FUNCTIONAL STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF BANKS IN NAKURU CITY COUNTY, KENYA

BY

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DECLARATION

I declare that this is my original work and has not been submitted to any other college, institution or university for the purpose of examination. No part of this project shall be copied or retrieved without a prior consent from the author / Kenyatta University

Signature…………………………………………… Date…………………………

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I confirm that the work reported in this research project was carried out by the candidate ` with my approval as the appointed University Supervisor

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DEDICATION

My dad Robert, my mum Barbra and to my lovely sister Miriam, for their generous and relentless support are hereby dedicated this project.

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OPERATIONAL DEFINITION OF TERMS

Finance strategy	Deals with the capital structure, dividend and working capital. Involves management of the expenditure and records of receipts in a firm and getting the financial information from varying units in the firm
Functional-level-strategies	Strategies stemmed by functional or departmental managers and include finance, marketing, operational and human resource strategies
Human resource management strategy	It refers to recruitment, training and rewards
Marketing strategy	It is achieved through price, promotion and distribution network. This is an integrated but exteriorly driven set of decisions on how the firm deals with customers in the perspective of a competitive setting
Operational strategy	It refers to quality, innovation and customer responsiveness. It involves formulating the long-term plan which ensures appropriate use of resources
Organizational performance	A result coming up from the arrangement of particular organizational resources, abilities and procedures which results to profits, customer retention, sales volume, market share and efficiency

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ABBREVIATIONS AND ACRONYMS

APA	American Psychological Association
CBK	Central Bank of Kenya
CMA	Certified Management Accountant
DCT	Dynamics Capabilities Theory
HRM	Human Resource Management
IMF	International Monetary Fund
NSE	Nairobi Securities Exchange
ROA	Return on Assets
STATA	Statistics and data

ABSTRACT

Achievement of organizational performance is an issue to organizations and depends mostly on how organizations adapt to the business environment. Currently, the business environment is characterized by high turbulence in organizational performance. It is challenging to managers in the banking industry. Further, the pace of growth of most commercial banks in Nakuru City County, Kenya has been on the decline and as such, the growth in profits has been on the decline. Consequently, functional level strategies play a pivotal role as banks aim at customer retention, increased profits, increased sale volumes, efficiency and increased market share. This study mainly determined the effect of functional strategies on the organizational performance of commercial banks in Nakuru County, Kenya. The research specifically established the effect of operational, marketing, finance and human resource management strategies on organizational performance. This research used resource based view, marketing mix model, human capital and control theories. The study used descriptive research design. A census approach was used targeting 41 branch managers, 41 operational managers, 41 marketing managers, 41 chief accounting officers and 41 human resource managers in Nakuru County and 205 respondents were sampled. Questionnaires with close-ended questions were used to collect primary data. Content validity was determined through consultations and discussions with the experts, academicians and the supervisor. A Cronbach Alpha method was used to determine reliability and data was analyzed using descriptive and inferential statistics with the help of Statistical Package for Social Sciences software. Data presentation was by frequency distribution tables and charts. Respondents agreed that operational, marketing, finance and human resource management strategies affected the organizational performance of commercial banks. The correlation between the operational and marketing strategies was negative and insignificant. The correlation between operational and finance strategies was positive and insignificant. The correlation between operational and human resource management strategies was negative and significant. The relationship between organizational performance of commercial banks and operational, marketing, finance strategies was positive and statistically insignificant while the relationship was negative and significant between organizational performance and human resource management strategy. The study recommends enhancing the operational strategies, marketing strategies and finance strategies which positively affect the commercial banks' organizational performance in Nakuru County, Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The potential achievement of businesses is dependent on organizational performance meaning its capability in efficiently implementing strategies in the achievement institutional goals (Bashaer, Sanjay & Singh, 2016). According to Jon and Randy (2009) the main point of organizational development leading to organizational performance is when most of the organizational development efforts are geared towards increasing organizational learning, with an intention of affecting organizational performance. Organizational performance could be achieved through appropriate coordination of duties increasing the efficacy and usefulness of the organization's performance (Theodosiou, Kehagias & Katsikea, 2012). Organizational performance should be improved for efficient organization programmes (Lopez-Nicolas & Merono-Cerdan, 2011) while Maher and Andersson (2017) argued that organization's performance outcomes results from the successes in market and basic variations occurring in a period of time.

Globally, organizational performance of the banking system has been severely affected by various global economic crises like the financial crisis between 2007 and 2008 (Aisen & Franken, 2010). Since 2020, the world has been facing a global crisis (the COVID-19 pandemic) which has adversely affected the performance of the banks around the world. Due to COVID-19, important organizational performance indicators of banks like profitability, capital adequacy, asset quality, management efficiency, earnings ability, liquidity and sensitivity to risk have been affected (Kozak, 2021). In the case of financial stability and the proper circulation of money, the banking sector plays a significant role (Colak & Oztekin, 2021).

