THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Influence of Management Capability to Envision and Strategize on the Performance of Commercial Banks in Kenya

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Abstract:
The purpose of the study was to investigate the influence of capability to envision and strategize on the performance of commercial banks in Kenya. This study adopted a descriptive cross-sectional design where both quantitative and qualitative data were collected. The target population was 42 banks and 5,432 employees out of which 358 respondents were selected for interviews. Multi-stage sampling procedure were used in the selection of representative sample involving stratified random sampling, random purpose sampling. The results show that management capability to envision and strategize significantly and positively influences the performance of commercial banks in Kenya.The study further shows that management capabilities to envision and strategize allow for critical assessment of strategic planning and has positive impact on the performance of commercial banks in the country. Effective envisioning and strategic management capabilities have direct influence on the performance of commercial banks in Kenya which is reflected in capital adequacy, asset quality and customer satisfaction. It is therefore fundamental that commercial banks should continuously engage in creating visions and missions' statements that spell their strategic focus in the future. And adapt differentiation strategy whist focusing directly on their products and occasionally review their market segmentation strategies to enhance their performance.

Keywords: *Envision, strategize, performance, commercial banks*

1. Introduction

A number of changes have caused several challenges to the banking sector and triggered off a flurry of activities aimed at increasing performance. The main aim of commercial banks is to register better performance through sustained profitability and growth (Pearce & Robinson, 2011). However, attempts to realize such successes, are often affected by multiple operating market conditions such as the level of competition, stakeholders' management, political landscape, business legal regime, the cost of doing business, new innovative products, internal organizational structure, emerging technologies, and effects of globalization (Kotler & Armstrong, 2013).

Whereas it is possible for commercial banks to register growth and better performance, this can only be achieved when market factors and other variables are favourable. Such market factors may include political stability and readily available skilled workforce. Allen and Carletti (2010) and Jones (2010) have identified a number of factors contributing largely to the performance of commercial banks such as the characteristics and type of stakeholders and their management. Since most of the countries in the world have adapted free economies, a number of commercial banks tend to enter into foreign markets. This has increased competition levels among banks. Consequently, according to Onuonga (2014) commercial banks must employ strategic management capabilities to compete better if they are to make profits.

Strategic management can assist in deploying an organization's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Tatar & Moradi, 2015). Strategic management capabilities can greatly enhance the performance of financial organizations like commercial banks. The Kenyan banking industry is currently facing stiff competition from new entrants like mobile phone companies and international banks (CBK, 2015). One way commercial banks in Kenya have attempted to wither competition is adoption of market expansions strategies to realize larger customer base like opening new branches and operating beyond Kenyan borders (Kungu *et al.,*2014). According to CBK (2010), banks are engaging in measures to edge-out others. For instance, CFC Bank decided to merge with Stanbic Bank so as to reduce stiff competition and capture a wide market share. The CFC-Stanbic Bank thereafter came up with gender based products which triggered off a flurry of equivalent measures by other banks. Further, a number of banks were converted into a one-stop shop, for example, the Equity Bank has acquired a stock broking license, operates insurance, mobile money transfers, and electronic money transfer services for its clients.

In spite of these performance related strategies, commercial banks in Kenya are still facing challenges due to the dynamism of the environment in which they operate. Some of the challenges include declining interest margins, global financial crisis, increasing levels of inflation, exchange rate volatility, increased competition from banks and non-banks, technological changes, product improvement, and new regulations (Watuka, 2014). Whereas, studies by Allen and Carletti (2010) and Jones (2010) have identified strategic management capabilities as critical factors contributing largely to the performance of commercial banks in developed countries, the same has not been fully replicated in Kenya.This study therefore seeks to investigate the influence of the two management capability constructs of management i.e. envisioning and strategizing on the performance of commercial banks in Kenya.

2. Methodology

2.1. Research Design

This study employed a multi-point descriptive survey involving both cross-sectional and longitudinal analysis. A survey design was chosen because it gives more accurate research results from a large population of the study. A descriptive research design is also useful in capturing unbiased representation of perceptions and experiences of respondents (Bloomberg, Cooper & Schindler, 2011).

A longitudinal design is used because it allows the researcher to examine different aspects in strategic management capabilities and their influence on performance of the bank over definite period of time (Yin, 2003). In view of the current study, a descriptive cross-sectional design enabled the researcher to fully describe the role of strategic management capabilities in performance of commercial banks in Kenya.

2.2. Target Population

Target population constitutes the entire set of individuals or items being considered during an inquiry (Kothari, 2004). Under the current study, all the 42 commercial banks currently operating in Kenya were considered. The population of the respondents was drawn from those working within the middle and senior management positions. This was purposely done to identify respondents who are crucial in the implementation of strategic programmes within the banking industry. The target population was therefore 42 banks and 5,432 employees. Of the 42 commercial banks, 29 are locally owned while 13 are foreign. Table 1 illustrates the spread of this population among key strategic departments within banking system that the researcher sought to study. The sampling frame comprised of all the 42 commercial banks which have their headquarters in Nairobi

Strategic departments	Locally owned banks 69% of total	Foreign banks 31% of total	Population
Human resource management	357	161	518
Operations management	477	215	692
Credit management	570	256	826
Deposits operations	389	175	564
Mortgage banking	267	120	387
Investment banking	321	145	466
Electronic banking	259	116	375
Customer service	509	229	738
Information technology	333	149	482
Accounts/ finance	265	119	384
Total	**3747**	**1685**	**5,432**

Table 1: Target population
Source: (CBK, 2015)

2.3. Sample and Sampling Technique

Sampling is an element of data collection, defined by Bryman and Bell (2007) as the fragment or section of the population that is selected for the research process. Multi-stage sampling procedure was used in the selection of representative sample. The first step involved the use of purposive sampling to determine the category of employees and departments which directly implement strategic programmes of the banks. The second step involved stratified random sampling of the commercial banks represented into two categories; foreign owned and locally-owned banks. The third step employed stratified random sampling of the respondents to select various categories of managers across the locally and foreign owned banks. Stratified random sampling was used to select respondents based on their roles in strategic decision making that affect the performance of individual department of the bank.

