. Human resources serving customers satisfactorily enhance loyalty leading to repeat business. A combination of the two factors above could result in the satisfied customer bringing referral business to the bank hence increasing revenue.

Table 4.10 Model Summary for Tangible Assets vs Non-Financial Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.755[a]	.570	.560	.29746

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Signf.
1	Regression	5.153	1	5.153	58.236	.000[b]
	Residual	3.893	44	.088		
	Total	9.046	45			

Coefficients[a]

Model		Unstandardized Coeff.		Standardized Coeff.	t	Signf.
		B	Std. Error	Beta		
1	(Constant)	1.153	.357		3.232	.002
	Tangible	.651	.085	.755	7.631	.000

a. Dependent Variable: Nonfinancial
b. Predictors: (Constant), Tangible

Source: Research Data (2016)

Financial resources could lead customers to diversify their portfolio of purchases, for instance a customer could take a mortgage over and above their regular loans. The (F = 1.275, t = 5.872, $p < .05$) affirm the statistical significance of the results. The banks have committed 1-2 percent of their annual profits to corporate social responsibility and environmental conservation activities. Most of the large local and multinational commercial banks have established dedicated CSR and environmental management units to handle social and environmental issues.

The R = 0.755 indicates that tangible assets account for 75.5 percent variation in non-financial performance. The R^2 = 0.56 implies a moderately strong model fit. The (F = 58.236, t = 7.631, $p < .05$) affirm the statistical significance of the results. The correlation coefficient (R=0.745) that intangible assets account for 74.5 percent of the variation in non-financial performance. The trend seems to illustrate that non-financial performance is more responsive to changes in resources than financial performance.

This could lend further credence to the initial postulations in this section that resources may influence financial performance indirectly through non-financial performance. The (F = 54.819, t = 7.404, $p < .05$) affirm the statistical significance of the results. The results of the test of H1 indicate the existence of a significant relationship between organisational resources and firm performance. The separate regression of tangible and intangible resources versus financial and non-financial performance validate the idea that intangible assets and non-financial assets jointly result in efficient utilisation of tangible assets resulting in internal competitiveness which leads to superior firm performance.

Table 4.11 Model Summary for Intangible Assets vs Non-financial Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.745[a]	.555	.545	.30256

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.018	1	5.018	54.819	.000[b]
	Residual	4.028	44	.092		
	Total	9.046	45			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.039	.249		8.177	.000
	Intangible	.483	.065	.745	7.404	.000

a. Dependent Variable: Nonfinancial
b. Predictors: (Constant), Intangible

Source: Research Data (2016)

The finding that organisational resources influence the performance of commercial banks in Kenya based on the preceding discussions we fail to accept (reject) the first null hypothesis:

H1: There is no significant relationship between organisational resources and performance of commercial banks in Kenya

4.3.8 The Effect of External Stakeholders on Organisational Resources and Performance

The second hypothesis states that external stakeholders do not significantly moderate the relationship between organisational resources and performance of the banking industry in Kenya. The regression analysis followed a three step process as detailed below. First resources were regressed against the performance of commercial banks in step I. After that, resources and external stakeholders were regressed against performance in step II. In the third and final step resources, external stakeholders and the interaction effect were regressed against performance.

Step I: Regression of Resources on Performance

Table 4. 12 Model Summary

	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.428[a]	.183	.164	.49432

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sigf.
1	Regression	2.407	1	2.407	9.852	.003[b]
	Residual	10.752	44	.244		
	Total	13.159	45			

Coefficients[a]

		Unstandardized Coeff.		Standardized Coeff.	t	Sigf.
		B	Std. Error	Beta		
1	(Constant)	2.030	.507		4.007	.000
	Resources	.408	.130	.428	3.139	.003

Source: Research Data (2016)

As discussed in the previous section a unit increase in resources improves performance by 0.428. These results confirm that organisational resources have a significant influence on the performance of commercial banks in Kenya.

Step II: Regression of Resources and External Stakeholders on Performance

Table 4.13 Resources, External Stakeholders and Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.637[a]	.406	.379	.42623

a. Predictors: (Constant), Stakeholders, Resources

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.347	2	2.674	14.716	.000[b]
	Residual	7.812	43	.182		
	Total	13.159	45			

a. Dependent Variable: Performance
b. Predictors: (Constant), Stakeholders, Resources

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.408	.595		.686	.496
	Resources	.092	.137	.097	.673	.504
	Stakeholders	.785	.195	.577	4.023	.000

a. Dependent Variable: Performance

Source: Research Data (2016)

The stepwise regression analysis for step II yielded the coefficients ($R_{R,ES}$=0.637, $R^2_{R,ES}$=0.406). The correlation coefficient, $R_{R,ES}$ = 0.637 indicates a strong (64 percent) relationship between organisational resources, external stakeholders and performance of Kenyan banks. The R for the moderating effect of external stakeholders is 64 percent which is greater than 42.8 percent by nearly 20 percent. The (F = 14.716, t = 4.023, p < .05) affirm the statistical significance of the results.

$Y = 0.408 + 0.097X_1 + 0.577X_2$

A unit change in organisational resources causes a 0.097 increase in the performance of commercial banks in Kenya. A unit change in external stakeholders increases performance by 0.577.

Step III: The Interaction Term Effect

Table 4.14 Interaction Effect Regression Model Results

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.928[a]	.861	.858	.20396
2	.991[b]	.982	.982	.07328

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.329	1	11.329	272.317	.000[b]
	Residual	1.830	44	.042		
	Total	13.159	45			
2	Regression	12.928	2	6.464	1203.679	.000[c]
	Residual	.231	43	.005		
	Total	13.159	45			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.500	.131		11.453	.000
	Interaction	.160	.010	.928	16.502	.000
2	(Constant)	3.576	.129		27.689	.000
	Interaction	.264	.007	1.538	37.776	.000
	Stakeholders	-.956	.055	-.703	-17.258	.000

a. Dependent Variable: Performance
b. Predictors: (Constant), Interaction
c. Predictors: (Constant), Interaction, Stakeholders

Source: Research Data (2016)

The change after the introduction of the interaction term is significant (Step I R = 0.428, $R^2 = 0.183$; Step II R = 0,637, $R^2 = 0.406$; and in Step III R = 0.928, $R^2 = 0.861$) indicate that external stakeholders moderate the resource-performance relationship. The (F = 272.317, t = 16.502, $p < .05$) affirm the statistical significance.

$$Y = 1.5 + 0.928X_1 + 1.538X_2 - 0.703\, X_1X_2$$

A unit change in resources causes a 0.928 increase in performance while a unit change in external stakeholders increases performance by 1.538. A unit change in the interaction of these two terms reduces performance by 0.703. These results confirm that external stakeholders significantly moderate the resource performance relationship in Kenyan banks. The executives surveyed opined that customers, beyond supporting daily business activities, provide deposits which are a source of cheap funding for origination of new loans to customers. Most banks collapse due to liquidity constraints or the inability to fund deposit demands and other operational cash outflows. As such, a high amount of deposits provides both operational and regulatory risk capital and stabilizes the cash flows playing a key role in liquidity management.

For the banking industry in Kenya, this liquidity is provided by customers, shareholder equity and CBK through liquidity injections like overnight lending. These supplement the cash resource requirements for most commercial banks and help struggling banks manage their cash flows and find capital for short term trading which boosts their revenues enhancing their survival and overall performance. This makes customers and the CBK, the lender of last resort, very significant external stakeholders in the operations of Kenyan commercial banks. This partly explains the strong model coefficients obtained for external stakeholders in the regression analysis for the second hypothesis.

Most of the respondents surveyed ranked customers as the most influential external stakeholders. They argued that customers significantly influence the bank's decisions, operations and outcomes including performance. Question ES2 on whether customers significantly influence performance returned a mean of 4.391 and a standard deviation of 0.6824 which implies that the respondents were in agreement that customers are key external stakeholders vital to outcomes in Kenyan banks. Key resources such as human and financial resources originate new loans for customers help in customer management.

Technology products such as ATMs, internet banking and mobile banking have made customer management both effective and economical increasing banks' net earnings. The responses from the executives indicated that customers are the ultimate source of business but also provide stable deposits to fund the origination of new loans and other credit products. The respondents further indicated that customers drive all processes from innovation of new products, investment in ICT and developing staff competences to manage customer expectations. It was established that corporate clients who wield high financial power are very sensitive to deal with and sometimes enjoy preferential rates.