Organizational performance is a major concern to different category of people in Nigeria (Yusha'u & Yahaya, 2018). It is the result of obtaining the internal and external organizational goals. When considering the categories of people interested in the performance of organizations, investors are usually the providers of risk capital to a business. Apart from the managers and owners of the organizations, other people invest so that they can get return on their investment and thus need information about organizational performance for the achievement of investment decisions. For the shareholders, their decisions might be based on the past performance of the organization and its position from which they try to predict its future performance (Yusha'u & Yahaya, 2018).

In Kenya, a study by Nderi and Mwangi (2015) denoted that organizational performance of any enterprise is determined by a combination of owner's skills, which range from financial skills, project management skills, leadership quality, marketing skills and human resources management. Further, Uwase (2020) suggested that organization performance is constrained by factors within and without (exterior) the organization. Factors within an organization causes inability to conduct research thus lowering chances of innovation, difficulty in the recruitment of competent and skilled human resources, inadequate capital for growth, scarce sources of financing and limited entrepreneurial skills.

1.1.1 Organizational Performance

Organizational performance is the actual output obtained as measured against the intended output (Richard, 2009). Lebans and Euske (2006) describe organizational performance as the information on achievement of financial and non-financial objectives of the organization. According to Richard (2009), organizational performance consists of the output of the organization compared to its objectives and goals. Organizations are very significant and thus, effective organizations characterize a key factor for the developing countries. Performance continually is the emphasis of most organizations since there is growth and advancement of organizations only via performance (Gavrea, Ilies & Stegerean, 2011). Hassan, Qureshi, Sharif and Mukhtar (2013) denoted that for superior organizational performance to be realized in Pakistan, organizations need to align themselves with the changing business environment. Further, Suikki, Tromstedt and Haapasalo (2016) observed that in stormy business setting today which is typified by ambiguity and not able to envisage the future globally, organizational performance is extremely challenging and thus requires adoption of strategies to ensure sustainability.

According to Ranasinghe and Mallika (2018) in achieving greater organizational performance, there is need for adoption of strategic positions that will steadfastly give organizations in Nigeria the power in maintenance of market share. There is therefore need for managers to focus their attention on structuring their organizational strategies such that they are customer focused and practical to ensure customer retention and increased sales volumes. Quality of services and products, satisfied customers, performance of markets, performance of employees and service innovations are some of the factors evaluating organization performance. Return of investment, sales margins, satisfied customers and quality of products appraises organization performance (Greene, 2011). Organization performance can also be measured in terms of return on investment, growth in sales, market and profits (Greene, 2011).

Rizov and Croucher (2009) operationalized organizational performance based on the quality of services, productivity levels and innovation rate and found out that they were related to higher organizational performance. Kunze, Boehm and Bruch (2013) studied organizational performance making use of views of financial circumstances of top managers, organizational growth, productivity, fluctuations and retention of employees in comparison to direct competitors. Homburg, Artz and Wieseke (2012) did an assessment of organizational performance focusing on return on investment and sales growth and observed a strong, positive correlation between the variables. In the current study, organizational performance was operationalized as profits, sales volume, customer retention, efficiency and market share (Monirei, 2016) who argues that the variables are significant indicators of organizational performance.

Organizational performance measures like profits, sales volumes and customer retention are of great interest to senior management and investors in any organization. They should be objective and coupled with meaningful references like the past performance of the organization. Profits and sales volumes are usually articulated, highlighted and emphasized in the annual reports to the stakeholders (Nkechi, 2018). Customer retention is a measure that provides an insight on how customers see the organization (Kaguri, 2016). Organizations use various strategies to retain customers like rewarding regular customers.

The long-term sustainability of commercial banks depends largely on how efficiently they are managed (Seeku & Fatty, 2018) making efficiency a key factor in the banking sector. In fact, efficiency affects organizational performance of other organizations. Market share directly and positively affect organizational performance of banks and the impact has significant as shown by several scholars (Belkhaoui, Lakhal, Lakhal & Hellara, 2014; Genchev, 2012). However, with the increased competition in the industry, the market share is a proxy to strategic choices the commercial banks are adopting.

1.1.2 Functional Strategies

Functional level strategies are involved with the activities, methods and procedures used in the management of the specific functions or key activities within a business (Thompson, Gamble & Strickland, 2010). Functional level strategies are developed to support both the business and corporate level strategies (Pearce & Robinson, 2007). They exemplify a collection of decisions in the numerous functional parts of an organization that usually supports the decisions of the business level strategies and are used for the realization of the objectives and strategies of a firm through the ideal maximization of all the resources (Mintzberg & Quinn, 2008).

Globally and locally, when organizations favourably align internal environment strategies to external environment, there is a likelihood of functional strategies succeeding (Thompson & Strickland, 2003). The marketing managers are mandated to make decisions about awareness of products, strategies to be used in advertising and general interaction of the customers with the products and services available. The human resources managers are tasked to ensure that all decisions that relates to employees management, rewards, dogmas and other personnel issues of the organization are undertaken. The finance managers are supposed to make decisions regarding the source of financial supplies and resource allocation of the organization among other accounting operations (Ngure, 2016).