2.4. Sample Size

The sample size of the study was 358 respondents which was about 7% of the universe population. This size conformed to the requirement that a good sample size should be between 5% and 30% of the population (Bradley, 2010). This was necessary so as to illicit representativeness, efficiency, flexibility and accuracy of data. The spread of the sample is indicated in table 2.

Strategic departments	**Locally owned banks**		**Foreign banks**		**Sample size**
	Population	Sample	Population	Sample	
Human resource management	357	25	161	13	38
Operations management	477	33	215	15	48
Credit management	570	40	256	18	58
Deposits operations	389	27	175	12	39
Mortgage banking	267	19	120	8	27
Investment banking	321	23	145	10	33
Electronic banking	259	18	116	8	26
Customer service	509	36	229	17	53
Information technology	333	23	149	10	33
Accounts/ Finance	265	19	119	8	27
Total	**3747**	**263**	**1685**	**119**	**358**

Table 2: Sample size distribution table
Source: Author, 2017

2.5. Data Collection Instruments
Due to the nature of this study, the researcher used both primary and secondary data sources. Primary data was collected from employees likely to have information on the operation of their banks. On the other hand, the researcher used secondary data from sources such as journal, books, annual reports, strategic plans and departmental manuals.

2.5.1. Questionnaires
Structured questionnaires were used to collect information from line managers and keys employees within the banks. The tool enabled the researcher to explore the opinion and perception of respondents on the influence of various strategic management capabilities on the performance of their banks. Questionnaires are important as they allow for coding of responses and verification of the truth of statements made by informant (Kothari, 2004).

2.5.2. Use of in-depth Interview Schedules
In-depth interview schedules are used by the researcher while seeking information from respondents where the questionnaire may not be ideal. This method allows for personal interaction between the respondents and the researcher. It is also ideal as it enable the researcher to vary the questions and also seek for further details from the respondent as may be appropriate (Bloomberg, Cooper and Schindler (2011)).

2.5.3. Key Informants
The study applied the use of key informants or discussion group as a tool to resolve or authenticate technical issues which may arise during the study. Participants were drawn from individuals with vast experience and technical knowhow in banking operations (Bradley, 2010).

2.5.4. Desk-top/Library research
It was necessary to use library research in collecting information stored within relevant publications of the banks, the Central Bank of Kenya and other stakeholders in the banking industry. Other than being used to analyse theoretical framework upon whichthe banks operate, the tool was also used for gathering statistical information on banks' performance indicators such as profit levels; return on shareholders' wealth; expansion and growth, and market share.

2.6. Pilot Testing
Pilot testing was done to assist in determining if there are flaws, limitations, or other weakness within the interview design. This provided the researcher with an opportunity to make changes where necessary. Pilot testing was done by use of instruments which were administered to select respondents. The exercise detected a number of flaws in the measurement procedures which were aptly addressed. During the pilot testing, two branch managers, four operational managers, two human resource managers and two credit managers selected from three commercial banks were interviewed. This satisfied the provision that the size of the pilot group may range from 10 to 20 subjects depending on the method to be tested but the respondents do not have to be statistically selected (Bloomberg**,** Cooper & Schindler, 2011).

2.7. Validity of the Instruments
Validity refers to the extent to which the measures used in the questionnaire are truthfully measuring the intended concept and not something else and include internal validity and external validity (Sekaran & Bougie, 2009). Internal validity refers to the ability of a research instrument to measure what it purported to measure whereas external validity refers to the extent to which results or findings of one study can be transferred to a similar situation. This argument is similar to Yin (2003) who adds that aspect of validity is a recourse that guarantees truthfulness and allows for a pre-test to validate the instruments. The researcher used this approach to modify and pre-test the questionnaire in order capture the relevant data related to the study objectives. Based on the findings of this study,

each construct was found to be higher than the correlation among any pair of latent construct. Thus, each construct had a different measure of the main factor of analysis

2.8. Reliability of Instruments

Cronbach's alpha was used to test the reliability of the measures of the instrument. Bryman (2011) suggests that where Cronbach Alpha is used for reliability test, a rule of thumb is also used that states that the Cronbach values of the items in the study should not be lower than 0.7. To increase the reliability of the questionnaire, this study used Cronbach's Alpha for separate domains of the questionnaire rather than the entire questionnaire.

The Cronbach values was computed as follows:

$\alpha = K / (K - 1) [1- (\Sigma\sigma_k^2 / \sigma_{total}^2)]$ ……………… Equation (1) (Ritter, 2010)

Where:

K is the number of items;

$\Sigma\sigma_k^2$ is the sum of the k item score variances, and

Σtotal2 is the variance of scores on the total measurement (Cronbach, Bradburn, & Horvitz, 1994).

2.9. Data Analysis and Presentation

This study gathered both descriptive and statistical information, each of which were analysed differently. Descriptive information was analyzed using dominant responses technique to determine common reactions and consistencies that cut across majority of the respondents. Descriptive measures such as percentages and frequencies were used to draw inferences and make conclusions.

SPSS software was used in the data analysis. Statistical information was analysed through statistical tools such as linear regression model to give inferences to the data obtained, multiple regressions to determine the relationship between performance and various strategic management capabilities of banks. After the analysis, data was presented using tables, charts and graphs.

