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Determinants of strategy implementation and financial performance of Commercial Banks in Kenya

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DETERMINANTS OF STRATEGY IMPLEMENTATION AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

This research dissertation is my original work and has not been presented for an award of a degree in any other university.

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ABSTRACT

Kenyan commercial banks have been performing poorly in the recent past as indicated by the placement of two mid-tier financial institutions under receivership. Further the industry has seen its revenue streams dim in the light of the recent execution of interest rate capping. Despite increased interest in examination of the financial performance of banks, the information concerning the effect of determinants of strategy implementation on bank performance is still limited and unreliable. This study aims to identify the effect of organization structure, resource capability and the management competency on the returns from financial institutions in the country. It was guided by three theories; the contingency theory, the management theory and the dynamic capabilities theory. The research relied on a descriptive research. The unit of analysis was the registered Kenyan commercial banks and 82 Chief Operating Officers and Chief Financial Officers drawn from the Kenyan banks. The study relied on both primary (Questionnaire) and secondary data (financial statements), data which was then compiled and coded into SPSS. The research utilized descriptive analysis (frequencies, means and standard deviation) and inferential analysis (correlation analysis, regression model and ANOVA model). The analysed data was presented using bar graphs, charts and tables. The research obtained an 84% response rate. Study results showed that there was positive significant correlation between organization structure; resource capability; management competency with regard to both the ROE and ROA of the financial performance of Kenyan commercial banks. The study concludes that the determinants of strategy implementation had a positive and significant effect on the financial performance of Kenyan banks. The study recommends that commercial banks should increase funds allocated for strategy implementation, and align their structure to the institutions goals while improving on the managerial decision making.

DEDICATION

I dedicate this research work to my dear wife Anne, the family and friends for their support.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CFO	Chief Financial Officer
CMA	Capital Market Authority
COO	Chief Operating Officer
DTMI	Deposit Taking Microfinance Institutions
DW	Durbin Watson
KCB	Kenya commercial bank
KWFT	Kenya Women Fund Trust
NACOSTI	National Commission for Science Technology and Innovation
RBV	Resource-Based View
ROA	Return on Assets
ROE	Return on Equity
Q-Q	Quartile-Quartile Plot
SACCO	Savings and Credit Co-operatives
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Commercial Banks — Financial institutions charged with the responsibility of deposit taking and giving loans. They act as financial intermediaries between borrowers and savers

Management Competency — This refers to the unique capabilities, knowledge and skills possessed by the management team

Organization Structure — How job and task are formally divided, grouped and coordinated. Organization structure provides a foundation within which organizations function

Resource Capability — This refers to the ability of an organization to mobilize the required resources to ensure efficient firm's operations

Strategy Implementation — Strategy implementation is the organization's action plan that helps in achieving the strategic goals and objectives that have been set.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Strategy implementation is the detailed process that translates strategies into specific actions so as to attain organizational goals. Implementing a strategy is thus as important as formulating it (Olsen, 2018). Most organizations however fail in the execution of their strategies which leads to poor attainment of organization goals and objectives (Abashe, 2016). Successful strategy implementation is dependent on both internal and the external environment of a firm (Kihara, 2017).The key objective of any business is to attain the set organization goals and objectives. One key measure of evaluating business success is the financial performance of a firm which is measured in quantitative metrics such as the profitability and sustainability of a firms' growth trajectory (Ehiedu, 2015). Growth and good performance in dependent on a firm's managerial ability to formulate and implement a good strategy (Radomska, 2014).

Thompson and Strickland (2007) noted that globally, various sectors have embraced strategy implementation due to its contribution to enhancing the effectiveness of the organization towards achieving outline goals and objectives. All organizations depend on the environment in which they operate in so as to determine the strategy to be adopted. The strategy has to be implemented successfully to ensure that the company can stay competitive in a constantly changing environment (Spender, 2014).

Schaap (2014) noted that organizational success is dependent on the ability of the organization to implement its strategies. Schaap, further notes that irrespective of the industry or sector an organization operates in, their success will be mainly determined as to what strategies they have formulated and implemented to respond to environmental changes in the market. Naranjo-Gil and Hartmann (2016) noted that most organizations implement strategies slowly, factoring in the importance of harmonizing processes in marketing, accounting, human resource management, information management and delivery processes (production systems and process) to become and remain competitive over a long period of time.

An increase in the levels of competition, continuous change, changing demographics and the ever-increasing customer needs have made it necessary for commercial banks to adopt new competencies to enhance the efficiency of the organization. This requires commercial banks managers to formulate and execute strategies that can foster the financial soundness of their institutions (Central Bank of Kenya, 2013). The study was grounded on the contingency theory Fiedler (1964), the management theory Fredrick (1909) and the dynamic capabilities theory Teece, Pisano and Shuen (1997).

1.1.1 Strategy Implementation

This concept involves organizing of all the resource capabilities within an organization geared towards achieving the goals of the firm (Abashe, 2016). Radomska (2014) distinguishes formulation from implementation in the strategy by stating that strategy formulation is where the firm is headed to, while implementation is a blueprint of how to get to that point which proves even harder to execute. Zhou, Li, Zhou and Su (2008) describe strategy implementation as one of the most complex, dynamic, iterative and multifaceted process comprising of a sequence of decisions to be performed by both managers and employees responsible for turning strategic plans into actions. The research was premised on the latter definition of strategy implementation within commercial banks.

Strategy implementation is highly dependent on managerial competency, organization structure and resource capability (Rajasekar, 2014; Dabari & Saidin, 2015; Radomska, 2014). These drivers formed the basis of the current study. Kotter (2014) noted that managerial competency is critical to successful strategy implementation. Managerial competencies refer to management's ability to provide leadership, control and direct, decision making, planning skills that are necessary for one to be able to guide an organization towards achievement of outlined objectives. Management plays a critical role in guiding the organization through the process of strategy implementation. Kotter indicates that management not only develops the necessary strategies but also guides their organizations towards implementation of the strategy by ensuring the required human and financial resources are available, and develop a strategy implementation schedule to guide the process used as a control mechanism during implementation.

Martina, Hana, and Jirl (2012) noted that managerial competence is critical in strategy implementation. Managerial competencies aspects like administrative, communication, cognitive competencies had an influence on how successful a strategy was implemented within an organization. The researchers further noted that the managerial competence model adopted by the organization should conform to the strategy for successful implementation.

Spender (2014) noted that organizations need resources (human and financial) to be able to implement formulated strategies to achieve identified goals and objectives. How effective these resources are allocated influences how effective a strategy will be implemented. One of the main objectives of a business entity is to generate profits by provision of goods and services that meets the needs of the consumers. To meet their objectivity of profitability, organisations adopt strategies like, adoption of new technology to enhance service delivery, reduction of staff occupying obsolete positions due to adoption of a new organization structure, hiring of professionals, all this require financial resources to be achieved.

According to Bryson (2011), the investment made in resources that is dedicated towards achievement of organizational goals has a big impact on the success of the strategy to be implemented. According to Bryson resource allocation aspects focuses on planning and resource mapping, budgeting and human resource management. These aspects of resource allocation can influence the performance of the organization towards strategy implementation.

Organization structure has an influence as to how effective a strategy can be implemented. Michael, Duane, and Robert (2011) organization structure of an organization conforms to its way of operations and strategies implemented. He further noted that the organization structure adopted by an organization is greatly influenced by the strategies adopted by the firm towards achieving its goals and objectives. According to Kotter (2014) many organizations have failed to successfully implement various strategies formulated as a result of not matching the organizational structure design to the strategy being implemented. He further noted that organization structures determine the span of control, communication processes and levels, decision making levels which all have an influence in driving a successful strategy implementation.

Parikh and Rajen (2010) noted that although strategy determines the structure of an organization, for strategy to be successfully implemented, there is need to align the organization structure to the strategy. He further noted the strategic approach adopted by the organization will determine the height, span of control and the structure that the organization will take. The research examined how organization structure, managerial competency and resource capability as drivers of strategy implementation affect bank performance. `

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1.1.2 Financial Performance

According to Nandan (2010) financial performance is the capability of a firm to utilize its resources and assets to generate income. Brealey and Myers (2009) acknowledges several measures of financial performance; liquidity, solvency, profitability, financial efficiency and repayment capacity. Profitability is a measure of the amounts generated by the firm over a period of time; liquidity is a measure of a firm’s ability to meet its financial obligations; solvency is a measure of the ability of the firm to pay all its financial obligations upon sale of all its assets (Ehiedu, 2015). Accounting information is also a source of information about the health state of a firm and key accounting ratios are; ROA, ROE and ROCE.

Kang and Kinyua (2016) indicated that financial performance is used to track and review an organisation’s progress against its strategic plan and goals. Their studies noted that financial performance is useful when comparing similar organisations or when comparing aggregated industries. Steven and Gray (2015) noted that financial performance is a strong indicator that influenced perception of satisfaction and value.

Financial performance in banking industry has been of interest to academic research and to stakeholders in banking industry in Kenya because financial performance has a critical implication for economic growth in any country and it is generally considered to be the reflector of financial and economic conditions of a country other than its intermediation role in an economy (Gatuhi, 2015; Ongore & Kusa, 2013). Financial performance is also important due to competitiveness in the world economy not only to stakeholders of a firm but also to firms within the same industry (Yalcin, Bayrakdaroglu, & Kahraman, 2012). It is a strong indicator of potential investors with an intention to set up businesses in certain countries as they use to measure their shareholder value from equity returns.