Well treated customers provide referral business which leads to a number of banks experiencing an increase in the number of customers. The number of account holders grew from 1,000,000 in 1996 to 6,428,509 in 2008 and 21,800,556 in 2013. This is equal to a 339% growth in number of deposit account holders in the last five years only. Kenya which featured prominently in the index of financially excluded countries according to FinAcess seems to be overcoming this challenge. As the number of commercial bank customers grows so does their potential influence on the banks' bottom-line. This postulate supports the empirical findings of this study.

The greatest concentration of un-served adults, approximately 1.5 billion, resided in East and South Asia while in SSA, 80% of the adult population, approximately 325 million people, was un-served (Chaia et al., 2009). Most commercial banks took exception with high taxes and other unfavourable legislation. A number of respondents were skeptical about the proposal by government to cap interest rates through legislation providing a roof and floor of interest rates that charged.

Most respondents argued that free market dynamics and competitive pricing were absolutely necessary in ensuring commercial banks make good returns. The smaller commercial banks especially those which have recently transformed from unregulated microfinance status to regulated status found CBK policies, especially with regard regulatory capital, prohibitive to their profitable operation. Regulatory capital based on the risk based approach is quite high and ties up capital that could be allocated to high return investments thus reducing available trading or risk taking capital.

They were of the view that CBK is important because it has over the past 10 years stabilized the soundness of the financial services sector reducing the number of banks that have collapsed within the said period. Most respondents ranked KRA and the central government as the most influential external stakeholders other than CBK. The value of strategic business partners has increased with the advent of mobile money transfer. This is because mobile banking services utilise the mobile service provider platforms. As a result most of the commercial banks have developed databases of key strategic partners and in some cases assigned dedicated resources including managers and staff to handle certain high value strategic partners. Some large commercial banks expressed frustrations with the mobile service providers for a number of reasons.

First of all the respondents cited the dominance of the financial services sector by the telephone services providers posing a new competition frontier. Secondly, due to their large influence, they dictated terms which are unacceptable to the commercial banks but which the banks had no option but to comply with. Finally, the common use of the mobile service provider platform conferred equal competitive advantage to all players in the market. For those banks seeking a competitive edge they would prefer to have a channel they can control. Due to this, at the time of the research, one commercial bank had successful applied for a license to provide mobile telephony services as a Mobile Virtual Network Operator (MVNO).

The mean of influence of the global economy on the performance of the banking industry was 3.5 with a standard deviation of 0.913. The international banks with presence in Kenya scored the global economy highly due to the influence of fluctuations in parent company performance induced by global events such as the 2008 global financial crisis. The effects are felt through policy and funding adjustments from parent companies which trickle to the foreign operations. Local and regional banks with insignificant overseas investment portfolios found that the global economy did not influence their performance. The underdevelopment of financial markets in Kenya serves to insulate it from adverse global economic conditions. Secondly, due to the oligopolistic nature of the industry, under-regulation and the limited linkage of the financial system to the global financial markets accentuate this insulation. Based on the findings we fail to accept (reject) the second null hypothesis:

H2: External stakeholders do not significantly moderate the relationship between organisational resources and performance of commercial banks in Kenya

4.3.9 The Effect of Expansion Strategies on the Relationship between Organisational Resources and Firm Performance

The third hypothesis interrogates the intervening role of expansion strategies on the relationship between organisational resources and the performance of Kenyan bank. The relationship was tested in a four step process. In the first step, resources were regressed against performance. In the second step expansion strategies were treated as the dependent variable while resources were the independent variable. In the third step expansion strategies are regressed against performance. In the fourth and final step resources and expansion strategies are regressed against performance of the banking industry in Kenya.

Step I: Regression of Resources on Bank Performance

Table 4. 15 Regression Results for Organisational Resources and Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.428[a]	.183	.164	.49432

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.407	1	2.407	9.852	.003[b]
	Residual	10.752	44	.244		
	Total	13.159	45			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.030	.507		4.007	.000
	Resources	.408	.130	.428	3.139	.003

Source: Research Data (2016)

A unit increase in resources improves performance by 0.428. These results confirm that organisational resources have a significant influence on the performance of the banking industry in Kenya

Step II: Regression of Resources versus Expansion Strategies

Table 4.16 Regression Results for Resources versus Expansion Strategies

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.617[a]	.381	.367	.65135

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.497	1	11.497	27.098	.000[b]
	Residual	18.668	44	.424		
	Total	30.164	45			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.374	.668		-.561	.578
	Resources	.892	.171	.617	5.206	.000

a. Dependent Variable: Expansion
b. Predictors: (Constant), Resources

Source: Research Data (2016)

The linear R of 0.617 indicates the existence of a strong linear relationship between expansion strategies and resources in Kenyan commercial banks. The (F = 27. 09, t = 5.206, $p < .05$) indicate the statistical significance of the results. The model equation is expressed below

$M = -3.74 + 0.617X_1$

According to the model output results, a unit change in expansion strategies causes a 0.617 change in organisation resources in the context of Kenyan commercial banks. This implies that a unit variation in expansion strategies accounts for than 50% variation in resources. Based on this and the significance of the other statics we conclude that there is a significant relationship between expansion strategies and resources.

Step III: Expansion Strategies versus Performance

Table 4.17 Regression Results for Expansion Strategies versus Performance

	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.451[a]	.203	.185	.48808

ANOVA[a]

		Sum of Squares	dof	Mean Square	F	Sig.
1	Regression	2.678	1	2.678	11.240	.002[b]
	Residual	10.482	44	.238		
	Total	13.159	45			

Coefficients[a]

		Unstandardized Coeff.		Standardized Coeff.	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.691	.282		9.552	.000
	Expansion	.298	.089	.451	3.353	.002

a. Dependent Variable: Performance
b. Predictors: (Constant), Expansion

Source: Research Data (2016)

The R = 0.451 indicates the existence of a fairly strong relationship between expansion strategies and the performance. Expansion strategies account for 45% of the variation in the bank performance in the context of Kenyan banks. The ($F = 11.24$, t = 9.552, $p < .05$) indicate the statistical significance of the test results. The model equation is expressed as

$Y = 2.691 + 0.451X_3$

Implying that a unit change in expansion strategies causes a 0.451 change in the the Kenyan banking industry. Based on this result and the significance of the other statistics we conclude that there is a significant relationship between expansion strategies and the commercial bank performance in the Kenyan banking industry.

Step IV: Organisational Resources, Expansion Strategies and Performance

Table 4.18 Model Results when Controlled for Expansion Strategies

	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.451[a]	.203	.185	.48808

a. Predictors: (Constant), Expansion

ANOVA[a]

Model		Sum of Squares	d of f	Mean Square	F	Sig.
1	Regression	2.678	1	2.678	11.240	.002[b]
	Residual	10.482	44	.238		
	Total	13.159	45			

a. Dependent Variable: Performance
b. Predictors: (Constant), Expansion

Coefficients[a]

		Unstandardized Coefnts		Standardized Coefnts	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.691	.282		9.552	.000
	Expansion	.298	.089	.451	3.353	.002

a. Dependent Variable: Performance

Excluded Variables[a]

		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Resources	.241[b]	1.427	.161	.213	.619

a. Dependent Variable: Performance
b. Predictors in the Model: (Constant), Expansion

Source: Research Data (2016)

When controlled for expansion strategies the model eliminates resources for insignificance. The $R_{R,EE} = 0.451$ and $R^2_{R,EE} = .203$ are the same coefficients for the expansion strategies analysis in step III. This implies that expansion strategies account for 45 percent of the variation in performance while resources have insignificant impact.

$Y_3 = 2.691 + 0.451X_1$

A unit increase in expansion strategies causes a 0.451 increase in performance. The ($t = 1.427$, $p < .05$) for resources in the model is insignificant affirming the statistical insignificance of resources in the model. Based on the results, the relationship between resources and performance is significant (β, t are significant, $P<0.05$). It is also evident that the relationship between resources and expansion strategies is significant (β, t are significant, $P<0.05$). Additionally, relationship between expansion strategies and the independent variable is significant (β, t are significant, $P<0.05$).

Finally when controlled for expansion strategies then the role of resources is no longer significant (β, t are not significant, $P<0.05$). On the basis of these results we conclude that expansion strategies intervene the relationship between organisational resources and the performance of Kenyan banks. On the basis of this finding, we fail to accept (reject) the third null hypothesis. The larger banks had a wider branch network as compared to the smaller banks and also commanded a proportionately large profit and market share. Respondents from three large local commercial banks agreed that agents contribute significantly to the bank's revenue. One of the banks derives 16 percent of its total earnings from agency business and with low attendant costs.