2.10. Statistical Measurement Model

In the multiple regression models, analysis of variance (ANOVA) was used to test the significance of the overall model at 95% level of significance. Coefficient of correlation (R) was used to determine the strength of the relationship between the dependent and independent variables. Coefficient of determination (R^2) was also used to show the percentage for which each independent variable and all independent variables combined explained the change in the dependent variable.

$$Y=\beta o+\beta_1X_{1+}\beta_2X_{2+}\ \varepsilon$$

Where:

Y= Represents performance

β_0= Constant

β_1............β_2 =Represents the regression coefficients

X_1= Strategic management capability to envision

X_2= Strategic management capability to strategize

ε = Represents the error term which is here assumed to have a mean of zero

3. Results and Discussion

3.1. Sample Characteristics

The study sought to determine respondent's demographic characteristics including their gender, education levels, designation, and number of years worked and duration in their current position as elaborated in table 3

Demographic characteristics	Frequency	% Response
Gender		
• Male	140	54%
• Female	120	46%
Level of education		
• Certificate	0	0%
• Diploma	42	17%
• Undergraduate Degree	135	52%
• Master Degree	72	28%
• PhD	7	3%
Designation		
• General Manager	39	15%
• Assistant General Manager	57	22%
• Manager	163	63%

Work experience		
• 0-5 years	86	33%
• 5-10 years	127	49%
• Over 10 years	47	18%
Duration in current position		
• 0-5 years	101	56%
• 5-10 years	57	32%
• Over 10 years	22	12%

Table 3: Demographic characteristics of respondents

3.2. Descriptive and Qualitative Analysis

The descriptive analysis was anchored under two independent variables (IV), namely capabilities to envision and strategize, against the dependent variable (DV) which was performance of commercial banks.

3.2.1. Strategic Envisioning

The study sought to investigate the presence and influence of envisioning on the performance of commercial banks in Kenya. The respondents were asked about their knowledge of the bank's vision statement and what strategies they are using to attain the goals envisioned in those statements. The results of the finding are represented in the figure 1.

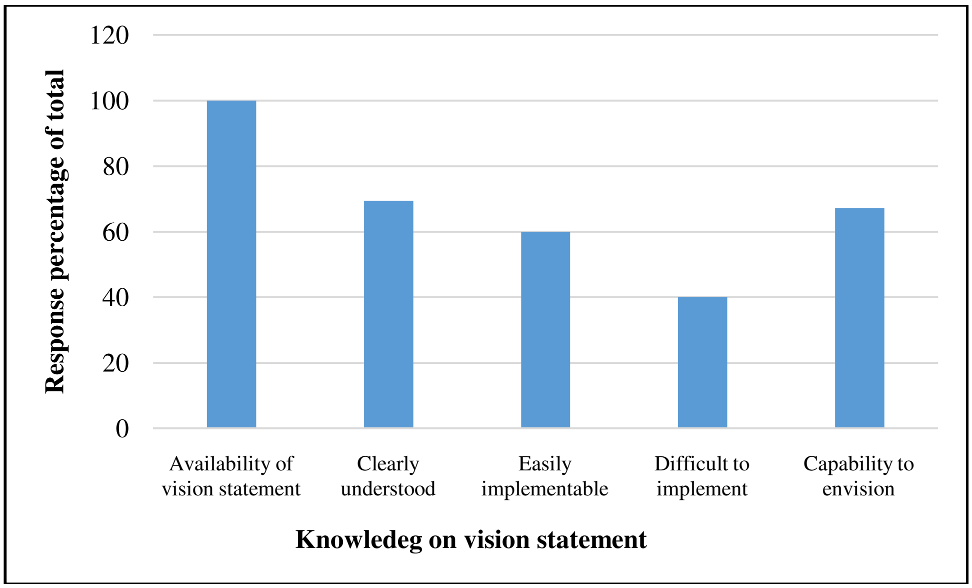


Figure 1: Response on strategic envisioning

The results indicate that all banks which were examined had vision statements which are known by all top managers. However, 69.4% of the respondents said that they clearly understood the content of their banks' vision statements as shown in bar 2. This leaves out about 30.6% with difficulties to comprehend the statements. On the aspect of the ease of the implementation of the vision statement, 60% of the respondents indicated that it was easily implementable. Out of those respondents who were interviewed, 40% stated that they had difficulties actualizing the content of their vision statements. This finding is line with Kortler (2013) who argues that employees would perform well when their work environment is collectively focused towards a common goal. In addition, the rapidly changing environment and pressure for greater employee accountability on performance must always be driven by mangers through clear vision implementation. In such circumstances, it is incumbent on every bank's management to allocate adequate resources for actualization of their vision statements. The findings also complement Porter (2008) who views that visions can be considered sources of energy for achievement of formulated objectives. The above findings indicate that successful banks had clear vision statements which integrate values and goals that are easily measured and attained. The results imply that all banks implemented various strategic programmes using different approaches. The basis is to gain competitive advantage over their rivals in a bid to enhance their profitability (Onuonga, 2014).

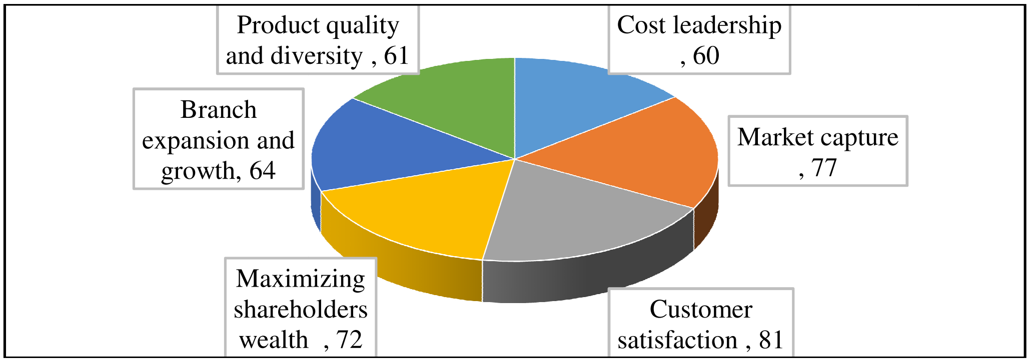


Figure 2: Performance goals

3.2.1.1. Possible Measures to Achieve the Objects of Vision Statement
The respondents were requested to suggest possible measures to achieve the vision statement. Their response is as elaborated in figure 3.