The success of any business results in an increased market value in both the organization and the industry in which it operates, leading to an increased economic performance (Banafa, Muturi, & Ngugi, 2015). Financial performance of the firm is the state in which a firm yields financial gains (Alshatti, 2015). Among the various measures of financial performance, this study measured it by calculating the ROA and ROE. ROA measures gainfulness for all supporters of capital; it is the capacity of an association's administration to produce salary by using organization resources available to them (Omesa, 2015). The ROE measures the rate of profit for the proprietor's value utilized in the business. It shows the rate of giving back that the administration has earned on the capital invested by shareholders in the wake of bookkeeping in instalments to all other capital providers (Ehiedu, 2015).

1.1.3 Commercial Banks in Kenya

Financial institutions such as banks are key in stimulating growth in several sectors of the economy (San & Heng, 2013). They play a key role in the stimulating economic growth (Alshatti, 2015). According to Li, Madura and Richie (2013) commercial banks serve as key financial intermediaries to facilitate the flow of funds in the banking industry. Banks develop sectors of the economy since they control the circulation of money, fostering liquidity and proper functioning of the financial system (Karim & Alam, 2013), Nasieku (2014), (Kamau & Oluoch, 2016).

According to S&P Global Ratings (2018) the global banking industry outlook for 2019 indicates a growing stability in the institutions as results of increasing positive financial performance. However, with the projected weakening of the global economy commercial banks are expected to struggle in increasing revenues and improving their efficiency. World Bank (2018) report that 89% of banking industry assets were held by banks from high-income countries while 60% bank expansion was recorded within the developing countries.

McKinsey & Company (2018) indicates that atleast 70% of the African Retail banking sector will be controlled by the medium-income earners by 2025. The report shows that the global banking industry has faced challenging returns as indicted by the return on equities ranging between 8%-10% for the last 7-years. The global banking industry Return on Equity (ROE) for 2016 was 8.6% which was one percentage decrease from the year before. African retail banking sector ROE averaged at 14.9% making it the second-most profitable region in the global banking industry.

The CBK, (2017) indicates that, in 2017 the Kenyan bank capital and reserves rose by 7.81% to stand at KES 644.19 billion. However, the industry registered a decrease in profitability with the profit before tax decreasing by 9.6% to stand at 133.2 billion. Tier I commercial banks accounted for 80.78% of the pre-tax profit. The report further indicates that customer deposits within the year increased by 10.75% to stand at 2.9 trillion. This was largely driven by increased financial inclusion and mobilization of deposits through agency banking and mobile banking platforms.

In Kenya, the performance of the financial industry affects the performance of the country's economy (Insurance Regulatory Authority, 2012). The financial sector in Kenya is bank-led explaining why the banking industry has been leading current efforts towards financial sustainability (Ogada, 2015). As of June, 2017, the Kenyan banking industry comprises of 43 commercial banks, which are either privately owned institutions or publicly owned institutions. As at the end of June 2016, of the 24 locally controlled institutions, three were not in operation, one was under statutory management and two were in receivership. However, there are only three publicly owned banking institutions (Central Bank of Kenya, 2017).

The CBK 2017, reports that Kenya has 43 registered banks in Kenya and several other Deposit Taking Microfinance Institutions (DTMI), and Savings and Credit Co-operatives (SACCO). This research was limited to Kenyan banks. Tier one banks have a market share index of 53.72% as per the financial statements (CBK, 2016) as shown in *appendix III*.

1.2 Statement of the Problem

Strategy implementation presents an important step in an organization, but available literature evidence indicates high rate of failure in the implementation process in most organizations (Njagi & Kombo, 2014). Kihara (2017), indicated that between 60 to 80% of organizations globally records good performance in strategy formulation but struggle with strategy implementation. On the other hand, various scholars such as Rajasekar (2014), Cândido and Santos (2015) assert that between 30 to 90% of strategy implementation fail. Elbanna, Andrews and Pollanen (2016) indicate that successful strategy implementation translates into high-performing organization. However, despite increased interest on strategy implementation drivers, this has not been widely examined within the Kenyan banking industry and specifically to the commercial banks, hence, the need to undertake this study.

Most countries affirm that the banking industry plays a significant role in the economy (San & Heng, 2013). The banking sector's performance is usually measured in terms of its profit margins which allow for attainment of new customers while retaining existing customers and constantly improving the services offered to the clients (Nkegbe & Yazidu, 2015). The Kenyan banking industry has been experiencing adverse financial performance challenges as witnessed by the closure of Imperial and Chase Banks which happened in the span of one year (Murinde, 2016). CBK (2017) reported that several Kenyan banks face financial soundness problems. These issues have led to the erosion in the core capital, asset base and levels of profitability.

Goromonzi (2016) studied how organizational culture affects strategy implementation hence performance of Zimbabwean banks. The results showed that strategy implementation positively affected bank performance. Hailu and Belachew (2016) examined Core Banking System Implementation in Ethiopia and indicated that technology capabilities, managerial comptency and adequate resources were key to the implementation process. The above studies are not applicable in this study since its target population was Zimbabwe while the current research to fill the knowledge gap with regard to the Kenyan commercial banks.

Messis (2016) noted that lack of coordination, poor structuring and lack of personnel competence in rebranding strategy execution led to poor performance in National Bank of Kenya. Kibet and Sile (2017) indicated that organization culture and staff competence had a positive effect on implementation of credit scoring which contributed to positive financial performance at Kenya Women Fund Trust (KWFT), currently, Kenya Women Microfinance Bank. Kimeu and Maina (2018) indicated that resource mobilization, communication, supervision in strategy implementation positively affected commercial bank performance in Machakos County. None of these studies, however, examined bank financial performance.

The available literature on strategy implementation drivers has increased over the years. However, the examination of their causal effect on the financial performance of the banking industry is limited. The current study is motivated by this contextual gap and sought to fill the gap by examining the effect of strategy implementation drivers on performance of Kenyan commercial banks.

1.3 Research Objectives

To establish the relationship between determinants of strategy implementation and financial performance of Kenyan banks.

1.3.1 Specific Objectives

i. To determine the effect of organization structure on the financial performance of commercial banks in Kenya
ii. To determine the effect of resource capability on the financial performance of commercial banks in Kenya
iii. To determine the effect of managerial competency on the financial performance of commercial banks in Kenya

1.4 Research Questions

i. What is the effect of organization structure on the financial performance of commercial banks in Kenya?
ii. What is the effect of resource capability on the financial performance of commercial banks in Kenya?
iii. What is the effect of managerial competency on the financial performance of commercial banks in Kenya?

1.5 Significance of the Study

To Policymakers

The research is expected to be of importance to the stakeholders within the banking industry. The research will specifically benefit the policymakers at the banking industry regulator in formulation of policies geared towards supporting better industry performance and economic growth. The findings of the research will further help regulators such as the CBK and CMA in offering guidelines for strategy implementation among the commercial banks.

To Managerial Practice

Study findings are expected to improve the managerial practice within the banking industry. The findings will boost the management's ability to adopt to changes occurring in the economy and execution of their banks' strategies with a view of enhancing the financial performance. The findings will further enhance decision making within commercial banks by guiding employee involvement within local commercial banks.

To Academia

The study results will also be of importance in the body of knowledge in expanding the available reference material on strategy implementation drivers and the performance of Kenyan banks. The research will also offer relevant methodological guidelines that can be adopted in conducting a similar study within the financial sector.

1.6 Scope of the Study

The geographical scope of the research focused on banks operating within Nairobi City County. The study was conditioned to Nairobi City County since all the registered commercial banks have their headquarters within the County. The contextual scope of the study focused on examination of strategy implementation drivers; organization structure, resource capability and managerial competency while bank performance was contextualized in terms of; return on assets and return on equity. The research scope was limited to a utilization of a descriptive design that was anchored on a mixed research methodology. The sample scope focused on examining all the registered commercial banks as of December 2018.The units of analysis of the research was the 41 registered commercial banks. The sample scope was the 41 Chief Operation Officers and Chief Finance Officers within the registered commercial banks. The respondents were chosen since they are deemed to have adequate information on the strategy implementation process and bank productivity. The research examined financial statements for the period 2010-2017.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents the review of relevant literature to the research premise. The chapter specifically discuss the theoretical foundation of the study, the empirical review of literature, the summary of research gaps, the conceptual framework and the operationalization of the study variables.

2.2 Theoretical Review

This section presents the underlying theoretical foundations which form the basis of the study. The dominant theory for the study was the contingency theory. This theory postulates that the organization success is contingent on the interaction between the organization, firm capabilities, the environment and its internal mechanisms. The theory was supplemented by the management theory (anchoring management competency) and the dynamic capabilities theory (linking the resource capability of the firm).

2.2.1 Contingency Theory

Proposed by Fiedler (1964), the contingency theorists argue that organizational structure depends on environmental conditions, technology, or scale of operation (Cole, 2002). Strategy must mesh with the firm's environment if it is to yield good organizational growth. Contingency theorists argue that organizational structure depends on environmental conditions, technology, or scale of operation (Bowen & Bhagrava, 2003).

Early contingency theorists, however, did not incorporate the concept of strategic choice and resultant competitive capabilities. Neo-contingency theorists filled this void by placing greater attention on the relationships among strategic choices and the long-term capabilities of the firm’s growth. They argue that strategy must mesh with the firm's environment if it is to yield good growth (Goleman, 2003). Thus, strategic management requires an evaluation of the firm's environment (e.g., market conduct) and the specification of the firm's goals that are reflected in strategic actions; e.g., staff configuration, technology, and structural arrangements. The importance of this theory to this study stems from the fact that the firm’s environment mentioned represents both the internal and external business environment. The internal for this matter represents the organizations employees including the management, the resources to be used and all the structures (Judge & Piccolo, 2004).