Due to the varying expansion approaches and outcomes, the incremental effect was moderate and so are the beta coefficients. Some of the large commercial banks who are rapidly expanding may be still going through any of the unprofitable stages discussed in the previous paragraph and some of the questions on the value of expansion strategies which has not been felt were scored poorly.

The finance manager of this bank was confident that by the end of 2015 up to 25 percent of the bank's revenue will be derived from agency banking. The other two major commercial banks derived between 5-10 percent of their total revenue from agency banking. The big local banks with a wide branch network were more successful with the agency banking model. It could be that the banks have sufficient financial resources to invest in expanding through agency business or that the large branch network offers technical support that enhances the prospects and success of agency banking.

Finally, it could be argued that the established brands and the experience/capabilities in managing diversified business and stakeholders could confer competitiveness on the banks along these lines. The high cost of maintaining bank branches against the low business that is characteristic of rural Kenya and other areas that are marginalized or excluded from mainstream financial services makes opening of new branches in these areas unprofitable. Technology therefore presents affordable and practical tools for seizing the opportunities in these regions through mobile and agency banking.

Mwando (2013) in a descriptive survey study of agency banking in Kenyan commercial banks found that the move by CBK to regulate agency banking had a positive influence on financial performance. The study also found that low transaction cost through agency banking had a positive impact on the financial performance of the Kenyan Baking industry. The additional effect of expansion strategies is quite low with both forward and backward stepwise regressions. This could be because some banks have not expanded significantly while those that have may not have reaped the performance benefits of expansion. None of the international banks with operations in Kenya use the agency model as expansion strategy.

The responses from the international commercial banks operating in Kenya indicated that their global brand image and policy could not allow them to adopt agency model. The model in Kenya thrives in informal settings which would either require excessive investments in decent facilities which would not be economical or if they operate in these locations without modern facilities they would compromise their global brand reputation. The respondents also cited the stringent operational, market and product controls to which they are subject as a major deterrent to the agency business model.

Their core staff are highly trained and have to sign confidentiality and other professional codes of conduct which enable them to maintain high standards of professionalism and integrity. The banks have absolute control of their human resource, but would not have as much control over agents. This perceived high risk by international banks has kept them away from agency banking. The mid-tier local banks that have adopted the agency banking model with little success rated this expansion strategy very poorly as well. The question on expansion strategies returned a low mean of 2.46 and high standard deviation of 1.52 which we attribute to the reasons raised above that imply responses.

The standard deviation implies that the responses were highly varied depending on whether or not the bank had adopted agency banking or not and whether the model had proved successful or otherwise. The question on local competition leading to regional expansion elicited the lowest mean of 2.32 and a high standard deviation of 1.30. This can be attributed to the banking industry stratification explained above. The international banks with presence in Kenya operate under the parent company policies. Only 11 out of all the local commercial banks have opened branches within the region. Three others have opened subsidiaries or acquired significant shareholding in regional banks.

The banks' expansion is supported by the Banking Act of 2009(1991), regulatory capital requirements by CBK and the investment philosophies of the shareholders and management. Some of the commercial banks are engaging in non-banking business. According to the respondents, most of the commercial banks have diversified their product portfolios as well as their business lines. Consequently, the question on whether the bank has diversified its product range in the past 5 years scored a very high mean of 3.74 and a standard deviation of 1.14. Most commercial banks are innovative in the way they do business through new products and their derivatives to serve the middle income group and other special groups.

Some of the products include mobile money banking services, debit-credit cards, car loans, mortgages, Islamic banking lariba and takaful accounts and a number of low transaction fees accounts for the low income and financially excluded groups. Most of the banks now offer integrated mobile money transfer and payment services as well as internet banking services using the extensive ICT resources. The study established that at the core banking business level very few commercial banks have entered into strategic business partnerships.

However, at the general business level, most of the banks have entered into strategic alliances with mobile telephone service providers, real estate developers and independent ATM service providers. As noted earlier, at the time of the research, one commercial bank had successfully applied for a license to provide mobile telephony services as a Mobile Virtual Network Operator (MVNO). This is both a new product expansion strategy as well as a strategic measure aimed limiting over reliance on mobile telephony service providers.

Only the large and a few mid-tier local commercial banks have fully fledged research units. The multinational banks have research units domiciled in their home countries. On a need to basis they could hire international research firms to conduct their market research. The small local banks only expand based on customer demands, resources and the ambitions of the owner-directors. Most of the executives we surveyed agreed that their banks had opened new branches/ subsidiaries within the country and the region in the past 5 years.

Customers increased by 2000 percent from 1,000,000 in 1996 to 21,800,556 in 2013 while net earnings grew 375 percent from 26, 333 m in 2006 to 124,932 m in 2013. The improved position can be attributed to successful local and regional expansion. Consequently we could argue that expansion strategies influence performance indirectly through external stakeholders by enhancing a firm's access to more valuable external stakeholders particularly new profitable market segments and customers.

Organisational resources are essential to expansion as firms with more resources tend to expand more rapidly. It had been argued that the financial effect of expansion may be positive, negative or neutral depending on the mode of expansion chosen. Where a bank employs agency model and there is minimal cash outlay, the financial effect may be neutral as the operations stabilize. The results of the data analysis indicate that expansion strategies intervene the resource-performance relationship. Consequently we fail to accept (reject) the third null hypothesis:

H3: The relationship between organisational resources and performance of commercial banks in Kenya is not significantly intervened by expansion strategies

4.3.10 Organisational Resources, External Stakeholders, Expansion Strategies and the Performance

The fourth and final hypothesis sought to establish the joint influence of external stakeholders and expansion strategies on the relationship between organisational resources and firm performance. The study measured performance from the balanced scored and triple bottom-line perspectives but what has become apparent from the study results is that financial performance measurement dominates the reporting by commercial banks in Kenya. Most respondents agreed only to a limited extent that their banks had adopted environmental reporting.

The CBK annual banking survey reports for the period reviewed (2006-2013) extensively refer to the macroeconomic, economic, business, operational and credit environments without mentioning ecological environmental issues. Further, the reports only mention the word social with respect to pension social benefits. However, the large local commercial and multinational banks operating in Kenya have foundations or other internal units dedicated to environment conservation and sustainability and corporate social responsibility.

These functional units report the environmental and CSR activities that the banks engage in rather than the social and environmental impact of their operations. The model R for the joint influence relationship is 0.638 indicating the existence of a strong relationship between resources, external stakeholders, expansion strategies and the performance of the banking industry in the Kenya country context. The $R^2 = 0.407$ indicates a fairly strong model fit for the variables. The results point towards the existence of a strong relationship between the predictor variables and the performance of banking industry in Kenya.

Table 4.19 Resources, External Stakeholders, Expansion Strategies and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638[a]	.407	.364	.43115

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.352	3	1.784	9.597	.000[b]
	Residual	7.807	42	.186		
	Total	13.159	45			

a. Dependent Variable: Performance

b. Predictors: (Constant), Stakeholders, Resources, Expansion

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.449	.655		.686	.496
	Expansion	.018	.113	.027	.159	.875
	Resources	.083	.150	.087	.551	.585
	Stakeholders	.769	.223	.565	3.441	.001

Source: Research Data (2016)

$Y_4 = 0.449 + 0.087X_1 + 0.565X_2 + 0.027X_3$

A unit change in organisational resources causes 0.087 increase in performance. A unit change in external stakeholders causes a 0.027 increase in performance and a unit change in expansion strategies causes a 0.01 change in firm performance. ($F = 9.597$, t = 3.441, $p < .05$) confirm the statistical significance of the results for the joint influence.

The coefficients for the resource-performance relationship were $R_R = 0.428$, $R^2_R = 0.183$. The coefficients for the moderating effect were $R_1 = 0.637$, $R^2_1 = 0.406$, $R_2 = 0.928$, $R^2_2 = 0.858$). The coefficients for the intervening relationship were $R_1 = 0.617$, $R^2_1 = 0.381$, $R_2 = 0.451$ and $R^2_2 = 0.203$. The R and R^2 for the moderation relationship with the interaction term (0.928, 0.858) > ($R=0.617$, $R^2 = 0.381$) for the joint influence.