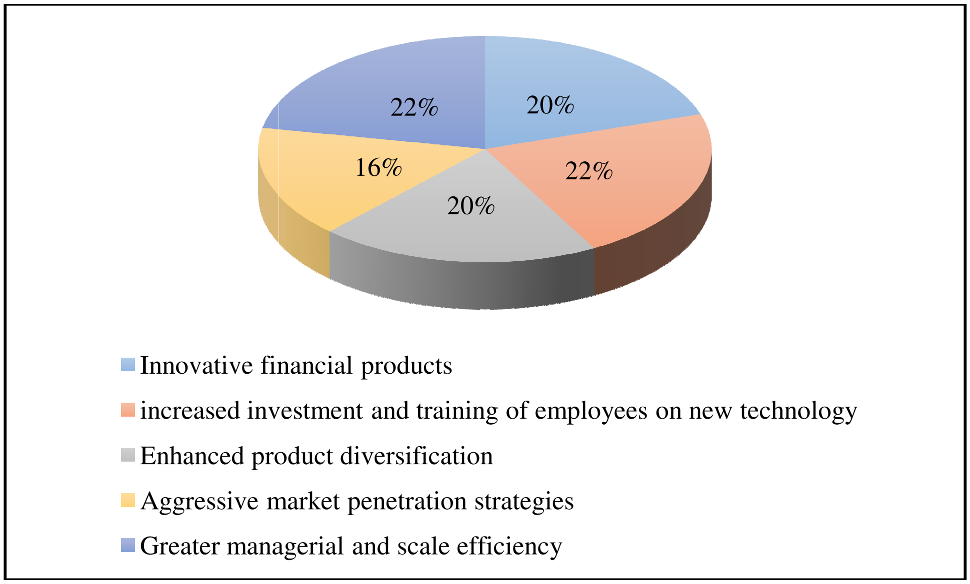


Figure 3: Measure of vision statement

Significant number of participants, indicated that these difficulties could be mitigated through measures such as: increased investment and training of employees in new technology (22%); enhanced product diversification (20%); aggressive market penetration strategies (16%); greater managerial and scale efficiency (22%) and innovative financial products (20%).The findings support David (2001) argument that capability to envision involves strategy formulation which is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors.
The study found out that management capabilities to envision as a strategy allow for critical assessment of strategic planning and has positive impact on the performance of commercial banks in the country. What is needed is to regularly modify the vision or mission of the firm to adapt it to the changing market and industry environment. As argued by Kihara (2013), innovative organizations not only change their strategic priorities, but also implement new technologies and management practices. This is supported by Armstrong (2010) who suggests that organizations whatever they are, whatever they do, should perform a strategic management practices to ensure that they fit within their environment.

3.2.1.2. Benchmark Schemes Relevant to Bank Performance
Respondents were asked whether their respective banks had benchmarks upon which they would anticipate their performance as elaborated in table 4. Benchmarks are part of best practises and evidence base tools used by most banks to enhance their performance. Banks will always set clear expectation, adopting transparent and continuous performance monitoring strategies to attain their performance objectives.

Description of benchmarks	Respondents	Frequency	Percentage (%)
Presence			
• Available	260	255	98%
• Not available	260	5	2%
Efficacy			
• Efficient tool	260	211	81%
• Not efficient tool	260	49	19%

Table 4: Response on benchmarks

As indicated in table 4, it is evident that nearly all commercial banks in Kenya (98%) have benchmarks. However, it is 81% of these benchmarks that are considered efficient by respondents in driving performance goals of respective banks. The study also established that there are quite a number of benchmarks and the choice of any single type depends on the decision of the top managers. The findings are in agreement with Ogollah (2007) study findings which showed that; most firms had a vision, a mission statement and set objectives which were either written or implied and these governed the day to day business operations of these firms. The inference is that all commercial banks (100%) has well construed performance goals which were contained within the vision and mission statements of respective organizations. The goals most common to banks were cost leadership, market capture, customer satisfaction, maximising shareholders wealth, branch expansion, product quality and diversity.

3.2.1.3. Common Benchmarks Used by Commercial Banks in Kenya

The study sought to establish which benchmark schemes are commonly used by commercial banks in Kenya. This was meant to gauge the application of best practices by local banks to enhance their performance. The perceptions of the respondents are captured in the table 5. The respondents indicated that there are 13 benchmarks commonly used by commercial banks in Kenya. It can be deduced that performance management schemes are the most commonly used benchmarks. This was identified by 95% of all the 260 interviewees. The least of the 13 identified benchmarks is aggressive digitization at 31%. This could explain poor risk management of digital frauds and other challenges which are fast becoming common in the industry. The findings add weight to Kazim (2014) statement that just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth by projecting achievable benchmarks aimed at enhancement of performance. The study noted that banks have benchmarks to assist in setting up clear expectation, adopting transparent and continuous performance monitoring strategies to attain their performance objectives. Consequently, most banks were able to better performance by using benchmarks which have been tested elsewhere. This is consistent with Kungu *et al.,* (2014) assertion that those firms which adapt evidenced based benchmarks often register successful outputs.

Benchmark scheme	Number of respondent	Frequency of response	% of Total
1. Aggressive digitization	260	80	31%
2. Credit fulfilment	260	185	71%
3. Customer back process transformation	260	119	45%
4. Delivery model optimization	260	216	83%
5. Governance and management transparency	260	94	36%
6. Loan service indicator	260	200	77%
7. Performance cost per loan	260	198	76%
8. Performance management scheme (contracting)	260	248	95%
9. Product and service simplification	260	214	82%
10. Reduced business complexities	260	236	91%
11. Robust training and coaching of employees	260	240	92%
12. Sales effectiveness	260	180	69%
13. Segmentation of staff into common tasks	260	242	93%
Mean	**260**	**189**	**73%**

Table 5: Common benchmarks

3.2.1.4. Instruments used for Decision Making

Management of business organizations require strategic decisions which are informed and quite accurate. Wrong decisions may affect the overall output of such firms. The banking sector is widely affected by the timing and nature of decisions made by the administration. Additionally, such decisions are subject to the prevailing market dynamisms, regulatory controls by the Central Bank, influence the Banking Association; cut throat competition from rival's financial outfits, and the impact of external financial crisis. Respondents were asked to identify which decision making instrument is commonly used by their banks. Their responses are reflected in figure 4.