The external environment represents the community in which the suppliers and consumers are drawn from. One of the determinants outlined in the study is the organization structure. The organization should be careful on how the structures, systems and control mechanism put in place reflect on the strategy implementation. The contingency theory further holds that having an elaborate organization structure will enhance the organizations capacity to respond to strategic changes. Thus, the organization structure should be adaptable to the business operations and the firm should always ensure there is an efficiency structure that supports the business growth. The theory was helpful when analysing the link between organizational structure and the success of strategic implementation.

2.2.2 Management Theory

The management theory was proposed by Taylor (1909) and emphasizes the need for firms to foster their efficiency by leveraging on the capabilities of the employees. The theory further holds that the management of an organization is integral in combining the firm resources towards attaining the firm objectives. The underpinnings of the theory are that the position occupied by managers is the source of their power while democratic managers derive their power from the employees/subordinates. It also assumes that people are naturally self-directed and will work as expected with minimal supervision and proper motivation (Judge & Robinson, 2008).

This theory is very important as far as organizations' management is concerned. According to Koza and Lewin (2000), it is necessary to motivate the employees since it increases their productivity. Leaders have to give a strategic direction to the rest of the employees. It is necessary to create a conducive environment where the employees can perform to their maximum, making it able for the firm to be profitable and innovative making it improve its portfolio (Judge & Robinson, 2008). Since management involves accomplishing goals through human capital, it is necessary to keep them sufficiently motivated so as to maximize on their productivity and creativity.

This theory's relevance to the study is because management competency is one of the strategy implementation determinants outlined in the study. The bank managers may involve all types of employees to be team players in working towards the growth of commercial banks. According to this theory using different management competencies and styles at different situations may help utilize different management styles in the organization to realize effective strategy implementation.

2.2.3 Dynamic Capabilities Theory

Teece, Pisano and Shuen (1997) defined the dynamic capabilities theory in their paper on dynamic capabilities and strategic management whose concept extends the Resource-Based View (RBV) theory to an approach for a dynamic environment where there is an emphasis on reducing product lifecycle and an increase in competition levels and advancement in technology (Winter, 2013). The importance of dynamic capability is that it plays a role as a safeguard between organizational resources and the changes in the business environment by allowing a firm to change its resource base to achieve a better performance through exploiting competitive advantage. The dynamic capability theory refers to organizations ability to attain renewed competitive advantage by revamping organizational resources and competences to achieve analogy with the shift in business environment.

Dynamic capabilities enable organizations to realize new opportunities a dynamic business environment by converting available resources in the organization into both tangible and intangible assets and capabilities (Easterby- Smith, Lyles, & Peteraf, 2009). The value creation process develops new opportunities through developing new products and services more effectively and efficiently. The dynamic capabilities of an organization reflect its capabilities to maximize its resource base and modify these resources for the good of the company facilitating the renewal of current processes, thus enabling the company to fit better with the environment (Zahra et al., 2006).

Core dynamic principles include reconfiguration, leveraging, learning and knowledge creation, integration, and sensing and seizing (Barreto, 2010). For an organization to efficiently renew its organizational capabilities in response to the ever-changing external environment, it needs to have the ability to seek out new opportunities by acquiring the needed resource capacity both human and financial resources (Teece, 2007).

The dynamic capabilities in the context of modern institutions arise in the context of the economic changes, the globalization and the internal changes in the organization. Institutions need to reconfigure their core capabilities which are essential in attaining better firm performance. The current study sought to examine how the resource capabilities within banking institutions can be relied upon to foster their financial performance. This theory was relevant in examining how resource capability affects the strategy implementation.

2.3 Empirical Review

The empirical review examined previous empirical data in line with the study variables. This enabled the research to identify the gaps in the literature that the current study sought to fill.

2.3.1 Organization Structure and Financial Performance

Ferri, Kalmi, and Kerola (2015) studied the effect of organizational structure and performance in European Banks. The research utilized panel data of European banks drawn for the period 1996-2011 and relied on random effects estimations to analyze the data obtained. The analysis revealed that the organization structure adopted within the commercial banks is key in determining ROA and ROE. The researchers point out that having diversity in the organization structure is critical for positive bank performance. The research focussed on European banks while the current study is based on Kenyan banks.

Mumi, Joseph and Quayes (2018) examined how organizational Structure affects performance of Microfinance Banking Institutions. The empirical data for the study was conducted across 105 countries with 1,518 microfinance banking institutions being considered. The results of the descriptive analysis indicated that the organization structure is essential in meeting the objective of the firm and the financial self-sufficiency of the microfinance institutions. The study however examined performance in general whereas the current research is based on financial performance.

Claver-Cortés, Pertusa-Ortega, and Molina-Azorín (2012) studied how organizational structure affects the competitive position of different firms in Spain drawn from different sectors within the economy. Generalized least square was utilized in analysis of the collected data. Study findings showed that the organization complexity and formalization in its structures influenced the implementation of hybrid strategies. The study further indicated that organizational structure does not directly affect the performance. The research targeted firms in different Spanish sectors whereas the current study only focused on commercial banking industry in Kenya.

Rajasekar (2014) studied energy distribution companies in the Sultanate of Oman in an attempt to analyze how effective strategy implementation affects performance in the service industry. The study utilized a survey research methodology with data being collected from 150 top executives within major electricity distribution companies. The study clearly showed that organizational structure did not have a major impact on strategy implementation. The study concludes that the most important factor in strategic implementation is leadership. The study however failed to examine how the factors affecting strategy implementation influence the firms financial performance. The current study sought to bridge this gap.

Ngeno (2013) examined how the structure of the organization influenced strategy implementation in major banks in Kenya. The research adopted a descriptive research design using quantitative data from 18 Kenyan banks. The study concluded that organization structure has positive effects on strategy implementation. The research posits that organization structure has a high effect on the performance of employees, compliance with regulations and attainment of community expectations. The research only sampled large commercial banks while the current study examined the entire commercial banking institutions in the country with a focus on Nairobi Country where they are all headquartered.

Mukhalasie (2014) studied factors affecting strategy implementation Kenyan banks. He employed descriptive research design and targeted 313 respondents working at KCB. The study used primary data and concluded that organizational processes, culture and structure greatly influenced the strategy implementation process. The research further indicated that organizational structure determines employee involvement. The study relied on primary data.

Njiru and Nyamute (2018) sought to determine the effect of the organization structure on productivity of Kenyan state corporations. The research design employed in the study focused on 34 commercial state corporations in Kenya. The study made use of both qualitative and quantitative data. The findings of the research indicated that structure formalization, structure complexity and structure centralization significantly affected profitability of state corporations. This study focused on commercial state corporations whereas the current research examined the financial performance of Kenyan banks.

2.3.2 Resource Capability and Financial Performance

Ozkan, Cakan, and Kayacan (2017) studied members of the Turkish Banking Sector to determine how Intellectual capital affects financial performance adopting an exploratory research design. The researcher focussed on 44 Turkish banks and obtained data from 2005-2014. From the study, human capital efficiency fostered the performance of the general banking sector. The research further showed that when capital is used efficiently, then the performance will be positive. However, since the study is based in Turkey, its results may not reflect the situation in Kenyan banks.

Robin, Salim, and Bloch (2018) obtained data from Bangladesh banks so as to examine their financial performance. A panel data regression with data being collected from 1983-2012. Research findings showed that capital strength and the quality of the banks' asset positively affected performance of commercial banks. The results of the study further indicated that sufficient resource capability among commercial banks strengthened the absorptive capacity of the firms thus fostering financial performance. This study only used secondary data while the current study will use qualitative data.

Vihari, Singh, and Rao (2016) examined Indian banks to determine the relationship between efficiency in managing human capital and performance of the organization. The study specifically examined how human capital management drivers affect bank performance. Data was collected and analyzed using panel least square structural equation modelling. Study findings indicated that unique personnel skills, remuneration and resource capacity positively affect bank performance. The study examined organization performance while the current study analyses financial performance.

Osisioma, Nzewi, and Mgbemena (2016) examined the dynamic Capabilities and Performance of Selected Commercial Banks in Awka, Anambra State, Nigeria. Descriptive survey research design was employed and data were collected through structured questionnaire. The study further utilized product moment correlation and the results revealed that sensing capability positively affected banks organization performance. The study further indicated that leveraging on core competencies the commercial banks were more aggressive in strategy execution and this fostered their competitiveness. However, the study did not examine the effect of resource capabilities in general affect the strategy implementation process.

Wakaisuka-Isingoma, Aduda, Wainaina, and Mwangi (2016) examined how corporate governance, firm characteristics, external environment affect performance of Ugandan financial institutions. The study conducted a review of literature and indicated that dependency on the firm internal resources and the core capabilities of the bank positively affected in the institution's performance. However, the study utilized a literature review methodology while the current study used quantitative data sources.

Njagi (2013) studies factors that influence implementation of IT projects in Kenyan banks. A descriptive research design was adopted targeting 132 human resource personnel working within Kenya Commercial Banks. Both descriptive and inferential analysis were used to analyze the data. Rsults led to the conclusion that Kenyan commercial banks emphasized more on the skills of the personnel, teamwork and stakeholder involvement, since these three are key in ensuring that there is successful implementation of IT projects.The study results further showed that Experience of the Human resource, in terms of working in project teams, enhances and influences success of IT projects implementation. The research however considered a single commercial bank while the current study scope factored in the banking industry.