Based on these results we conclude that the three variables do not have a significant joint influence on the performance of banking industry in Kenya. This is consistent with the fourth null hypothesis. Some multinational and small local banks have not adopted agency banking which is a popular expansion strategy. From the conceptualisation it was expected that the R and R^2 for the joint influence relationship would be greater than the coefficients for individual models. However, this was not the case and as a result we failed to reject (accepted) the fourth null hypothesis. The study argued that expansion strategies can take various approaches and entail different capital injections with varying turnaround times. These differences would cause performance variations.

Where a company adopts a capital intensive expansion strategy that involves setting up new operations from scratch, the expansion strategies may initially depress financial performance before the operations become profitable. Commercial banks which are expanding are employing the agency banking are doing so through and increase in point of service outlets such as branches, agents and ATMs. Other banks used acquisition of significant stake in regional banks as a means of expansion. These expansion strategies are capital intensive and it would be expected that the in the early stages the influence on the performance of the banks would be almost neutral or even negative. It is plausible that since most of these banks have started expanding locally to the remote areas of the country and regionally in the recent past, they are still in the process of stabilizing operations with near net negative cash outflows. The operations are yet to become profitable. Hence we fail to reject (accept) the final null hypothesis;

H4: Organisational resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya

Table 4.20 Summary of Hypotheses

Hypothesis	Findings	Decision
H1: There is no significant relationship between organisational resources and performance of commercial banks in Kenya	There is a significant relationship between organisational resources and performance of commercial banks in Kenya	Reject (fail to accept) the null hypothesis
H2: External stakeholders do not significantly moderate the relationship between organisational resources and performance of commercial banks in Kenya	External stakeholders significantly moderate the relationship between organisational resources and performance of commercial banks in Kenya	Reject (fail to accept) the null hypothesis
H3: The relationship between organisational resources and performance of commercial banks in Kenya is not significantly intervened by expansion strategies	The relationship between organisational resources and performance of commercial banks in Kenya is significantly intervened by expansion strategies	Reject (fail to accept) the null hypothesis
H4: Organisational resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya	Organisational resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya	Accept (fail to reject) the null hypothesis

Table 4.20 contains a summary of the hypotheses, findings and decision regarding each hypothesis. The study based on the results of the analysis rejected all but one null hypothesis. The data analysis revealed that resources significantly influence banking industry performance in the Kenya country context. The results also indicated that external stakeholders significantly moderate the relationship between organisational resources and the performance of the banking industry in the Kenya country context. The study further established that expansion strategies intervene the relationship between resources and the performance of the banking industry in the Kenya country context.

However, the study could not confirm the joint influence of resources, external stakeholders and expansion strategies on the performance of commercial banks in the Kenyan context. As a result the study failed to reject (accepted) all but of the conceptual hypotheses based on the results of the analysis of the empirical data. The study failed to reject (accepted) hypotheses 1, 2 and three but failed to accept (rejected) the fourth and final hypothesis.

CHAPTER FIVE

DISCUSSION OF RESULTS

The results are discussed in this chapter shedding further light on the findings, especially the regression analysis results along the conceptual hypothesis and literature review. The discussion is meant to integrate the findings with the conceptualisation.

5.1 The Relationship between Organisational Resources and Firm Performance

The current paradigm within strategic management is that the interaction of tangible assets, intangible assets and capabilities could lead to knowledge based resources which enhance firm performance and lead to SCA. Building on insights from the RBT, the DCT proposes that resources can be developed over time and in a time-dependent manner, such that a firm can keep renewing its skills and adapting them to stay ahead of the competition (Sirmon et al., 2010).

Using empirical data the study established the existence of a moderately strong relationship between organisational resources and performance (financial and non-financial). The descriptive statics showed that core capital which is both a performance indicator and a resource, it scored the highest mean. The study established that physical and financial resources were key attributes of the performance equation in the industry. Banks operate from secure premises due to the risk accompanying their operations and as such physical resources scored a very high mean. Most of their operations rely on technological tangible assets such as ATMs and computer systems (PCs and servers) and extensive core banking, ERP and other standalone software.

This is consistent with the findings of other scholars such; resources and alliances determine firm’s ability to access additional technological capabilities (Dussauge et al, 2000); brand assets reduce transaction costs with external stakeholders (Bergh et al., 2010). The response on qualified managers is consistent with our general understanding of the industry where top notch high performing executives are head hunted and remunerated competitively to ensure sufficient and stable management teams. According Becker & Gerhart (1996) human resources improve efficiency leading to revenue growth.

The human resources ranked equally highly with most respondents agreeing to a large extent that human resources were the main internal performance drivers. The understanding was that even the most sophisticated systems need human intervention to operate efficiently and effectively. Havrylchyk and Emilia (2011) found a positive relationship between asset management and profitability of banks. Organisational capabilities are embedded in and operationalized through culture, human resources and management.

When embedded in the operational systems human resources enhance the firm's capabilities resulting in superior performance. The number of customers served by a single staff has been increasing from 60 customers per staff in 1996 to 501 customers per staff in 2013. The increased efficiency was attributed the enhanced human resource utilisation, investment in ICT and human resource development through training. The increased efficiency has the global effect of improving performance through cost reduction. Tangible and intangible resources had strong influence on non-financial performance. The influence on financial performance was weak. These results are a little inconsistent with the understanding of the industry and other findings of this study.

Hence we conclude that the influence of intangible and tangible assets is coupled and interdependent. Hence resources should be considered in totality. Intangible assets are embedded within tangible organisational assets and may even derive their value from the tangibles. Capabilities are knowledge assets that reside within the tangibles and intangibles and enhance organisational efficiency leading to internal value appropriation. As seen in the literature review, organisational capabilities are embedded in and operationalized through culture, human resources and management.

In order to create SCA must devise and implement an innovation culture which allows them to build the capabilities necessary to compete successfully both now and in the future (Voelpel et al., 2005) through creation of tacit knowledge, other intangible assets and human resources. The study established that all the commercial banks have unique cultures represented by such aspects as; language, concepts, boundaries, and ideology; and provides basis for allocating status, power, authority, rewards, punishment, friendship, and respect (Willcoxson and Millett, 2000). The brand image of certain commercial banks intertwined in cultural aspects of the organisations inhibited multinational banks from engaging in agency business due to reputational concerns.

5.2 The Influence of External Stakeholders on the Relationship between Organisational Resources and Firm Performance

The empirical findings confirmed that external stakeholders moderate the relationship between organisational resources and firm performance. The study established that customers were very important external stakeholders. Bandeira-de-Mello et al. (2011) found positive external stakeholder interaction effects on firm performance measured by operational and financial profitability indicators. Brand and cultural assets deterred some banks from adopting the agency model of business. According to most of the executives surveyed, their businesses gained absolute legitimacy from their customers and without them the banks would not exist.

Ombati, Magutu, Nyamwange and Nyaoga (2010) found a direct relationship between ICT and service quality in the banking industry. This is consistent with the findings of this thesis, particularly the trends in ROA and the increasing efficiency in human capital utilisation. As such there is a reciprocal relationship between resources, external stakeholders and performance. The government/regulator dictate the macroeconomic environment within which the commercial banks operate which ultimately affects the value of organisational resources as well as the bottom-line of commercial banks.

This is consistent with Bryson (2004) who established that failure to attend to the concerns of stakeholders leads to poor performance or firm failure (Bryson, 2004). They ensure financial sector stability which is essential for the sound and profitable operation of commercial banks. Regulatory capital was cited as a major challenge by most respondents alongside taxes by KRA, both affect performance negatively. Commercial banks in Kenya have profited from the lack of a strict interest rate policy to return very high return on equity resulting in the outstanding performance.

The outstanding performance by commercial banks in Kenya from the preceding analysis was attributed to the ability to charge above average rates due to collusive price behaviour consistent with Otuori (2013) who found that higher interest rates lead to higher profitability in commercial banks in Kenya. The results showed that the locus of control banks have over shareholders was very limited compared to the control they have on most suppliers and customers appraising the view that shareholders can be classified as external stakeholders based on the locus of control definition.

However, the findings are inconsistent with Ongore and Kusa (2013) utilised exploratory study based on secondary data collected from published accounts and found that bank specific factors significantly affect the performance of commercial banks in Kenya . Lastly, according to these executives, they interacted with the shareholders less frequently during AGMs than they do with some of their customers in the normal course of business. All these factors made them consider shareholders as external stakeholders. The overall conclusion is that external stakeholders intervene the relationship between resources and the performance of commercial banks in the Kenyan context significantly through various channels.