Majority of respondents (88%) indicated that performance reports is the decision-making instrument commonly used by commercial banks in Kenya. All commercial banks in Kenya use investment metrics (85%), performance reports (88%) and market trend indicators (78%) in making managerial decisions. When the three tools were analysed together on a 100% scale, it was revealed that performance reports were the most preferred decision making tool at 35% followed by investment metrics at 34% and market trend indicator at 31%. One of the key results of this study was that all banks have decision making instruments. Whereas the choice of these instruments may vary from banks to banks, the most common one are: performance reports; investment metrics, and market trend indicators. Decision making instruments are essential in ensuring that the business entity attains competitive advantage over its rival as a basis of improving future performance (Thomas & Strickland, 2006).

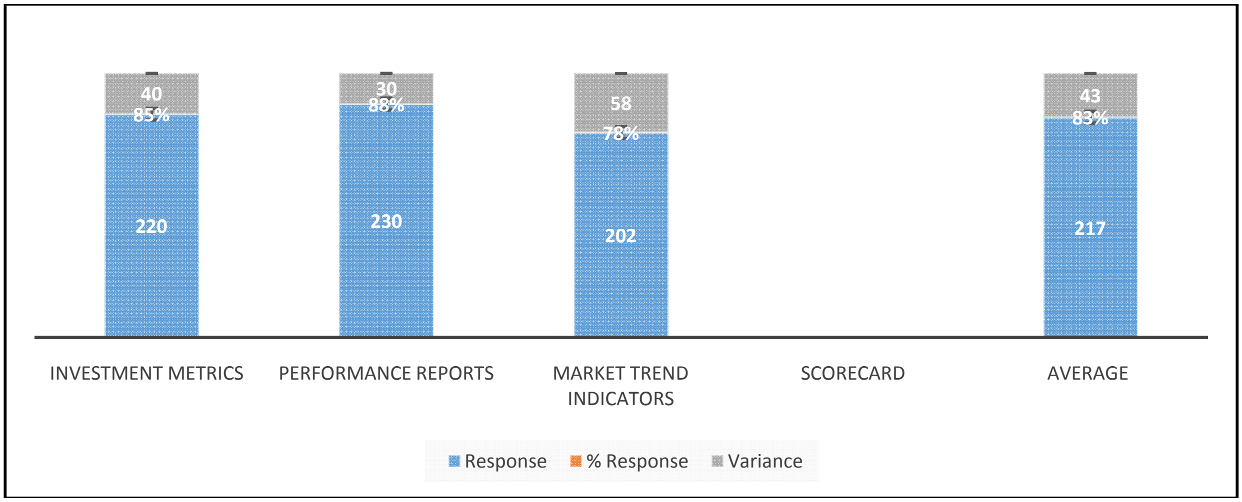


Figure 4: Decision making tools

3.2.1.5. Current Departmental Targets

The strategic management capabilities to envision performance is cascaded down at the departmental level by nearly all the commercial bank in Kenya. The study revealed that core departments are the prime movers of performance. Table 6 represents the targets identified by the respondents as constituting the main building blocks for good performance by commercial banks.

Department	Main targets	Total respondents	Response	% of total
Operations management	Diversified financial products	260	250	96%
	Increase the value of products	260	210	81%
	Improve asset quality	260	198	76%
	Enhance customers' deposits	260	246	95%
	Increased liquidity ratio	260	180	42%
	Capital adequacy	260	197	76%
Human resources	Continuous and aggressive training of employees	260	252	97%
	Acquisition and retention of strategic staff	260	244	94%

Table 6: Departmental targets
Source: Author, 2017

The main target of the operations management was, continuous and aggressive training of employees (97%), diversified financial products (96%), enhance customers' deposits (95%) among many others. Continuous and aggressive training of employees (97%) and acquisition and retention of strategic staff (94%). The information above specifies that commercial banks performance goals are actualised at the departmental level. It is also revealed that banks lay more emphasis on human resource training as the main driving force for attaining higher performance.

3.2.1.6. Involvement of Stakeholders in Developing Mission Statements

Respondents were asked to rate the involvement of select key stakeholders in the development of their bank's mission statements. The results are as shown in table 7.

Description of Stakeholder	VI	MI	I	RI	NI
Board of Directors	4%	21%	54%	15%	6%
Managers	86%	8%	6%	0.0	0.0%
Employees	2	12	24%	60%	2%
Customers	0 %	0 %	10	12%	73%

Table 7: Stakeholder's involvement
Key: Very Involved (VI), Moderately Involved (MI), Involved (I), Rarely Involved (RI), Not Involved (NI).
Source: Author, 2017

Eighty-six (86%) percent of participants perceived the managers being very much involved in the development of commercial banks' mission statement while 60% felt that the employees as rarely involved. About 73% observed that customers are not involved at all in developing mission statement even though they are the main focus of any performance aspiration of the banks. About 54% said that the board of directors are involved alluding to the fact that in some occasion it is the managers who come up with policies and sell them to the board. The findings show that although business organizations main goal is to satisfy customers' needs as a basis towards better performance, commercial banks do not fully involve their customers in decision making process. Customers are the most critical stakeholder group who should play a prominent role in a mission statement's focus. Commercial banks may fail to develop mission statements or improve the old one because of the diverse opinion and interest of organization stakeholders. In some cases, organizations, have tended to be complacent with the status quo or are discouraged by the tedious formalities that are required in developing mission statements.

3.2.2. Capability to Strategize

The ability to strategize and pursue growth policies normally enable commercial banks and organizations in general to perform better relative to their competitors. This is because the strategies that organizations adapt are as a result of plan to address various challenges. Commercial banks capability to strategize was analysed and the perception of employees recorded together with whether the bank (s) had strategies at all (table 8).