Mohamed and Bett (2018) studied how strategic resources affect performance of Equity Bank Limited. The research employed a descriptive research design with the study relying on quantitative data. Evidence from the study showed that management capability, system processes and capital outlay had significant effects on the organizational performance of equity bank. The study indicated that better resource mobilization will also result in better organization performance. The study however focused on Equity bank.

2.3.3 Management Competency and Financial Performance

Muhmad and Hashim (2015) conducted a research focusing on using the camel framework in assessing bank performance in Malaysia. The research focused on both domestic and foreign banks and utilized data reported between 2008-2012. The regression analysis employed revealed that management efficiency within commercial banks had no significant effects on bank performance. The research however relied on secondary data alone, as opposed to this study which will also rely on primary data sources.

Dabari and Saidin (2015) studied factors that influence implementation of enterprise risk management in the Nigerian banking sector. The study adopted descriptive research design and relied on descriptive and logistic regression model in the data analysis. The results indicated that effectiveness of internal audits, competency of the human capital, government regulations and commitment from the management had significant effects on the successful implementation of ERM. The study was conducted among Nigerian banks whereas current study focused on Kenyan banks.

Kamukama, Kyomuhangi, Akisimire, and Orobia (2017) studied competitive advantage: Mediator of managerial competence and financial performance of banks in Uganda. The study employed a cross sectional survey design that focussed on the 22 Ugandan banks that are still functional. The collected data was analysed using descriptive statistics, zero order correlation and hierarchical regression analysis revealing that managerial competence has a key role to play in productivity of commercial entities. The findings further indicated that managerial skills and core capabilities enhanced the competitiveness of the commercial banks. The study employed a cross sectional design as opposed to this study which will use a descriptive research design.

Munjuri and K'Obonyo (2015) examined the effects of human capital and employee empowerment on performance of both insurance firms and Kenyan banks. The study adopted a descriptive cross-sectional survey design across banks and insurance firms in Kenya. The research utilized both descriptive and inferential analysis techniques and findings showed that employee empowerment had a mediating effect on human capital hence firm performance. The study further indicated that the management should ensure that personnel possess the desired knowledge and skills in order to gain from employee empowerment practices. The study factored did not depend on banks but used insurance data in the analysis, making the findings unreliable in this study.

Barus, Muturi, Kibati, and Koima (2017) examined the effects of management efficiency on performance of Kenyan SACCOs. An explanatory research design which targeted the 83 Kenyan registered deposit taking SACCOs was used. The results of the regression analysis showed that management efficiency did not significantly influence financial performance of Kenyan SACCOs. This study only looked at SACCO's rather than banks to examine how management competency affects banks financial performance.

Olaka, Lewa, and Kiriri (2016) examined the Critical Strategic Leadership Actions in Kenyan Commercial Banks. The researchers indicated that for efficiency and better performance in commercial banks the management should focus on guiding organization to deal with change, provide management skills to cope with change, set strategic direction and sustain effective organization culture as well as ethical practices. However, the study examined SACCOs while this study analyzed bank performance.

Ombaka and Jagongo (2018) examined how M&As affect financial performance of selected Kenyan banks utilizing descriptive research design. The findings of the regression analysis showed that operational synergy accruing from combining the managerial competency of commercial banks enhanced their financial performance. However, as opposed to this study which relied on data across all banking institutions, the study selected only 9 banks.

2.4 Summary of Literature and Research Gaps

The research further sought to identify the contextual gaps, knowledge and methodological gaps that were presented in Table 2.1 below;

Table 2.1 Research Gaps

Author	Title	Findings	Research Gap
Barus, Muturi, Kibati, and Koima (2017)	Effect of management efficiency on financial performance of Savings and Credit Societies in Kenya.	No significant effect on the financial performance Kenyan SACCOs.	The study was not based on banks but SACCOs.
Kamukama, Kyomuhangi, Akisimire, and Orobia (2017)	competitive advantage: Mediator of managerial competence and financial performance of commercial banks in Uganda	Competence is key in organizational performance	Utilized a cross sectional design while this study utilized a descriptive research design.
Osisioma, Nzewi, and Mgbemena (2016)	The dynamic Capabilities and Performance of Selected Commercial Banks in Awka, Anambra State, Nigeria	The study indicated that leveraging on core competencies the commercial banks were more aggressive in strategy execution and this fostered their competitiveness.	Did not examine the effect of resource capabilities in the strategy implementation process.
Ozkan, Cakan, and Kayacan (2017)	The effect of Intellectual capital and financial performance: A study of the Turkish Banking Sector.	Human capital efficiency increased performance of the banking sector.	Was not conducted within the research parameters.

Source: Author (2019)

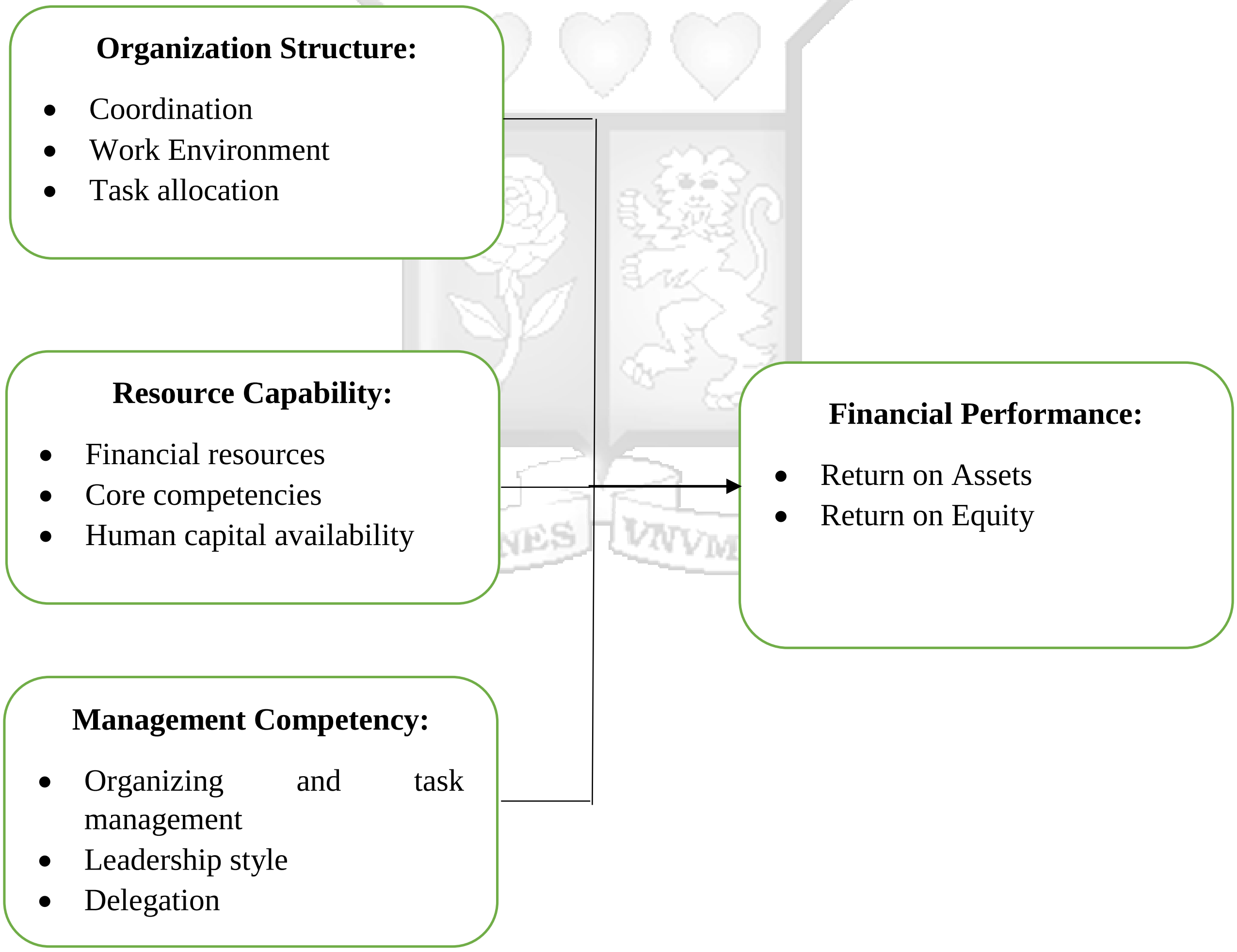
2.5 Conceptual Framework

The conceptual framework depicts how the variables of the study are related. The independent variable of the study is strategy implementation with constructs being organization structure, resource capability and management competency while the dependent variable for the study is the financial performance. An independent variable influence and determines the effect of another variable.

Figure 2.1 Conceptual Framework

Independent Variables **Dependent Variable**

Strategy Implementation Financial Performance



Source: Author (2019)

The framework conceptualizes the hypothesized interaction between determinants of strategy implementation and financial performance. It further hypothesizes that organization structure, resource capability and management competency significantly affect banks financial performance.

Table 2.2 Operationalization of Variables

Objective	Variable	Measurement	Data Collection Tool	Data Analysis
To examine how organization structure affects financial performance of Kenyan banks	• Coordination • Work Environment • Task allocation	Quantitative data	Structured questionnaire	Descriptive Correlation tests Regression tests
To examine how resource capability affects financial performance of Kenyan banks	• Financial resources • Core competencies • Human resources	Quantitative data	Structured questionnaire	Descriptive Correlation tests Regression tests
To determine how managerial competency affects financial performance Kenyan banks	• Organizing and task management • Leadership style • Delegation	Quantitative data	Structured questionnaire	Descriptive Correlation tests Regression tests
Financial performance of commercial banks	• Return on assets • Return on equity	Quantitative data	Panel data extraction form	Descriptive Correlation tests Regression tests

2.6 Chapter Summary

The second chapter of the study presented the review of related literature and empirical studies in line with the study variables. The research was premised on the contingency theory (Fiedler, 1964), management theory (Taylor, 1909) and the dynamic capabilities theory (Teece, Pisano, & A. Shuen, 1997). The review of related literature indicated that despite a number of extant literatures on determinants of strategy implementation the available data is inconclusive with regard to the Kenyan commercial banks hence the current study sought to fill the empirical gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology to be used to examine the research problem. The chapter in detail presented the research design, target population, sampling techniques and size, data collection instruments, procedures, analysis and presentation.