5.3 The Influence of Expansion Strategies on the Relationship between Organisational Resources and Firm Performance

The McKinsey's (2013) global private banking survey report indicates that scale plays a decisive role in driving cost efficiency, especially for investment, operations and IT functions. The empirical data analysis results indicated that expansion strategies intervene the relationship between organisational resources and the performance of commercial banks in Kenya. Expansion strategies are dependent on how banks strategically build on the stock of relevant resources in new domains. Internal growth with time is limited to internal economies of scale. As these are eroded with time institutions face internal diseconomies of scale that eventually erode their CA.

This calls for renewal of capabilities in new territories and product domains justifying expansion. If the viability of a limited local or geographical market leads to herd behaviour then the first movers within the market are likely to enjoy greater success. The realisation of the EAC may have hindered regional expansion strategies by some banks. Rojas-Suarez and Gonzales (2010) established that delays in passing and uncertainty in implementing necessary regulations to support financial access limit firm strategic expansion. The delay in enacting and implementing policies, rules and regulations to establish the East African Monetary Union and the East African Common Market protocol may have impaired regional expansion.

This uncertainty and the attendant risk creates opportunity for above average returns for as long as organisations are able to contain the environmental uncertainty and turbulence to excel. Based on the findings we fail to accept (reject) the third hypothesis that expansion strategies intervene the relationship.

5.4 The Joint Influence of Expansion Strategies and External Stakeholders on the Relationship between Resources and Firm Performance

The results of the previous hypotheses indicate that there is a strong relationship between organisational resources and firm performance. External stakeholders have a significant moderating effect on the relationship between organisational resources and firm performance while expansion strategies intervene the relationship. The joint influence results however were not more significant different when compared to the moderating effect of external stakeholders. Resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya.

These results may imply a lack of fit between organisational resources, external stakeholders, expansion strategies and the performance of commercial banks in Kenya. A lack of relatedness between organisational resources, external stakeholder demands and expansion strategies (remember customer requirements sometimes are inconsistent with a firm's growth objective of increased profits) leading to the lack of fit that we have attributed the lack of a joint influence relationship to. Achcaoucaou et al. (2009) established that in response to different external stakeholders and expansion strategies. Based on the findings of the analysis, we failed to reject the final hypothesis.

Chapter five contains a detailed discussion or the results against the background of the literature reviewed. The chapter compares the empirical findings and inferences drawn therefrom with the literature review and highlights the similarities and differences between the findings. The discussions are done along the objectives of the study and the research hypotheses which are informed by the literature review.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

In this section we summarise the key findings of both the primary data analysis based on the conceptual hypotheses. The conclusions drawn from the study are elaborated to effectively address the problem statement and answer the research question which was: What is the joint influence of external stakeholders and expansion strategies on the relationship between resources and performance in commercial banks in Kenya? Recommendations are made based on the conclusions.

6.2 Summary

This section summarises the key findings of the data analysis which established the existence of a significant relationship between organisational resources and the financial performance of commercial banks in Kenya. The section highlights the salient findings along the key conceptual hypotheses.

6.2.1 Organisational Resources and Firm Performance

The correlation coefficient for the primary data was 0.428 implying a moderate positive relationship between organisational resources and firm performance. The coefficient of determination (R^2) for these two variables was 0.183 which implies that the model fit was weak. These findings confirm the existence of a significant relationship between organisational resources and firm performance. Tangible resources account for 35.6 percent of the variation in financial performance.

The t-statistics (2.56 and 2.52) indicate that the model has a good fit. The relationship between intangible assets and financial performance was weak ($R = 0.168$, $R^2 = 0.028$). The respondents placed greater emphasis on non-financial performance than they did on financial performance highlighting a paradigm shift from focus on financial performance to sustainability performance measurement in the banking industry in Kenya. It may be that resources influence performance indirectly through non-financial performance. Tangible assets account for 75.5 ($R = 0.755$) percent variation in non-financial performance. The $R^2 = 0.56$ indicates moderately strong model fit.

The $R=0.745$ implies that intangible assets account for 74.5 percent of the variation in non-financial performance. The trend indicates that non-financial performance is more responsive to changes in resources than financial performance. These results validate the idea that intangible assets and non-financial assets jointly result in efficient utilisation of tangible assets resulting in internal competitiveness leading to superior performance.

6.2.2 External Stakeholders on the Relationship between Organisational Resources and Firm Performance

A unit increase in resources improves performance by 0.428 (step I). These results confirm that organisational resources have a significant influence on the performance of commercial banks in Kenya. The stepwise regression analysis for step II yielded ($R_{R,ES}$=0.637, $R^2_{R,ES}$=0.406). The correlation coefficient, $R_{R,ES} = 0.637$ indicates a strong (64 percent) relationship between organisational resources, external stakeholders and performance of Kenyan banks. The R for the moderating effect of external stakeholders is 64 percent which is greater than 42.8 percent by nearly 20 percent. The ($F = 14.716$, t = 4.023, $p < .05$) affirm the statistical significance of the results.

$$Y = 0.408 + 0.097X_1 + 0.577X_2$$

The change after the introduction of the interaction term is significant (Step I R = 0.428, $R^2 = 0.183$; Step II R = 0,637, $R^2 = 0.406$; and in Step III R = 0.928, $R^2 = 0.861$) indicate that external stakeholders moderate the resource-performance relationship. The ($F = 272.317$, t = 16.502, $p < .05$) affirm the statistical significance.

$$Y = 1.5 + 0.928X_1 + 1.538X_2 – 0.703\, X_1X_2$$

A unit change in organisational resources causes a 0.097 increase in the performance of commercial banks in Kenya. A unit change in external stakeholders increases performance by 0.577. A unit change in resources causes a 0.928 increase in performance while a unit change in external stakeholders increases performance by 1.538. A unit change in the interaction of these two terms reduces performance by 0.703. Based on these findings and discussions in this section we conclude that external stakeholders have a significant moderating role on the relationship between resources and performance of commercial banks in Kenya.

6.2.3 The Influence of Expansion Strategies on the Relationship between Organisational Resources and Performance

A unit increase in resources improves performance by 0.428 (Step I). These results confirm that organisational resources have a significant influence on the performance of commercial banks in Kenya. In Step II the linear R of 0.617 indicates the existence of a strong linear relationship between expansion strategies and resources in Kenyan commercial banks. The ($F = 27.09$, $t = 5.206$, $p < .05$) indicate the statistical significance of the results. The model equation is expressed below

$M = -3.74 + 0.617X_1$

According to the model output results, a unit change in expansion strategies causes a 0.617 change in organisation resources in the context of Kenyan commercial banks. This implies that a unit variation in expansion strategies accounts for than 50% variation in resources. Based on this and the significance of the other statics we conclude that there is a significant relationship between expansion strategies and resources. In Step III the R = 0.451 indicates the existence of a fairly strong relationship between expansion strategies and the performance of commercial banks in Kenya. Expansion strategies account for 45% of the variation in the performance of commercial banks in Kenya. The ($F = 11.24$, $t = 9.552$, $p < .05$) indicate the statistical significance of the test results. The model equation is expressed as

$Y = 2.691 + 0.451X_3$

Implying that a unit change in expansion strategies causes a 0.451 change in the performance of commercial banks in Kenya. When controlled for expansion strategies the model eliminates resources for insignificance. The $R_{R,EE} = 0.451$ and $R^2_{R,EE} = .203$ are the same coefficients for the expansion strategies analysis in step III.

This implies that expansion strategies account for 45 percent of the variation in performance while resources have insignificant impact.

$Y_3 = 2.691 + 0.451X_1$

A unit increase in expansion strategies causes a 0.451 increase in performance. The ($t = 1.427$, $p < .05$) for resources in the model is insignificant affirming the statistical insignificance of resources in the model. Based on the results, the relationship between resources and performance of commercial banks in Kenya is significant (β, t are significant, $P<0.05$). It is also evident that the relationship between resources and expansion strategies is significant (β, t are significant, $P<0.05$). Additionally, relationship between expansion strategies and performance of commercial banks in Kenya is significant (β, t are significant, $P<0.05$). When controlled for expansion strategies the role of resources is no longer significant (β, t are not significant, $P<0.05$). On the basis of these results we conclude that expansion strategies intervene the relationship between organisational resources and the performance of commercial banks in Kenya.

6.2.4 The Joint Influence of Expansion Strategies and External Stakeholders on the Relationship between Resources and Firm Performance

The model R for the joint influence relationship is 0.638 indicating the existence of a strong relationship between resources, external stakeholders, expansion strategies and the performance of commercial banks in Kenya. The $R^2 = 0.407$ indicates a fairly strong model fit for the variables. The results point towards the existence of a strong relationship between the predictor variables and the performance of commercial banks in Kenya.