Strategic aspects	VI	QI	I	NI	NE
1. Generate strategies to deal with performance challenges	80%	17%	3%	0%	0%
2. Select strategies to address bank operational issues	49%	37%	14%	0%	0%
3. Maintenance of Policy manuals for individual departments	92%	6%	2%	0%	0%
4. Regular update of bank policies	83%	11%	6%	0%	0%
5. Allocation of adequate funding to specific bank programmes	91%	3%	6%	0%	0%
6. The commitment of the board to support implementation of strategic initiatives	25%	34%	41%	0%	0%
7. Rationalization	81%	11%	6%	2%	0%
8. Retraining – skills development	93	5%	2%	0%	0%
9. Product restructuring	74%	22%	0%	0%	0%
10. Market penetration	69%	31%	0%	0%	0%

Table 8: Capability to strategize
Key: Very Important (VI), Quite Important (QI), Important (I), Not Important (NI) and Not existing (NE)
Source: Author, 2017

The results indicate that there are up to ten (10) strategies commonly used by commercial banks in Kenya to attain their performance goals. The main areas of strategic action include: measures to mitigate performance challenges (80%); means to address operational issues (49%) and resource allocation to implement strategic programmes (91%).

According to the above finding, 93% of participants view sustained training of employees as very important in delivery performance goals. Additionally, 92% of the respondents maintain that departmental activities should be well articulated in policy manuals for high output. In the opinion of 25% of those interviewed, the commitment of the board may not be very important in gaol attainment provided that the adequate resources are allocated for programmes implementation. The results indicate that the respondents felt that the key aspects of bank's capability to strategize include, commitment of the board to support implementation as important at 80%; generation of strategies to deal with performance challenges as quite important at 80%; rationalization 73%; select strategies to address bank operational issues as important at 68%; product restructuring as important at 64% and market penetration as important at 63%. The results are in contrast with Hill and Jones (2009) argument that the most vital capability to strategize is about the choice of the tactics and techniques for the firm as a whole, managing various product lines and business units for maximum value regular update of bank policies and market penetration capability which helps to exercise the choice of direction that an organization adopts as a whole.

3.2.2.1. Effectiveness of the Current Strategies

The respondents rated the effectiveness of the current strategies of the bank in guaranteeing attainment of the future performance using the key: 5= very effective, 4= quite effective, 3= effective, 2= rarely effective, 1= not effective. The results are presented in table 9.

Strategies	VE	QE	E	RE	NE
Products analysis strategies	5	77	15	3	0
Customers analysis strategies	4	84	8	3	1
Competitors analysis strategies	10	30	55	5	0
Internal analysis strategies	6	66	20	4	4
Industry analysis strategies	5	37	58	0	0

Table 9: Effectiveness of strategies
Source: Author, 2017

Results on the effectiveness of the current strategies of the bank in guaranteeing attainment of the future performance indicate that the following strategies are currently effective. Customer's analysis strategies as quite effective at 84%; products analysis strategies as quite effective at 77% and internal analysis strategies as quite effective at 66%. The findings support Pearce and Robinson (2009)argument that successful firms adapt to economic environmental conditions geared to customer's analysis, products analysis and internal analysis strategies by implementing business strategies cantered on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance. The results are an indicator that commercial banks in Kenya have proactive strategies that are effectively encouraging and contributing to the performance of these organizations.

3.2.2.2. Strategic Network

Business organizations normally maintain strategic partnerships with a group of stakeholders. This study explored whether commercial banks had any form of partnerships with other organizations. The finding is as shown in figure 5.

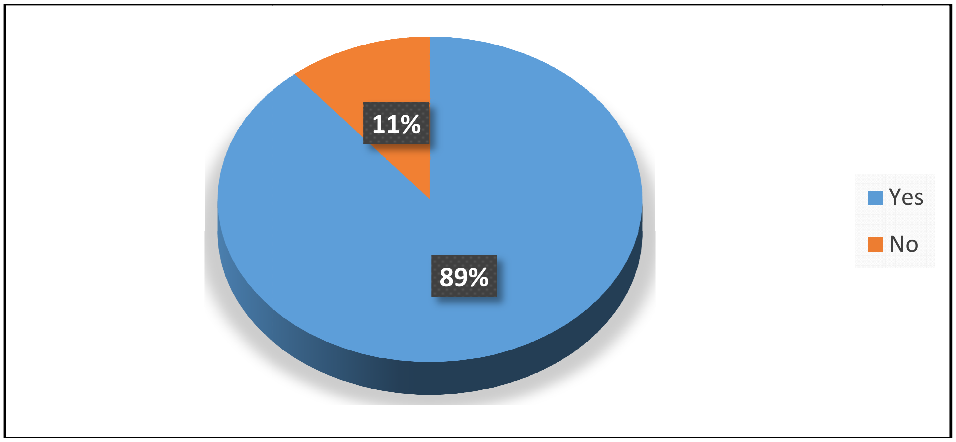
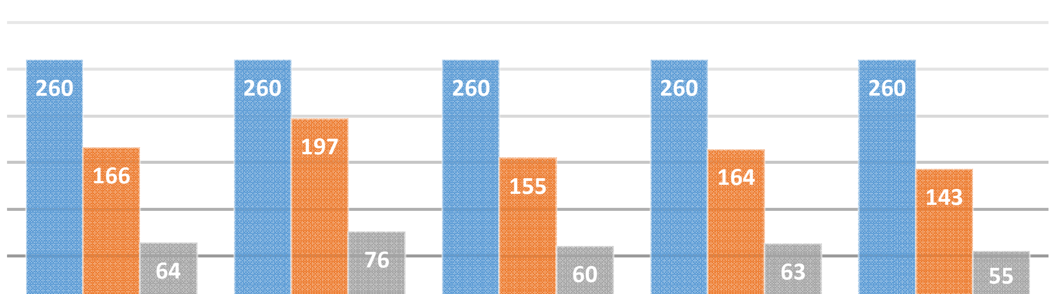


Figure 5: Strategic network

A large number of banks surveyed (89%) maintained strategic partnerships with a number of stakeholders. Only 11% of interviewee indicated that their banks do not maintain partnerships with strategic organization. The main partners of most commercial banks in Kenya were: mobile phone providers, micro financial organizations and other commercial banks. The findings support Jerop and Juma (2014) assertion that organizations operate in two distinct environments; internal and external. An organization should not only strive to maintain internal strategic partners but also with the external ones that exist and influence the operation of a firm. The implication is that banks should acquire strategic partnership with stakeholders like mobile phone providers, micro financial organizations and other commercial banks to gain and maintain competitive advantage of their competitors

3.2.2.3. Value of Strategic Networks to the Performance of the Organization

The respondent was asked to indicate how valuable is the strategic networks to the performance of the organization and the results are presented in figure 6.