3.2 Research Design

Research design is the main plan detailing the data collection and analysis procedures according to the research questions (Kothari, 2004). Yin (2003) defines research design as the logical sequence linking empirical data to the initial research questions of the study. Research design is comprised of all the methods and procedures used when carrying out a research (Creswell, 2012). The current study employed a descriptive research design. This was selected since it allows for quantitative data to be used analysing the relationship between the study variables.

3.3 Target Population

According to Cooper and Schindler (2006), the population is the entire arrangement of people, cases or protests with some normal perceptible qualities. The unit of analysis in the current study was the 41 commercial banks fully in operation less the 2 institutions under receivership. The unit of observation was the Chief Operations Officers (COO) and the Chief Finance Officers (CFO) of the 41 commercial banks within their headquarters in Nairobi. The officers were chosen since they are deemed to have the adequate knowledge on the strategy implementation and banks performance. Banks operate in hierarchical structures and hence, the Chiefs officers were more responsive than the managers, who might have to seek approvals from the Chiefs in order to respond. The Chiefs also have an overall strategic view of the organization from; Strategy, Human Resources, Operations and Financials. This fostered the adequacy of the collected data in answering the research problem.

3.3.1 Sampling Design

A sample frame according to Johnson (2010) is list of all members of the population of interest, with the specific characteristics needed for the study. The sample frame for the study was drawn from the 41 fully-operating commercial banks in Kenya. According to Kothari (2012), sampling is the process followed in acquiring information about a target population or a proportion of it. Samples for scientific studies can be drawn using both probability and non-probability-based methods (Saunders, 2011). The study conducted a census survey of the82 respondents drawn from the registered commercial banks in Kenya.

3.4 Data Collection

Data collection involves gathering pieces of information about a certain topic that are essential towards answering the research questions (Cooper & Schilndler, 2006). Quantitative data was considered for this study and questionnaires were prepared and distributed to respondents. The use of questionnaire was preferred since it allows the researcher to collect data from a wide geographical area at a relatively low cost. It is also free from unfairness and guarantees non - disclosure of the respondent's identity. The study reviewed annual Central Bank of Kenya supervision reports of the banking sector for the period 2010-2017 to examine the ROA and ROE as the measures of financial performance.

3.5 Validity and Reliability Tests

Pretesting of the questionnaires was carried out to determine clarity and information validity (Strauss & Corbin, 2007). The pilot test was conducted with 10% of the sample respondents within the commercial banks representing eight respondents.

3.5.1 Validity Tests

According to Shadish et al, (2002), validity is a measure of the questionnaire's representation of the subjects under study. The study utilized both content and construct validity. Content validity conducted with help of the supervisor in examining the research instrument. Construct validity within the research was conducted by ensuring that all the constructs of the research variables are incorporated in the research instrument.

3.5.2 Reliability Tests

Data reliability which is a measure of internal consistency was measured using Cronbach's alpha correlation which ranges between 0 and 1 (Kothari, 2004). The higher the value of the alpha coefficient the more reliable the data collection instruments and all coefficients above 0.7 were considered. In line with Nunnally (1978) recommendation, only constructs with a cut-off of 0.7 and greater was considered for further analysis in the study.

Table 3.1 Reliability Statistics

Construct	Cronbach's Alpha	No. of Items
Financial performance	.074	4
Organization structure	0.85	6
Resource capability	0.93	6
Management competency	0.86	6

The results of the analysis indicated that the research constructs had all attained internal consistency as indicated by the Cronbach Alpha scores of above 0.7 as indicated hence, they were utilized in the main research.

3.6 Data Analysis

Both descriptive and inferential statistics was used in the study and increase the accuracy of the collected data by testing the developed hypothesis (Sekaran, 2016). Analysis of the data collected was based on descriptive and inferential analysis with descriptive analysis involving estimating means, frequencies and standard deviation. Inferential analysis involved correlation analysis, variance analysis (ANOVA) and regression analysis. The regression equation below was essential;

$$\mathbf{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon}$$

Where: Y = Dependent Variable (financial performance of commercial banks)

Independent variables, which include:

X1 is Organization structure

X2 is Resource capability

X3 is Management competency

α = the constant

β1- 3 = the regression coefficient or change included in Y by each X

ϵ = error term

3.6.1 Diagnostic Tests

The table below presents the test of linear regression assumptions that were adopted in conducting diagnostic tests.

Table 3.2 Diagnostic Tests

Test	Significance	Test used	Conclusion
Normality	Determination of the shape of the distribution and helps to predict dependent variables scores	Shapiro-wilk tests	The shapiro-wilk statistics should be above *sig=.05*
Multicollinearity	Check whether the correlations among the independent variables are strong	Variance Inflation Factor (VIF)	VIF of around or greater than 10 shows a high degree of Multicollinearity
Tests of Independence (Autocorrelation)	check that the residuals of the models were not auto correlated (Checks for independence of error terms, which implies that observations are independent	Durbin Watson (DW) test	Scores between 1.5 and 2.5 indicate independent observations

3.7 Ethical Considerations

To conform with ethical research guidelines the study ensured that prior authorization is sought from the Strathmore University Business School-Ethics Research Committee. The study further sought clearance from NACOSTI. The study respondents were granted their anonymity and prior consent was sought before being involved in the study. The data obtained from the research was used for academic purposes only and the sources remained confidential.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter of the study focused on a presentation of the research finding. The study relied on descriptive analysis, correlation analysis and inferential analysis. The results of the chapter were presented in line with the research objectives. Finally, the chapter presented a summary of the chapter.

4.2 Response Rate

The study sought to examine Chief Operating Officers and Chief Finance Officers within the 41 commercial banks. The study was able to obtain an 84% response rate. According to Cooper and Schindler (2006), a response rate of above 60% is deemed sufficient for statistical analysis.

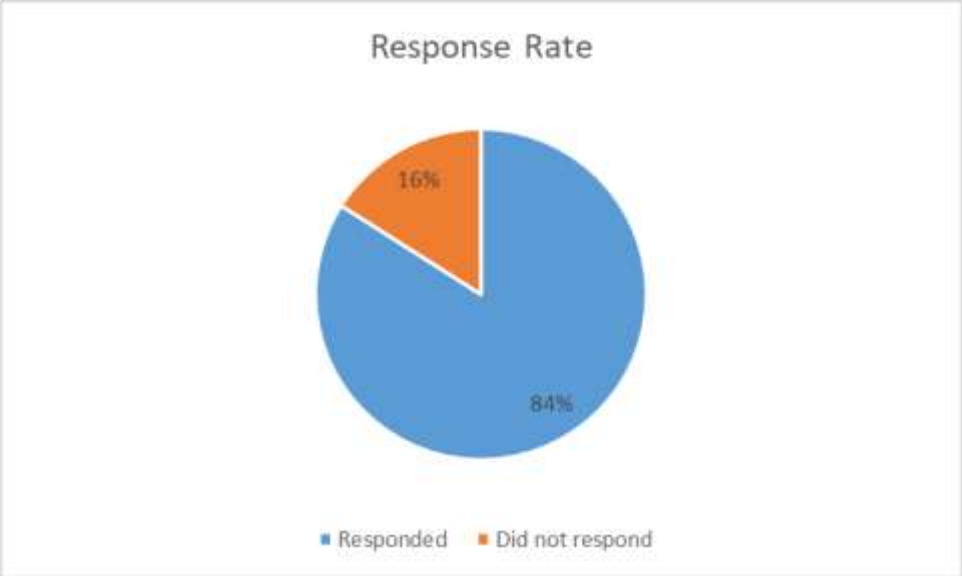


Figure 4.1 Response Rate

4.3 Background Information

The study sought to establish the background information of the research respondents. The results of the analysis are presented in the below sections;

4.3.1 Age of the Respondents

The study examined the age of the research respondents and the findings are presented below in Table 4.1;

Table 4.1 Respondents Age

	Frequency	Percent (%)
36-45 years	8	12.9
45 years and above	54	87.1
Total	62	100.0

The findings of the study indicated that the majority of the respondents 87% were aged above 45 years, 13% of the respondents were between 36-45 years of age.