$Y_4 = 0.449 + 0.087X_1 + 0.565X_2 + 0.027X_3$

A unit change in organisational resources causes 0.087 increase in performance. A unit change in external stakeholders causes a 0.027 increase in performance and a unit change in expansion strategies causes a 0.01 change in firm performance. ($F = 9.597$, $t = 3.441$, $p < .05$) confirm the statistical significance of the results for the joint influence.

The coefficients for the resource-performance relationship were $R_R = 0.428$, $R^2_R = 0.183$. The coefficients for the moderating effect were $R_1 = 0.637$, $R^2_1 = 0.406$, $R_2 = 0.928$, $R^2_2 = 0.858$). The coefficients for the intervening relationship were $R_1 = 0.617$, $R^2_1 = 0.381$, $R_2 = 0.451$ and $R^2_2 = 0.203$. The R and R^2 for the moderation relationship with the interaction term (0.928/0.858) > ($R=0.617$, $R^2 = 0.381$) for the joint influence. Based on these results we conclude that the three variables do not have a significant joint influence on the performance of commercial banks in Kenya.

6.3 Conclusion

Based on the results of the data analysis we conclude that there is a strong relationship between organisational resources and performance of commercial banks in Kenya. The most important resources are management, human resources, physical and financial assets, ICT, capabilities, culture and brand assets. The study also established that efficient utilisation of resources is important in attaining internal competitiveness which is the first step towards sustained performance. Capabilities enhance the efficiency of utilisation of resources and enhance their value.

With respect to intangible versus intangible resources the study concluded that the segregation of tangible and intangible assets to establish their impact on performance does not yield meaningful results given that even in the course of business it is not practical to determine the value of tangibles and intangibles in isolation. External stakeholders have a significant moderating influence on the relationship between organisational resources and the performance of commercial banks. The most important external stakeholders are customers who legitimise the existence of the commercial banks. Other critical stakeholders include the government, the regulator CBK, KRA and mobile money transfer service providers.

For some of the large local commercial banks, agents are also important external stakeholders. The study established that shareholders are classified by the large listed commercial bank CEOs and finance managers as external stakeholders. Interpreting the results on the basis of the stakeholder theory with particular emphasis on the locus of influence shareholders can be classified as external stakeholders except for small businesses in which the shareholders are managers as well.

Expansion strategies intervene the relationship between resources and the performance of commercial banks. The expansion strategies adopted by commercial banks in Kenya include local and regional branch network expansion, product diversification, internet and mobile banking and agency banking. The study was founded on the presupposition that the effect of expansion strategies on performance will depend on the mode of expansion and the stage of the operations which dictates the returns. In early stages, expansion strategies that involve high capital investment may lead to a slump in performance as the operations stabilize. After operations stabilize the investment is recovered then consequently the business becomes profitable.

Since most of the commercial banks are in the early stages of expanding regionally with little prior experience of regional markets, most of them are facing a steep learning curve adversely impacting the influence of expansion strategies on the resource-performance relationship. The third hypothesis established that expansion strategies intervene the relationship between expansion strategies and performance of commercial banks. The fourth and final hypothesis established that organisational resources, external stakeholders, expansions strategies do not jointly influence the performance of commercial banks in Kenya.

The first conclusion we draw from these findings is that there is a strong relationship between organisational resources and firm performance. This adds to the steadily growing empirical evidence supporting the RBT as a prominent theory in strategic management. Both external stakeholders and expansion strategies have a significant influence on the relationship between organisational resources and the performance of commercial banks in Kenya.

However, the study established that resources, external stakeholders and expansion strategies do not jointly influence the performance of commercial banks in Kenya. A lack of fit between these variables could explain this finding. We therefore conclude that within the context of the banking industry in Kenya resources, external stakeholders and expansion strategies do not jointly influence performance. The study results show that financial performance measurement and reporting dominates the practice in the banking industry.

The four aspects of the balanced score card have been embraced by the industry but to a moderate extent with the culture of sustainable reporting still only in its infancy stages. According to the respondents all the banks have customer care units and regularly conduct customer satisfaction surveys that appraise their product development and service delivery. Improvement of internal business processes through ICT, training and process reviews is a custom practice. All the banks have customer service charters informing their key performance indicators.

Social and environmental reporting are still not developed with only but a few banks engaged in some form of sustainable reporting. Where social and environmental reporting is done, the banks report their corporate social responsibility and environmental conservation activities rather than the social and environmental impact of their operations. Sustainability and green reporting is still in infancy stages and some respondents cited the lack of a triple bottom-line reporting framework as an impediment to sustainable reporting.

6.4 Implications and Recommendations of the Study

This section highlights the implications and recommendations for policy, practice and theory based on the research findings. This section builds on the implications to make recommendations.

6.4.1 Implications and Recommendations for Practice

Managers of commercial banks and other commercial entities, borrowing from these findings can enhance the utilisation of resources in their control to enhance the competitiveness of their organisations. The study showed that efficient utilisation can result in internal competitiveness which is a precursor to external competitiveness. We recommend that managers of commercial banks perform internal resource analyses to determine their resource endowments and the appropriate manner in which they can be bundled and deployed to ensure maximum internal resource value. The study established the critical role that external stakeholders play in the performance of commercial banks.

We recommend that these external stakeholder relationships should become a key focus of senior management in a bid to create and enhance stakeholder value and consequently firm performance. We recommend that managers can make it their core business to enhance organisational capabilities as they posture their banks to manage external stakeholders and deal with mounting competition within the industry. Managers should posture their organisations and the accompanying resources appropriately to ensure maximum internal efficiency and value appropriation. The organisational resources, capabilities and processes should be configured in a way that ensures above industry average utility so as to differentiate the organisation from peers and confer external competitiveness to the organisation to secure SCA.

The vital external stakeholders who significantly influence the relationship between organisational resources and firm performance include customers, strategic business partners and the regulators. We recommend that these groups become focal point of the policy formulation by commercial banks in a bid to ensure sustainable competitive advantage. Banks should closely monitor and manage these key determiners of their performance in a more effective way that ensures competitiveness.

Practitioners within the banks should focus on the appropriateness of expansion strategies based on whether they prefer longer term strategies that ensure sustainable competitive advantage or short-term high return strategies to help their organisations turnaround. The senior managers within organisation's that are expanding rapidly can dedicate resources to market research and budgeting in order to forecast the likely impact of future expansion strategies. Variance analyses can then be conducted to compare actual results versus the projected results and corrective action taken where necessary. Additional resources may be allocated as appropriate in order to enhance the potential success of expansion ventures that are seen as stars.

Commercial banks will have access to knowledge potential expansion strategies within the Kenyan context. The small banks particularly, can borrow from these findings and implement productive expansion strategies that match their business philosophies and growth strategies. In so doing they could avoid the pitfalls associated with ventures like opening branches in volatile regional cities and agency banking where the requisite resources, capabilities and market data are scarce. Banks should seek an optimal fit between resources, strategies, markets and performance objectives. There was no joint influence due to lack of fit between resources, external stakeholders and performance.

6.4.2 Implications and Recommendations for Policy

The study has significant implications on policy from both an individual commercial bank perspective as well as from a regulatory perspective. Current policies seem favour the outstanding performance hence we recommend that the current resource policy stances by commercial banks and regulators should either be maintained or enhanced to foster the continued outstanding performance of the industry. Secondly, the study found that CA depends on the efficiency of resource utilisation and the manner in which resources are deployed. Based on this we recommend that policy stances adopted by commercial banks should focus on resource utilisation and deployment.

If legislation is too complex and too frequent, human resources could be tied up in interpreting and simplifying them. Commercial banks lose resources if they are penalized for failing to comply with new and complex legislation. We recommend that policies are developed through collaboration between industry players and regulators to avoid this. The regulator, CBK can tailor regulatory capital requirements imposed on commercial banks to help the small banks which struggle to meet regulatory capital requirements to free risk capital that will support trading operations.

The study established that customers, suppliers and regulators significantly impact the performance of commercial banks. We recommend that individual commercial banks should develop high level policies that enhance management of external stakeholders to guarantee their competitiveness. For example SLAs with suppliers and customer service charters which ensure compliance with legislation. Commercial banks should develop a policy framework for engagement with the government, CBK and other banking oversight bodies to review the regulatory stance on the commercial banks.