	Assist in acquisition of new markets	Attract new customers to the organization	Helps in tackling competitors	Assist in distribution of products	Assist in sharing risks
Total	260	260	260	260	260
Response	166	197	155	164	143
%	64	76	60	63	55

Figure 6: Value of strategic network

The results that the respondents felt that strategic networks are important to the performance of the organization. It is important attract new customers to the organization (76%); assist in acquisition of new markets (64%); distribution of products (63%); helps in tackling competitors (60%) and assist in sharing risks (55%). The findings support Ansoff and McDonald (2003) who opined that some of the major economic reasons for choosing a particular type of strategic network are: exploiting operational economies and financial economies of scope, uncertainty avoidance and efficiency, possession of management skills that help create corporate advantage, overcoming the inefficiency in factor markets and long term profit potential of a business. Therefore, commercial banks should proactively continue to scan the business horizon to acquire more strategic partners to drive further their performance levels.

3.2.2.4. Rating the Value of Capability to Strategize

The results of the respondents rating of the value of capability to strategize on the performance of the organization using the scale of (5 -very important, 4 –quite important, 3 –important, 2 –not important and 1–not important at all) are shown I table 10.

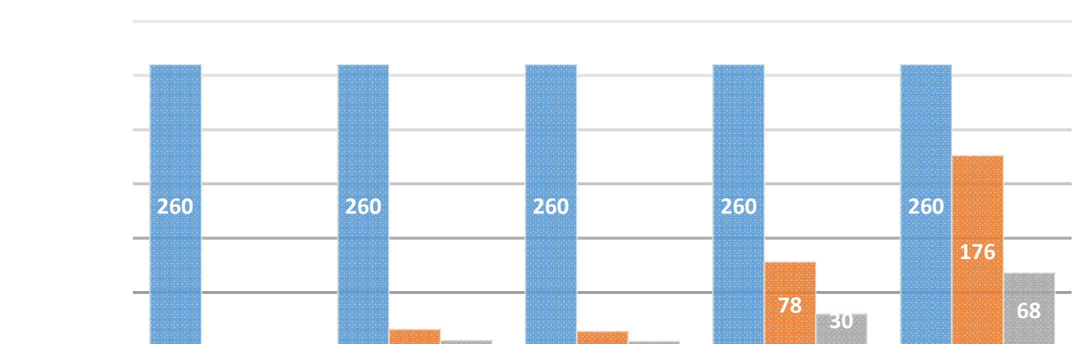
Stakeholder	**VI**	**QI**	**I**	**NI**	**NIA**
Enhances organizational excellence	10%	32%	50%	6%	2%
Lead to quality management performance	8%	68%	24%	0%	0%
Improves corporate image	12%	18%	69%	1%	0%
Improves operational management	59%	21%	20%	0%	0%

Table 10: Value of strategies

The results of rating of the value of capability to strategize on the performance of the organization indicate that it improves corporate image (69%); lead to quality management performance (68%); improves operational management (59%) and enhances organizational excellence (50%). The findings negate the argument of Kutllovci *et al.,* (2012) that capability to strategize improves decisions regarding the flow of firm resources to and from a company's product lines and business units. It also enhances a firm's transfers of skills and capabilities developed in a one unit to other units that may need such resources. This imply that strategizing among commercial banks is quite valuable in that, it is an attempt to obtain synergies among numerous product lines and business units so that the corporate whole is greater than the sum of its individual business unit parts.

3.2.2.5. Frequency of Reviewing Implemented Strategies

The respondent's views were sought on how often the bank review the implemented strategies. The results are presented in figure 7.



	Daily	Weekly	Fortnightly	Monthly	Annually
Total	260	260	260	260	260
Response	0	16	14	78	176
%	0	6	5	30	68

Figure 7: Frequency of reviews

On the frequency of the bank review of the implemented strategies, 68% of the respondents stated that it is done annually with 30% indicating that it is performed on monthly basis. However, the findings agreed with Vision (2030) statement which points that developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development strategies embedded in the economic development blueprint. The implemented strategies should continually be reviewed to keep up in touch of the realities of a competitive business environment through increased investment and training of employees in new technology; enhanced product diversification; aggressive market penetration strategies; greater managerial and scale efficiency, and innovative financial products.

3.2.2.6. Need Assessment to Establish Performance Level

The respondents were requested to rate the importance of the needs assessment process for the effective operation of banks. The results are presented in table 11.

Importance of needs assessment	Total	Response	%
All banks have adapted the use need assessment to evaluate their bank's performance in their core function areas	260	260	100
Needs assessment are used to establish customers' aspirations	260	201	77.3
They are used to mitigate on challenges and expected risks which could affect the bank operations.	260	191	73.5
Need assessment are very important for the successful operation of the banks.	260	222	85.4
Most banks perform need assessment annually	260	188	72

Table 11: Importance of needs assessment
Source: Author, 2017

All banks, 100% have adapted the use need assessment to evaluate their bank's performance in their core function areas. They are used to establish customers' aspirations at 77.3%, challenges and expected risks which could affect the bank operations (73.5%); 85.4% of respondents perceive the use of need assessment as very important for the successful operation of their banks. Most banks (72%) conduct need assessment annually. The findings support Porter (2008) argument that the role of needs analysis is to co-ordinate and directs all the resources of a firm towards the attainment of its goals and objectives and vision. This imply that needs assessment is further important in achieving short term, mid-term and long-term objectives.

3.3. Correlation Results

To ascertain the association between capability to envision, capability to strategize, and performance of commercial banks in Kenya, the study carried out a Pearson's correlation test. The result showed that capability to envision and capability to strategize, had a positive and significant association with performance of commercial banks in Kenya.