4.3.2 Gender of the Respondents

The research further sought to determine the gender distribution of the respondents. Findings of the study indicated that the majority of the respondents 56% were male while only 44% of the respondents were female as shown below;

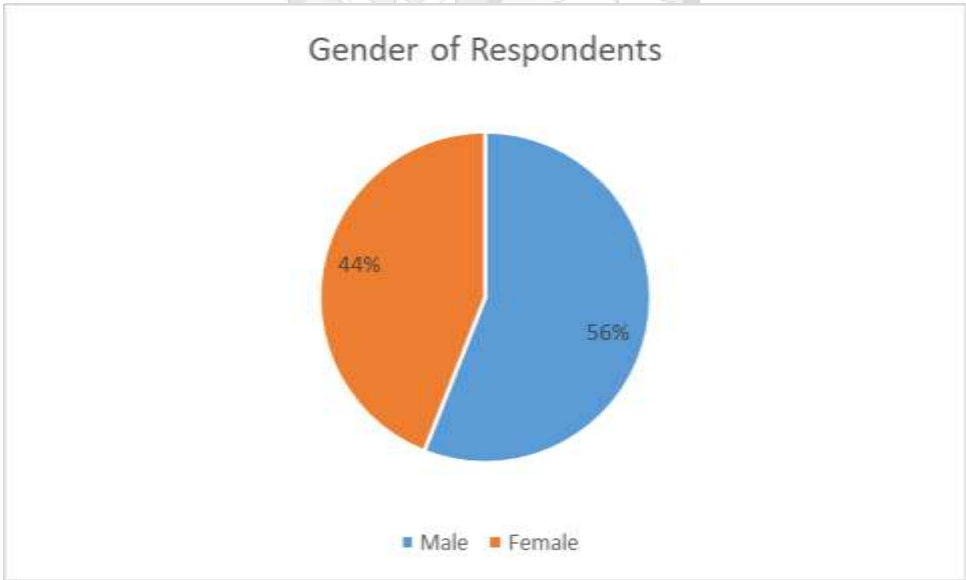


Figure 4.2 Respondents Gender

4.3.3 Education Level of the Respondents

The study examined the education level of the study respondents. The results of the research are presented below:

Table 4.2 Respondents Education Level

		Frequency	Percent (%)
Valid	Diploma	2	3.2
	Graduate	49	79.0
	Post graduate	11	17.7
	Total	62	100.0

The findings of the research indicated that the majority of the respondents 79% had attained graduate level qualification, 18% of the respondents had attained postgraduate qualification while only 3% of the respondents had attained diploma level qualification.

4.3.4 Numbers of Years in the Organization

The research sought to establish the number of years the respondents have served within the banking institutions.

Table 4.3 Respondents Experience in the organization

		Frequency	Percent
Valid	Less than 5 years	14	22.6
	5-9 years	30	48.4
	10-15 years	17	27.4
	Over 15 years	1	1.6
	Total	62	100.0

The results of the research indicated that the 48% of the respondents had served between 5-9 years, 27% of the respondents had served for a period of 10-15 years, and 23% had served for less than 5 years while only 2% of the respondents had served for more than 15 years within the institution. This indicated that the wealth of experience among the respondents was key to offering the required information to solve the research problem.

4.4 Descriptive Analysis

The research was premised on an examination of bank performance, the organization structure, the resource capability and the management competency. The collected research data was coded and analysed using means, standard deviation and sums.

4.4.1 Financial Performance of Commercial Banks

The dependent variable of the study was the financial performance of the commercial banks. The study relied on both ROA and ROE in the measurement of the banking industry financial performance.

Year	Observed	Mean	Std. Dev	Min	Max
2010	41	0.3628	0.1563	0.0763	0.6847
2011	41	0.3458	0.13743	0.05563	0.6100
2012	41	0.3444	0.1138	0.1288	0.6402
2013	41	0.3843	0.1249	0.0701	0.6088
2014	41	0.4881	0.7588	0.0221	4.6439
2015	41	0.5251	0.6784	0.1725	4.2266
2016	41	0.3739	0.1536	0.00110	0.7959
2017	41	0.3584	0.1232	0.0514	0.6308

4.4.1.1 Return on Equity

Figure 4.3 Commercial Banks Return on Equity

The above findings indicate there was an overall low variability in the return on equity within commercial banks as indicated by a standard deviation that ranged between 0.1138 in 2012 and

0.7588 in the year 2014.The mean ROE seems to have no linear trend against time with means between 0.3444 (lowest) in 2012 and 0.5251(highest) in 2015.

4.4.1.2 Return on Assets
The research further utilized the return on assets to measure bank performance in Kenya.

Table 4.5 Return on Assets

Years	Observed	Mean	Std. Dev	Min	Max
2010	41	0.0550	0.0166	0.0196	0.0888
2011	41	0.0565	0.0171	0.0258	0.0993
2012	41	0.0538	0.0166	0.0274	0.0908
2013	41	0.0550	0.0161	0.0260	0.0983
2014	41	0.0517	0.0245	0.0014	0.1024
2015	41	0.0604	0.0161	0.0244	0.0995
2016	41	0.0541	0.0172	0.0000	0.0867
2017	41	0.0524	0.0183	0.0054	0.0864

Figure 4.4 Commercial Banks Return on Assets

Kenyan banks have low ROA than ROE. The mean ROA ranged between 0.0517 and 0.0604 between 2014 and 2015 showing that the banks had not invested enough in assets or realize little profit from the assets owned. The dispersion in the standard deviation was similarly low ranging between 0.0136 and 0.0245. The minimum ROA realized by a firm in the time period under consideration was .0000 in the year 2016.

4.4.1.3 Composite Financial Performance

The financial performance of the commercial banks was measured a sum and average of the return on assets and return on equity of the commercial banks.

Table 4.6 Financial Performance

Year	Observed	Sum	Mean
2010	41	0.4178	0.2089
2011	41	0.4023	0.20115
2012	41	0.3982	0.1991
2013	41	0.4393	0.21965
2014	41	0.5398	0.2699
2015	41	0.5855	0.29275
2016	41	0.428	0.214
2017	41	0.4108	0.2054

The findings of the research indicated an average financial performance ranging between 0.1991 in the year 2012 and 0.29275 in the year 2015. The above results are consistent with Banafa, Muturi and Ngugi (2015) who indicated that increased market value of a firm was key to economic performance. These results conform with CBK (2017) who indicated that there was a growth in revenue and deposits level across commercial banks in the country which fostered a positive growth in their financial performance that have a direct impact on the ROE and ROA.

4.4.2 Organization Structure

The first variable of the study was the organization structure within commercial banks. The results are presented below:

Table 4.7 Organization Structure Descriptive

	N	Sum	Mean	Std. Deviation
There is clear work coordination within the bank	62	267.00	4.3065	.82161
There is conducive work environment within the bank	62	286.00	4.6129	.73227
There is clear policy on task allocation within the bank	62	278.00	4.4839	.67123
There is a clear command structure within the work	62	261.00	4.2097	.81255
There is adequate knowledge management within the bank	62	253.00	4.0806	1.12057
There is clear recognition of authority in the work environment	62	259.00	4.1774	1.16681

Results showed that respondents agreed that there is clear work coordination within the bank as indicated by a mean of 4.3065 and a deviation of .82161 denoting moderate variations in the responses. Ngeno (2013) indicated that improving employees work environment created a high performing workplace which enhanced the firm performance. Concerning there is conducive work environment within the bank, a 4.6129 mean showed string agreement and a variation of .73227. In regard to there is clear policy on task allocation within the bank, a 4.4839 mean showed strong agreement and a deviation of .67123 indicating minimal variations in responses. The results are supported by Ferri, Kalmi, and Kerola (2015) who indicated that diversity in the structure of the commercial banks was essential for improving financial performance.

The results showed that respondents agreed that there was clear command structure within the work as shown by a 4.2097 mean. Claver-Cortés, Pertusa-Ortega, and Molina-Azorín (2012) also indicated that formalization of the organization structure was critical to improving performance. Study findings indicated that there is adequate knowledge management within the bank as shown by a 4.0806 mean and a deviation of 1.12057 indicating high dispersion in the responses. Findings showed that there is clear recognition of authority in the work environment there as shown by a 4.1774 mean and a variation of 1.6681.Mukhalasie (2014) was of a simialr view that a clear organization structure influenced employee participation and organization processes were more coordinated as a results of a clear line of authority.

4.4.3 Resource Capability

The second research variable examined the resource capability among the commercial banks and the results are as presented below:

Table 4.8 Resource Capability Descriptive

	N	Sum	Mean	Std. Deviation
There is adequate financial resource allocation within the bank	62	257.00	4.1452	.80667
There are strategies in place to facilitate adequate resource mobilization	62	271.00	4.3710	.65871
The bank possesses sufficient competencies to foster performance	62	263.00	4.2419	1.05092
The bank has adequate human capital at its disposal	62	268.00	4.3226	.86412
There are sufficient control measures to guide resource usage	62	271.00	4.3710	.60690
There are resource planning procedures in place within the bank	62	265.00	4.2742	.72811

Results indicated that there was adequate financial resource allocation within the bank as shown by a mean of 4.1452 and a deviation of .80667 indicating moderate variations. Ozkan, Cakan, and Kayacan (2017) also pointed out that adequate capital positively influenced banks performance. With regard to there are strategies in place to facilitate adequate resource mobilization a 4.3710 mean showed agreement and a deviation of .65871. The bank possessing sufficient competencies to foster performance, a 4.2419 mean showed agreement and a deviation of 1.05092 indicating moderate variations in responses. The findings are supported by Robin, Salim, and Bloch (2018) who indicated that adequate resources strengthened absorptive capacity of commercial banks.

With regard to the bank has adequate human capital at its disposal, a 4.3226 mean showed agreement and a deviation of .86412. These results are in agreement with Vihari, Singh, and Rao (2016) who indicated that unique personnel capabilities were key to commercial banks. In regard to there are sufficient control measures to guide resource usage, a 4.3710 mean showed agreement and a deviation of .6069 indicating minimal variations. Results also showed that respondents agreed that there are resource planning procedures in place within the bank as shown by a 4.2742 mean and a deviation of .72811. The findings are similar to observations made by Mohamed and Bett (2018) that having adequate systems and processes in place will enhance the firms overall operational performance.