We recommend that the high interest spread can be addressed with a view increasing demand for credit. This may in the long-run increase profitability by spurring macroeconomic growth and increasing credit turnover and interest income. Currently the industry lacks policies to support key aspects of sustainability reporting such as environmental (ecological) and social reporting. The industry players led by KBA and the regulator working with the government could draft and pass into law a sustainability reporting a policy framework to promote social and environmental reporting.

The findings indicate that expansion strategies significantly interevene the relationship between resources and performance. We recommend that policies should be developed by individual commercial banks as well as the industry to foster effective resource deployment through expansion. These findings could be part of a central data repository to provide macroeconomic, financial sector stability, political stability, general market demand and profitability statistics that would help managers of commercial banks make informed choices on which markets to enter and the mode of entry into such markets. Such decisions would not only appraise future expansion strategies but could also serve as a guide on which current markets to exit, increase resource allocations to or change the marketing and operation approaches.

Structures and policies can be put in place to provide market congestion signals to assist commercial banks steer clear of markets that were hitherto lucrative but whose available market share has been eroded or depleted by an influx of financial services providers. We recommend that the government should establish polices that give incentives such as preferential tax treatment to commercial banks that serve financially excluded regions where the costs of doing business are prohibitive like the remote arid areas in Kenya.

6.4.3 Implications and Recommendations for Theory

The study confirmed the conceptual hypothesis that there is a strong relationship between organisational resources and performance. This adds the steadily growing body literature in academic circles about the role or resources in driving firm performance. It also illustrates that organisational resources are a key determinant of firm performance and a source of competitive advantage. Dynamic capabilities which are embedded in human resources and organisational processes are a source of inter-firm heterogeneity, differentiation and sustainable competitive advantage.

The fact that the net earnings and customers have grown at a faster rate than staff indicates that as firms integrate staff, systems and capabilities in a synchronous fashion, they build lasting capabilities. Continuous alignment of these capabilities with the environment leads to CA. These findings will aid strategic management theory building by validating the RBT. More research aimed at ratifying the role resources play in firm performance should be conducted in order to verify the RBT. The discussion on expansion strategies was anchored in the pecking order and tradeoff theories which explain how firms allocate and deploy organisational resources during expansion.

We recommend that future studies incorporate industry specific such as stratification in order to give more conclusive results that would cement the trade-off theory. The study also revealed that major external stakeholders such as customers, suppliers, financiers and regulators significantly influence performance of commercial banks in Kenya. We recommend that these variables be interrogated in different industries and countries, under varying conceptualisations and methodologies so as to come up with consistent and conclusive findings.

Such findings would contribute towards the establishment of the field of strategic management that is in its pre-paradigmatic phase. The findings of the research show that most of the commercial banks in Kenya are still in their early stages of the expansion. It would be of great value to theory to conduct time series investigations to ascertain the influence of expansion strategies on performance over time. Based on the significant moderating effect of external stakeholders on the resource-performance the stakeholder theory should be interrogated further to provide empirical evidence of the role of stakeholders in influencing performance but also in guiding strategic management research. Future studies should consider theory coupling rather than reviewing theories in isolation.

For example the RBT can be viewed from the same pair of lenses as the stakeholder theory, the DCT with the trade-off theory among others. We also recommend that further studies be carried out in different contexts to validate the empirical findings of this thesis and ratify external stakeholders as key performance drivers. The studies could further refine their conceptualisation with a view to validating findings of this study that shareholders could be classified as external stakeholders with a view to modifying the current stakeholder theory. This thesis has ascertained consistent with literature reviewed that the stakeholder theory provides a solid basis for explaining organisational outcomes.

6.5 Limitations of the Study

The first limitation of the study was in the design of the research instrument vis a vi the structure of the banking industry in Kenya. The banking industry is clearly stratified into large, medium and small commercial banks based on the Central Bank of Kenya annual banking survey reports. The banks are further stratified as either local or multinational banks based on ownership and control. The instrument was designed to carter for all the 43 commercial banks without explicitly considering this critical stratification and tailoring particularly expansion related questions to specifically address the unique circumstances of each group.

Consequently, some of the expansion strategy questions were not applicable to the multinational and small local banks and as a result the respondents from these banks scored expansion strategies low. Questionnaire stratification would lead to more specific information that could facilitate analysis along specific industry profiles. The more specific the analysis the more fine grained recommendations and can be made.

The study had a contextual limitation by focusing on Kenya only. Given the ongoing regional integration efforts, a similar study could be conducted that covers the East African Community to give wider stakeholder and expansion strategy boundaries increasing the contextual scope of the findings. Instead of a cross-sectional survey that validates facts at a point in time, a longitudinal study could be conducted to establish the time value of the influence of organisational resources, external stakeholders and expansion strategies on the performance of corporate organisations.

6.6 Areas for Further Research

Based on the results of this study and other conceptual and empirical studies, we confirm that there is significant relationship between organisational resources and performance. That indeed organisational resources are not only a source of inter-firm heterogeneity but also a potential source of sustainable competitive advantage. Replicative studies on organisational resources within the banking industry in different countries as well as other industries globally could accelerate the acceptance and ratification of the RBT as major theory in strategic management.

The replicative studies could also aid practice by confirming how resources influence performance through efficiency or other mechanisms such as causal ambiguity. Future studies could stratify the industries they survey based on regulator classifications and indices so as to tailor the research instrument appropriately to gather more specific data. As noted above, a longitudinal study could yield meaningful trends from which concrete inferences that appraise policy, practice and knowledge development could be drawn. It has been argued that trends could tell a better story than absolute numbers.

6.7 Chapter Summary

The chapter starts with an introduction and follows up with the summary of the findings which are discussed along the research hypotheses. The chapter then draws conclusions based on the summary of the findings before discussing implications of the study on practice, policy and theory. The chapter discusses the recommendations which are made based on the implications of the study before reviewing the limitations and areas for future research. The chapter then concludes with the chapter summary.

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APPENDICES

Appendix 1: Questionnaire

This academic research is intended to establish the joint influence of external stakeholders and firm expansion strategies on the resource-performance relationship in commercial banks in Kenya. The information gathered by use of this questionnaire will strictly be used for the academic purposes of this thesis and will be treated with the highest level of confidentiality. We request for an opportunity to administer the questionnaire to the CEO and Finance Manager. Thank you very much.

Section A: Respondent and Bank Demographics

1. Which bank do you work for……………………………………..
2. For how long have you worked for this Bank?

   Less than 1 year [ ] 1-5 years [ ]

   6-10 years [ ] Over 10 years [ ]
3. What position do you hold? ....
4. For how long have you worked in this position?

   Less than 1 year [ ] 1-5 years [ ]

   6-10 years [ ] Over 10 years [ ]
5. For how long has the bank been in operation in Kenya?

   5-10 years [ ] 11-20 years [ ]

   10-30 years [ ] Over 30 years [ ]
6. How many branches does your bank have in Kenya? ……….
7. How many branches does your bank have outside Kenya? ……….
8. Approximately how many employees does your bank have ……….

Section B: Organisational Resources

Instructions: Listed here below are some statements regarding organisational resources. Please indicate the extent to which they reflect the bank's resources by ticking the relevant box for each statement.

(1) Very Limited Extent (2) Limited Extent (3) Moderate Extent (4) Large Extent (5) Very large extent

No.	Organisational Resources	1	2	3	4	5
1	Efficient utilisation of resources makes the bank competitive					
2	Resources help in managing external stakeholders and expansion					
3	The bank invests in developing competences and capabilities					
4	The bank has qualified managers					
5	A pervasive culture of innovativeness is enhanced to encourage learning and development of competencies and capabilities					
6	Management culture/philosophy support resource development					
7	The bank invests in knowledge development and management as well as process improvement					
8	The bank has sufficient ICT and IS systems to support operations as well as strategic expansion					
9	The bank invests in developing brand equity					
10	The bank has valuable patented systems and products					

11. How much does your bank spend on advertising, marketing and promotion (million shillings)?

0-50 [ ] 51-250 [ ]

251-500 [ ] Over 500 [ ]

12. What is the value of the bank's intangible assets in million shillings?

0-100	[ ]	100-500	[ ]
500-1000	[ ]	Over 1000	[ ]

13. How much does the bank spend on training staff in million shillings?

0-50	[ ]	50-100	[ ]
100-200	[ ]	Over 250	[ ]

14. What is your annual increase for fixed assets other than capital appreciation?

Less than 1%	[ ]	1-5%	[ ]
5-10%	[ ]	Over 10%	[ ]

15. How many of your staff have the following as the highest qualification?

Certificate/Diploma	….……..	Bachelor's Degree	……….
Master's Degree	……….	Doctoral Degree	……….