	PERF	CE	CS
PERF	1		
CE	.216**	1	
CS	.455	.581**	1

Table 12: Correlation matrix of variables
*** Correlation is significant at the 0.05 level (2-tailed)*
Key: CE-capability to envision, CS-capability to strategize, CM-capability to monitor and CEV- capability to evaluate.

The correlation analysis output in table 12 shows that there is a positive significant correlation between management capability to envision and performance ($r= 0.216$, $p< 0.05$) in Kenyan commercial banks. Compared to management capability to strategize, capability to envision (CE) has a weak positive correlation with the performance of commercial banks in Kenya. The indication is that envisioning on the future is equally important in the performance of commercial banks though combination of envisioning and other capabilities is still necessary. Capability to strategize has moderate positive correlation ($r = 0.455$, $p<0.05$). The findings imply that capability to strategize will enable commercial banks to possess the mind-set that has ability and wisdom to make a selection of what they perceive as the most appropriate response to enable future growth and enhanced performance. The two performance constructs (envision and strategize) are also said to be positively and significantly auto-correlated.

3.4. Hypothesis Testing and Inferential Analysis

This section focuses on inferential statistics to show the relationship that exists between the dependent and the independent variables.

3.4.1. Testing Regression Model Assumption

Before regression analysis was done, the assumptions of multivariate analysis were tested to ensure that there was no violation of multivariate analysis assumptions. The data was checked for normality, outliers and multicollinearity, extraction of communality.

3.4.1.1. Normality Test

Histogram analysis was used to assess the actual degree of departure from normality and the results were presented in table 12.

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.102	46	.200*	.973	46	.362
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Table 13: Test of normality

Based on table 12, the statistic of Shapiro-Wilk is 0.973 with a significance of 0.362. If the Sig. value of the Shapiro-Wilk Test is greater than 0.05 then the data is normal, if it is below 0.05 then the data is not normally distributed. Based on the histogram diagrams for each factor, the data indicated normal distribution.

3.4.1.2. Multicollinearity Test

The study computed tolerance to test if there was multicollinerality as indicated in table 13. The tolerance value and VIF (variance inflated factor) among all independent variables are more than 0.10 and 10. The cut-off value is a tolerance value of 0.10, which corresponds to a VIF of 10 (Sekaran & Bougie, 2010). This shows that there is no multicollinearity among all independent variables.

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CE	.317	3.151
	CS	.516	1.939

Table 14: Multicollinearity test

3.4.2. Regression Analysis

Regression analysis was done to establish the relationship between capability to envision and strategize in the performance of commercial banks in Kenya. The results of linear regression (Table 15) shows that the coefficient of determination R^2=0.139 which indicates that the two management capabilities (envision, strategize) explains 13.9% variance in the performance of commercial banks in Kenya.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.180	0.139	0.138	0.034

Table 15: Model summary

Hypothesis $H0_1$ stated that strategic management capability to envision has no significant influence on performance of commercial banks in Kenya. Based on the findings in table 16, a unit increase of management capability to envision results to 0.097 increase in performance of commercial banks in Kenya. This therefore implies that management capability to envision has a positive influence of the performance of commercial banks in Kenya. The hypothesis Ho1 that strategic management capability to envision has no significant influence on performance of commercial banks in Kenya is therefore rejected and instead conclude that strategic management capability to envision positively and significantly influences the performance of commercial banks in Kenya (β = 0.097, $p< 0.05$). These results are in line with Kungu et al (2014) who noted that organization with comprehensible vision and mission statement was likely to perform better. However, the attainment of envisioned success is normally dependent on the allocation of adequate resource by the management (Mwasi, 2014).

Model	Unstandardized Coefficients	T	Sig
Constant	0.103	1.636	0.103
Management capability to envision	0.097	3.123	0.002
Management capability to strategize	0.186	3.788	0.000

Table 16: Regression Coefficient

Hypothesis $H0_2$stated that **s**trategic management capability to strategize has no significant influence on performance of commercial banks in Kenya. Focusing on the findings on capability to strategize on table 16, a unit increase of management capability to strategize results to 0.186 increase in performance of commercial banks in Kenya ((β = 0.186, $p< 0.05$). The null hypothesis that strategic management capability to strategize has no significant influence on performance of commercial banks in Kenya is therefore rejected. The findings support Pearce and Robinson (2009) argument that successful firms adapt to economic environmental conditions geared to customer’s analysis, products analysis and internal analysis strategies by implementing business strategies cantered on investment, innovation, and market diversification. Such strategies lead to higher levels of business performance. In a similar study, Ongore (2013) stated that commercial banks which make strategic decisions based on what their rivals are doing and how to confront market factors that faces them are more likely to register better performance.

The dependent variable (Performance of commercial banks) and the independent variables (envision, strategize, monitor and evaluate) is therefore connected by the equation:

$Y=0.103+0.097_{X1}+0.186_{X2}$

Where

Y= Represents performance

β_0= Constant

β_1............β_4=Represents the regression coefficients

X_1= Strategic management capability to envision

X_2= Strategic management capability to strategize

X_3= Strategic management capability to monitor

X_4=capability to evaluate

ε = Represents the error term which is here assumed to have a mean of zero

4. Conclusion

From the findings, it is concluded generally that strategic management capabilities to envision, and strategize, positively influence the performance of commercial banks in Kenya. Specifically, it is concluded Management capabilities to envision positively and significantly influence the performance of commercial banks in Kenya ($\beta = 0.097$, $p< 0.05$) Also management capabilities to strategize positively and significantly influence the performance of commercial banks in Kenya ($\beta = 0.186$, $p< 0.05$).

5. Recommendations

1. The study recommends that commercial banks should continuously engage in creating visions and missions' statements that spell their strategic focus in the future. The envisioning of strategies should be guided by the views of all the stakeholders.
2. The study recommends that that banks management should adapt differentiation strategy whist focusing directly on their products and occasionally review their market segmentation strategies to enhance their performance.

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