4.4.4 Management Competency

The third variable of the study examined the management competency within commercial banks and the research findings are as below;

Table 4.9 Management Competency Descriptive

	N	Sum	Mean	Std. Deviation
There is clear work organization within the bank	62	265.00	4.2742	.96103
There is clear management of task within the bank	62	272.00	4.3871	.96419
There are clear lines of communication within the bank	62	276.00	4.4516	.78254
There are policies in place to guide task delegation within the bank	62	263.00	4.2419	.86243
The management possesses adequate leadership skills	62	258.00	4.1613	.85303
The management conducts regular review of the bank’s internal processes	62	266.00	4.2903	.91234

The research further indicated that there is clear work organization within the bank as shown by a mean of 4.2742. In regard to there is clear management of task within the bank, a 4.3871 mean showed agreement and a deviation of .96419 showing moderate variations. The results are in line with observations by Dabari and Saidin (2015) that competency and commitment of the management to their duties was key to execution of banks plans. Study findings showed that respondents agreed that there are clear lines of communication within the bank as shown by a 4.4516 mean and a deviation of .78254. Munjuri and K'Obonyo (2015) also showed that having clear feedback systems within commercial banks empowered personnel to attain performance goals.

Responses also indicated agreement that there are policies in place to guide task delegation within the bank as shown by a 4.2419 mean and a deviation of .86243. The results are consistent with Olaka, Lewa, and Kiriri (2016) who observed that setting of strategic direction and focusing employee roles fostered performance. Results showed agreement in regard to the management possesses adequate leadership skills as shown by a 4.1613 mean and a deviation of .85303. This is in line with Kamukama, Kyomuhangi, Akisimire, and Orobia (2017) who indicated that managerial competence enhanced productivity of commercial banks. Results also indicated agreement that the management conducts regular review of the bank's internal processes as denoted by the mean of 4.2903 and a deviation of .91234 indicating moderate dispersion in the responses.

4.5 Inferential Analysis

The research sought to determine the association between the determinants of strategy implementation and bank performance. The research conducted inferential analysis to estimate the magnitude of association. The study adopted correlation analysis, regression analysis and ANOVA testing of the research model.

4.5.1 Diagnostic Tests

The study tested the linear regression assumptions before undertaking inferential analysis. The research relied on autocorrelation, collinearity and normality tests.

4.5.1.1 Autocorrelation Tests

The research applied the Durbin Watson statistics in the analysis of the autocorrelation.

Table 4.10 Autocorrelation Statistics

Model	Std. Error of the Estimate	Durbin-Watson
1	1.45963	1.590

a. Predictors: (Constant), Management competency, Organization structure, Resource capability

b. Dependent Variable: Financial performance

The findings presented above indicate that the Durbin Watson scores were between 1.5 and 2.5 indicate independent observations. This indicates there were no autocorrelation in the study.

4.5.1.2 Collinearity Tests

The research utilized the variance inflation factor and the tolerance value in the interpretation of the collinearity statistics.

Table 4.11 Collinearity Statistics

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Organization structure	.596	1.677
	Resource capability	.486	2.059
	Management competency	.514	1.945

a. Dependent Variable: Financial performance

The findings of the research above indicate VIF values that were below 10 thus indicating there were no multicollinearity problems. The results further show tolerance values that are greater than 0.1 indicating no cases of multicollinearity.

4.5.1.3 Normality Tests

The research utilized the Shapiro-Wilk test to examine the normality distribution in the data set. The results are as presented in the following page;

Table 4.12 Normality Statistics

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Organization structure	.080	62	.200*	.775	62	.067
Resource capability	.063	62	.200*	.979	62	.077
Management competency	.086	62	.200	.984	62	.055

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

As a rule of thumb for any data to be normally distributed, the Shapiro-Wilk test dictates that all the sig-value should be above *0.05.* From the results indicated all the variables had a sig. value of above 0.05 hence the data was from a normally distributed sample.

4.5.2 Correlation Analysis

To determine the effect of the independent variables on bank performance the study adopted the Pearson correlation. The findings of the study are as below;

Table 4.13 Correlation Matrix

		Return on Equity	Return on Assets
Organization structure	Pearson Correlation	.110	.205
	Sig. (2-tailed)	.000	.001
	N	8	8
Resource capability	Pearson Correlation	.491	.096
	Sig. (2-tailed)	. 000	. 000
	N	8	8
Management competency	Pearson Correlation	.566	.408
	Sig. (2-tailed)	. 000	. 003
	N	8	8

**. Correlation is significant at the 0.01 level (2-tailed).

The first objective of the research was to determine how organization structure affects financial performance of Kenyan commercial banks. The results of the correlation analysis indicated that there is a positive and significant effect of organization structure on ROE and ROA of commercial banks as indicated by *p-value= .110; sig =.000<.05; p-value= .205; sig =.001<.05*. This is consistent with Ferri, Kalmi, and Kerola (2015) who concluded that organization structure positively influenced bank financial performance.

The second objective of the research was to determine how resource capability affects financial performance of Kenyan banks. Research results windicated there is positive effect of resource capability on ROE and ROA of commercial banks as indicated by *p-value= .491; sig =.000<.05; p-value= .096; sig =.000<.05*. Vihari, Singh, and Rao (2016) also asserted that unique firm resources were positively related to performance of commercial banks.

The third objective of the research was to establish the effect of management competency on the financial performance of Kenyan commercial banks. The results of the correlation analysis indicated that there is a positive and significant effect of management competency on ROE and ROA of commercial banks as indicated by *p-value= .566; sig =.000<.05; p-value= .408; sig =.003<.05.*

4.5.3 Regression Analysis

The main aim of the study was to determine the relationship between determinants of strategy implementation and financial performance of commercial banks in Kenya. The study utilized a generalized linear regression analysis. The regression model has been applied in previous research work (Abashe, 2016; Kamau & Oluoch, 2016) in determining the magnitude of association between study variables.

Table 4.14 Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738[a]	.545	.204	.06265

a. Predictors: (Constant), Management competency, Resource capability, Organization structure

The research sought to determine the how strategy implementation affected financial performance of Kenyan banks. The regression analysis showed that 54.5% -R^2=*.545* of the variations in bank performance are determined by the determinants of strategy implementation. This implies that determinants of strategy implementation have an effect on bank performance. These results agree with Kibet and Sile (2017) who posit that strategy implementation drivers have positive effects on bank financial performance. Kimeu and Maina (2018) also established that startegy implementation determinants had positively effects on bank financial performance.

4.5.4 ANOVA Analysis

The research further sought to determine the statistical significance of the research model by applying ANOVA analysis.

Table 4.15 ANOVA Summary

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.019	3	.006	3.597	.000[b]
	Residual	.016	4	.004		
	Total	.034	7			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Management competency, Resource capability, Organization structure

The findings of the ANOVA model sought to examine the statistical significance of the model in determining the association between the study variables. The results indicated that the f-statistic = 3.597, p-value = .000<.005 indicating that the model was statistically significant and fit in determining the relationship between the determinants of strategy implementation and financial performance of banks.

4.5.5 Regression Coefficients

The research further sought to examine the Beta coefficients and the statistical significance of the effect of the research variables on bank performance.

Table 4.16 Regression Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.995	.271		3.677	.021
	Organization structure	.121	.006	.050	.141	.003
	Resource capability	.111	.008	.449	1.272	.001
	Management competency	.310	.006	.565	1.662	.000

a. Dependent Variable: Financial Performance

The resultant regression for the research was;

$$\mathbf{Y = 995 + .121_{X1} + .111_{X2} + .310_{X3} + .271}$$

The test results in table 4.14 indicate a constant $\alpha = .995$is significantly different from 0 since the p-value .021<.05. The beta value $(\beta) = .121$is significantly different from 0 since the sig-value *.003<.05.* This indicates that there is a statistically significant positive effect of organization structure on bank performance. A unit change in organization structure will result in a .121-unit change in bank performance in Kenya.

The beta value $(\beta) = .111$is significantly different from 0 since the sig-value *.001<.05.* This indicates that there is a statistically significant positive effect of resource capability on bank performance. A unit change in resource capability will result in a .111-unit change in bank performance in Kenya.

The beta value $(\beta) = .310$is significantly different from 0 since the sig-value *.000<.05.* This indicates that there is a statistically significant positive effect of management competency on bank performance. A unit change in management competency will result in a .310-unit change in bank performance in Kenya.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations drawn from the research. This chapter was arranged in line with the research objectives. The chapter also contains the suggestions for further areas of interest in future research work.

5.2 Summary

The research sought to examine the effect of determinants of strategy implementation on bank performance. The study obtained an 84% response rate. The majority of the research respondents 87% were above 46 years of age. The study further indicated that most respondents had attained more than a graduate level degree. The findings of the research indicated that commercial banks recorded an improvement in their market share, profit levels, revenue growth and level of deposits.

5.3 Discussion

5.3.1 Organization Structure and Financial Performance

The first variable of the study examined the organization structure of commercial banks. Findings indicated that there was clear work coordination within the banks. Results also showed that there was a conducive work environment, clear policy on task allocation, clear command structure, adequate knowledge management and recognition of authority. The results of the correlation analysis indicated that there is a positive and significant effect of organization structure on financial performance of commercial banks as indicated by *p-value= .110; sig =.000<.05; p-value= .205; sig =.001<.05* in respect to both ROE and ROA of the commercial banks. Njiru and Nyamute (2018) similarly concluded that organization structure positively contributed to financial profitability of firms. Mumi, Joseph and Quayes (2018) also indicated that organizatio structure positively influenced performance.