16. What role do resources play in managing external stakeholders?

....

17. Does the company have a long-term resource forecast?

....

Section C: External Stakeholders

Instructions: Listed here below are some statements regarding external stakeholders. Please indicate the extent to which the statements reflect the bank's stakeholder position by ticking the relevant box for each statement.

(1) Very Limited Extent (2) Limited Extent (3) Moderate Extent (4) Large Extent (5) Very large extent

No.	External Stakeholders	1	2	3	4	5
1	Government policies favorably influence the bank's strategies and performance					
2	Customers significantly influence the bank's decisions, operations and outcomes including performance					
3	The number of customers has increased over the past 5 years					
4	The bank keeps a data bank of key strategic partners					
5	The bank's performance is affected by regional policies					
6	The strategic value of mobile money transfer service providers has increased in the past 5 years					
7	Agents contribute significantly to the bank's revenue					
8	We face steep competition from other commercial banks and micro-finance institutions					
9	Suppliers influence the bank's strategies and operations					
10	CBK policies influence expansion strategies and performance					

11. How much of the annual turnover can be attributed to mobile money transfer?

    Less than 1% [ ] 1-5% [ ]

    5-10% [ ] Over 10% [ ]

12. How much does your bank spend on customer satisfaction programmes annually in million shillings?

    Less than 10 [ ] 10-50 [ ]

    50-100 [ ] Over 100 [ ]

13. How much does you bank spend annually on environmental management programmes annually in millions of shillings?

    0-200 [ ] 200-500 [ ]

    500-1000 [ ] Over 1000 [ ]

14. Which group(s) of external stakeholders influence the bank most

    ....

    ....

15. How does the bank mitigate against over-reliance or vulnerability to given external stakeholders?

    ....

    ....

16. Comment on your bank's commitment to managing external stakeholder relations

    ....

    ....

    ....

17. How has the bank's management of the following external stakeholder groups affected its resources, expansion strategies and performance?

    Customers..

    Competitors …………………………………………………………………….

    Strategic partners ………………………………………………………………..

    Regulators/customers …………………………………………………………………

    Others (Please specify)

    ………………………………………………………………………………………

Section D: Expansion Strategies

Instructions: Listed here below are some statements regarding expansion strategies. Please indicate the extent to which these statements reflect your bank's expansion strategies

(1) Very Limited Extent (2) Limited Extent (3) Moderate Extent (4) Large Extent (5) Very large extent

No.	**Expansion Strategies**	**1**	**2**	**3**	**4**	**5**
1	Expansion strategies are linked to specific performance goals					
2	The bank has diversified its product range in the last 5 years					
3	Local competition has driven the bank to expand regionally					
4	The number and location of agents is increasing annually					
5	The bank has opened new branches/subsidiaries within the region and in the last 5 years					
6	The bank offers non-banking services such as insurance					
7	The bank has entered into strategic alliances in the last 5 years					
8	The bank invests in research to support expansion strategies					
9	The bank has plans to internationalize its operations through global alliances or other structures					
10	Organisation structure is essential to current and future operations					
11	The bank's expansion is driven by organisational resources					

12. How much does your bank invest in new product development annually?

0-50 [ ] 50-200 [ ]

200-500 [ ] Over 500 [ ]

13. What volume of the bank's business is currently being transacted through agents?

Less than 1% [ ] 1-5% [ ]

5-10% [ ] Over 10% [ ]

14. How many new branches has the bank setup in the country over the past 5 years?

0-10 [ ] 10-30 [ ]

30-50 [ ] Over 50 [ ]

15. What is the volume of the bank's regional business compared to the local business?

0-1% [ ] 1-5% [ ]

5-10% [ ] Over 10% [ ]

16. What factors have drive your bank's expansion strategies and why?

....

....

17. To what extent have the expansion strategies realized their strategic objectives?

....

18. What are the biggest challenges that the bank has faced in its expansion efforts?

....

....

19. How have the expansion strategies affected resources and performance?

....

Section E: Performance

Instructions: Listed here below are some statements regarding performance. Please indicate the extent to which the following statements reflect your bank's performance

(1) Very Limited Extent (2) Limited Extent (3) Moderate Extent (4) Large Extent (5) Very large extent

No.	Performance	1	2	3	4	5
1	The bank's profitability can be attributed to the resource base					
2	The bank's EPS has been improving over the past 5 years					
3	The bank's ROI is close to or higher than the industry average					
4	The bank's market share has improved in the recent past					
5	Stakeholder management has enhanced the bank's social capital					
6	To what extent has the bank adopted environmental reporting?					
7	Customer satisfaction has been increasing from year to year					
8	Internal business processes have improved over the past 5 years					
9	The bank has introduced new products in the last 5 years					
10	The bank knowledge and capabilities are growing					
11	Core capital and other assets have grown in last 5 years					

12. What is the bank's average growth in market share?

0 - 0.1% [ ] 0.2 to 0.4% [ ]

0.5-1 % [ ] Over 1% [ ]

6-10% [ ] Over 10% [ ]

13. How has the bank's culture of environmental and social reporting affected its performance?

....

....

Appendix 2: List of Commercial Banks in Kenya

Number	Bank	Market Size Index
1	Kenya Commercial Bank Ltd	13.54%
2	Equity Bank Ltd	10.06%
3	Cooperative Bank Ltd	8.74%
4	Standard Chartered Bank (K) Ltd	8.29%
5	Barclays Bank of Kenya Ltd	8.08%
6	CFC Stanbic Bank Ltd	5.01%
7	NIC Bank Ltd	4.32%
8	Diamond Trust Bank Ltd	4.10%
9	Commercial Bank of Africa Ltd	4.08%
10	I&M Bank Ltd	4.08%
11	Citibank N.A.	3.42%
12	National Bank of Kenya Ltd	3.00%
13	Baroda Bank Ltd	1.92%
14	Chase Bank Ltd	1.87%
15	Bank of Africa Ltd	1.83%
16	Prime Bank Ltd	1.71%
17	Housing Fin. Co. of Kenya Ltd	1.49%
18	Imperial Bank Ltd	1.44%
19	Family Bank Ltd	1.42%
20	Bank of India	1.08%
21	Ecobank Kenya Ltd	1.06%
22	African Banking Corporation Ltd	0.76%
23	Fina Bank Ltd	0.74%
24	Consolidated Bank of Kenya Ltd	0.66%
25	Gulf African Bank Ltd	0.56%
26	Giro Commercial Bank Ltd	0.54%
27	Equatorial Commercial Bank Ltd	0.52%

Number	Bank	Market Size Index
28	Fidelity Bank Ltd	0.48%
29	Guardian Bank Ltd	0.48%
30	Victoria Commercial Bank Ltd	0.48%
31	Development Bank of Kenya Ltd	0.47%
32	Habib A.G. Zurich	0.43%
33	K-Rep Bank Ltd	0.42%
34	Trans-National Bank Ltd	0.42%
35	First Community Bank Ltd	0.41%
36	Paramount Universal Bank Ltd	0.32%
37	Habib Bank Ltd	0.32%
38	Oriental Commercial Bank Ltd	0.31%
39	Credit Bank Ltd	0.29%
40	Jamii Bora Bank Ltd	0.27%
41	Middle East Bank (K) Ltd	0.26%
42	UBA Bank Kenya Ltd	0.18%
43	Dubai Bank Ltd	0.15%
44	Charterhouse Bank Ltd	0.00%
	Total	**100%**

Source: CBK, 2012

Appendix 3: Letter of Introduction

Mahasi John,
University of Nairobi
P.O. Box 1947-00100
Nairobi
Tel. 0736133276
jmahasi@yahoo.com
28th July 2014

Dear Respondent,

RE: REQUEST FOR ACADEMIC RESEARCH DATA

I am a PhD candidate at the University of Nairobi, School of Business. As part of the requirements for the award of this degree, I am undertaking an academic research on, **The Joint Influence of Organisational Resources, External Stakeholders and Expansion Strategies on the Performance of Commercial Banks in Kenya.**

The information collected will be used solely for this academic research and will be treated with utmost confidentiality. I will be grateful if you could spare part of your time to answer the questions as honestly as possible. The target respondents are the Chief Executive Officer and Finance Director.

Your participation and cooperation will be highly appreciated.

Yours faithfully,

Mahasi John
PhD Candidate