5.3.2 Resource Capability and Financial Performance

The second variable examined the resource capability within commercial banks. Research findings showed that there was adequate financial resource allocation, adequate human capital, the banks possess sufficient unique competencies and have deployed resource planning procedures. The results of the correlation analysis indicated that there is a positive and significant effect of resource capability on financial performance measures (ROE and ROA) as shown by the *p-value= .491; sig =.000<.05; p-value= .096; sig =.000<.05* respectively. Mohamed and Bett (2018) also indicated that resource capacity positively affected bank performance. The findings are supported by Robin, Salim, and Bloch (2018) who indicated that the assets and capital strength of commercial banks positively enhanced their financial performance.

5.3.3 Management Competency and Financial Performance

The third study variable examined the management competency within commercial banks. The results indicated that there was clear work organization within the institutions. Findings further indicated there was clear management of tasks, clear lines of communication had been adopted, and management possessed adequate leadership skills and conducted regular review of the banks internal processes. The results of the correlation analysis indicated that there is a positive and significant effect of management competency on financial performance of commercial banks as indicated by *p-value= .566; sig =.000<.05; p-value= .408; sig =.003<.05* with respect to the return on equity and return on assets respectively. The results are in agreement with Ombaka and Jagongo (2018) who concluded that managerial competency enhanced bank performance. The results are in line with Kamukama, Kyomuhangi, Akisimire, and Orobia (2017) who indicated that management competence contribute to positive financial performance of banks.

5.4 Conclusions

The study sought to establish the effect of determinants of strategy implementation on bank performance. The results indicated that 54.5% -R^2=*.545*- of the variations in bank performance are determined by the discussed determinants of strategy implementation. Banks should leverage on organization structure, resource capability and management competencies as key drivers of financial performance.

5.4.1 Organization Structure

The research concludes that clear work coordination and conducive work environment have enhanced the performance of banks. The study further concludes that adequate retention and management of knowledge as well as recognition of authority have fostered bank performance.

The research concludes that the commercial banks would be most effective in attaining their strategic objectives if the organization structure aligns with strategic objectives and allows for efficiency in service delivery to customers.

5.4.2 Resource Capability

The research concludes that ability of commercial banks to raise financial resources is key to their financial performance. Further the research concludes that adequate human capital is integral to expanding the banks performance through increased employee productivity. The study concluded that the success of commercial banks in the turbulent and competitive business environment was dependent on proper training of employees, adequate financial support and better resource utilization and planning.

5.4.3 Management Competency

The research concludes that the management of the commercial banks have enhanced their leadership skills and capabilities which have enhanced their dispensation of duties. Further the research concludes that delegation of duties and supporting better communication within the workplace has fostered performance of commercial banks.

5.5 Recommendations

5.5.1 To the Management

The management of commercial banks should further enhance involvement of their personnel in decision making and initiating new processes and ways of doing business. This will allow employees to be proactive and innovative in undertaking their duties. The research further recommends that the management teams should expand their skills and competencies as this will foster their execution of duties and decision making within the firm. The research recommends that banks should enhance the task coordination and adopt an organization structure that is aligned to the commercial bank's financial interests.

The study recommends that the management should seek to expand financial budgets in areas that support implementation of the organization strategies in order to foster financial performance. The study further recommends that banks should adopt organization learning practices are inculcated into the daily routine of the banks so that they can be able to respond to internal and external pressures for change in a holistic manner.

5.5.2 To Policy Makers

Further the commercial banks should draw up guidelines and policies instilling a chain of command in decision making as this will expand the banks operational efficiency. The study also anticipates the findings to be of importance to the regulator and bankers' association in planning for strategic training forums for banking sector executives. The results are also expected to streamline the strategic implementation guidelines within the banking industry.

5.5.3 To Academia

The findings of the research are expected to foster the knowledge within the field of research by anchoring future research work. The study has also expanded the reference material on the applicability of contingency theory, management theory and dynamic capabilities theory within the strategic management field. The study will also inform further research work on bank performance in the country.

5.6 Suggestions for Further Research

Despite the study being able to establish that determinants of strategy implementation play a key role in influencing the financial performance the research suggests that further examination should be conducted to examine other strategy implementation drivers that were not considered. The study suggests that a comprehensive research should be conducted to examine the effect of strategic leadership on bank performance in Kenya. Further, the study was based on primary data hence to enhance the knowledge field the study suggests that a quantitative panel data analysis should be undertaken to examine the effect of internal firm characteristics on bank financial performance.

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APPENDICES

Appendix I: Introduction Letter

To the Managing Director

……………………………………….. Bank

Nairobi, Kenya

Ref: Request for Permission to Collect Research Data

Greetings, I am Masters of Business Administration student at Strathmore University Business School. As one of the requirements for the award of my degree I am required to undertake a research study within my area of specialization. I am currently undertaking a study on determinants of strategy implementation and the financial performance of commercial banks in Kenya.

The research data collected will only be utilized for academic purposes. The collected research data will be treated with utmost confidentiality. If required the findings of the research data may be availed to your institution upon request.

Regards,

Researcher

Alex Murage Mbogo

Appendix II: Questionnaire

PART A: GENERAL INFORMATION

1) Age Bracket

   Below 25 years [ ]

   25 – 35 years [ ]

   36 and above [ ]

2) Gender

   Male [ ]

   Female [ ]

3) Education Level

   O- Level [ ]

   Diploma [ ]

   Graduate [ ]

   Post graduate [ ]

Others (Specify)…………………………………………………………………………………

4) Your position in the organization

   Chief Finance Officer [ ]

   Chief Operations Officer [ ]

5) Number of years in this department/position

   Less than 5 [ ] 5-9 [ ] 10-15 [ ] Over 15 [ ]

PART B: Determinants of Strategy Implementation and the Financial Performance of Commercial Banks in Kenya

Please tick the level of agreement of the following statements.

6. The following statements sought to establish how organization structure aspects affect the financial performance of commercial banks. Please indicate in the table with a tick (√) your level of agreement based on the below scale:

5= strongly Agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither Agree nor Disagree

No	Organization Structure	1	2	3	4	5
1.	There is clear work coordination within the bank					
2.	There is conducive work environment within the bank					
3.	There is clear policy on task allocation within the bank					
4.	There is a clear command structure within the work					
5.	There is adequate knowledge management within the bank					
6.	There is clear recognition of authority in the work environment					

7. **The following statements sought to establish how measures of resource capability affect the financial performance of commercial banks. Please indicate in the table with a tick (√) your level of agreement based on the below scale:**

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor Disagree

No	Resource Capability	1	2	3	4	5
1.	There is adequate financial resource allocation within the bank					
2.	There are strategies in place to facilitate adequate resource mobilization					

3.	The bank possesses sufficient competencies to foster performance					
4.	The bank has adequate human capital at its disposal					
5.	There are sufficient control measures to guide resource usage					
6.	There is resource planning procedures in place within the bank					

8. **The following statements sought to establish how management competency aspects affect the financial performance of commercial banks. Please indicate in the table with a tick (√) your level of agreement based on the below scale:**

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither Agree nor Disagree

No	**Management Competency**	**1**	**2**	**3**	**4**	**5**
1.	There is clear work organization within the bank					
2.	There is clear management of task within the bank					
3.	There is clear lines of communication within the bank					
4.	There are policies in place to guide task delegation within the bank					
5.	The management possesses adequate leadership skills					
6.	The management conducts regular review of the bank’s internal processes.					

<u>Thank you for Your Time</u>

Financial Performance:

	2010	2011	2012	2013	2014	2015	2016	2017
ROA								
ROE								

Appendix III: Summary of Banking Industry in Kenya

Bank Level	**Market Share**	**Net Assets**	**Deposits**	**Total Capital**	**Deposit A/Cs**	**Loan A/Cs**	**Ownership**
Tier I	53.72%	1.233 trillion	880 billion	202 billion	12 million	1.6 million	Foreign and Local
Tier II	36.82%	875 billion	656 billion	126 billion	3.2 million	389,000	Foreign and Local
Tier III	9.46%	221 billion	171 billion	32 billion	605,000	102,000	Foreign and Local

Source: CBK (2016)

Appendix IV: List of Commercial Banks

1. KCB Bank Kenya Ltd
2. HFC Ltd
3. Standard Chartered Bank (K) Ltd
4. Stanbic Bank Kenya Ltd
5. Co - operative Bank of Kenya Ltd
6. Equity Bank Kenya Ltd
7. Barclays Bank of Kenya Ltd
8. Chase Bank Kenya Ltd
9. Commercial Bank of Africa Ltd
10. Development Bank of Kenya Ltd
11. I&M Bank Ltd
12. Family Bank Ltd
13. Jamii Bora Bank Ltd
14. NIC Bank PLC
15. First Community Bank Ltd
16. Bank of Africa Ltd
17. National Bank of Kenya Ltd
18. Spire Bank Limited
19. Guardian Bank Ltd
20. Bank of Baroda Ltd
21. Sidian Bank Ltd
22. Gulf African Bank Ltd
23. Diamond Trust Bank of Kenya Ltd
24. African Banking Corporation Ltd
25. Ecobank Kenya Ltd
26. Consolidated Bank of Kenya Ltd
27. Bank of India Kenya Ltd
28. Paramount Bank Ltd
29. Prime Bank Ltd
30. Spire Bank Ltd
31. Middle East Bank (K) Ltd
32. M-Oriental Commercial Bank Ltd
33. Charterhouse Bank Ltd

34. Citibank N.A. Kenya
35. Credit Bank Ltd
36. Guaranty Trust Bank (K) Ltd
37. Habib Bank AG Zurich
38. Victoria Commercial Bank Ltd
39. Imperial Bank Ltd*
40. Transnational Bank Ltd
41. UBA Kenya Bank Ltd