According to Pearce and Robinson (2000), they define a functional strategy as the short-term game plan for a key functional area within a company. Such strategies clarify grand strategy by providing more specific details about how key functional areas are to be managed in the near future.

According to Gareth R. Jones (2020), Functional strategy is a plan of action to strengthen an organization's Functional and organizational resources, as well as its coordination abilities, in order to create core competencies.

Operational strategy is concerned with the determination of the broad policy and plans for using the production resources of a firm in provision of the best backing to the organization's operational strategy in the long term (Amar & Pono, 2014). A study by Amar and Pono (2014) evaluated operational strategy as cost, quality, delivery, innovation and differentiation on SMEs performance in Indonesia and found both positive and negative significant effect. Kipngetich (2016) also conducted a research and operationalized operational strategy as cost, differentiation, quality, innovation, efficiency and customer responsiveness. Bosire (2018) operationalized operational strategy as customer driven, product and personnel development and competitive advantages strategies. In the current study, operational strategy was conceptualized as quality, innovation and customer responsiveness as Syapsan (2019) who suggested that they are significant indicators of operational strategy.

Marketing strategy has been emphasized by firms and is a means for the attainment of the general performance of organizations. Ogohi (2018) operationalized marketing strategies as promotion, pricing, distribution and product standardization and adaptation. On the other hand, Odhiambo (2015) used product, pricing and physical evidence strategy as the marketing strategies while Kimutai (2015) further used price, network distribution, quality and promotion in flower industry performance study. In the current research, this was conceptualized in form of price, promotion and distribution as Ogohi (2018) who argued that they significantly affect marketing strategy.

Finance strategy is a crucial aspect of each organization's performance and it was operationalized as budgeting, creditworthiness, risk management, review and evaluation by Omopariola and Windapo (2019). Further, decisions on capital structure, dividend policy, techniques of investment appraisal, management of working capital were the financial strategies used by Hasan (2018). Sohrabi and Zenab (2016) evaluated financial strategies as dividends, working capital and investment. The current study operationalized finance strategy as dividends, capital structure and working capital as Yakubu (2019) who suggested that they are significant indicators of finance strategy.

Human resource management strategy is a special function of management tasked to ensure that all decisions that relates to employees management and rewards of the organization are undertaken. Mutembei and Ondabu (2014) evaluated HRM strategy as resourcing, training, development, reward and appraisal methods. Absorption and employment, development, performance management, service compensation and employees' relations are HRM strategies used by Fadavi and Baqi (2014). The current study conceptualized HRM strategy in terms of recruitment, training and rewards as suggested by Albrecht, Bakker, Gruman, Macey and Saks (2015) who argues that they are significant indicators of HRM strategy.

1.1.3 Commercial Banks in Nakuru City County

A total of 41 commercial banks are found in Kenya and the same have branches in Nakuru. There are also two banks that have been under receivership (Chase Bank and Imperial Bank), another twelve (12) microfinance banks, three (3) credit reference bureaus, eight (8) offices representing foreign banks and 14 money remittance providers (CBK, 2017). The Kenyan Banking industry is the most competitive in the East African zone in accordance to a survey by IMF (Sittoni, 2013). All these registered banks have branches in Nakuru City County.

Key features differentiating banks are their capabilities in gaining competitive advantage and the total asset base (Ndung'u *et al.,* 2016). Moreover, banking is a main sector in any economy and as a prime mover of the economic life, it occupies a very important position in every country (Sidana, 2017). Identification of functional strategies has become an urgent issue to the management of the banks since the strategies have become an essential factor of any business venture to ensure survival in the sector (Goetzmann, 2009).

Over the years, the banking industry including the commercial banks in Nakuru has been faced with many challenges while trying to offer services (Ogutu & Nyatichi, 2012). This has been due to the liberalization of the Kenyan economy. Increased competition has also resulted in the decline of market share and profitability of the commercial banks in Nakuru City County yet this is the major reason for their operation making this study significant. Further, upgrading of Nakuru County to a city status makes it an investment destination for investors banks included. It makes functional strategies significant for competitiveness and attractive in the market as argued by Allen & Helm (2006).

1.2 Statement of the Problem

Achievement of organizational performance is an issue to organizations and depends mostly on how organizations adapt to variations in the external settings (Contu, 2020). This requires efficiency, satisfaction of both customers and employees, increased market share and profits. Most banks both locally and internationally including commercial banks in Nakuru County have been grappling with the challenges since the current market conditions have been turbulent, competitive, reduced trade barriers, interest capping and deregulation in markets which has greatly affected their performance (Ndungu & Bosire, 2020). As such, many commercial banks have been in need of remedy thus coming up with functional strategies to ensure they remain alive and boost their profits, sales volumes and retain customers. Nevertheless, there are still issues with performance of banks since most banks have not maintained or enhanced their performance in the recent past (Otieno & Moronge, 2014). Based on the annual Central Bank of Kenya supervision report (2020-2021), the pace of growth of most commercial banks in Kenya has been on the decline and as such, the growth in profitability has been on the decline (Central Bank of Kenya Supervision Report, 2020-2021). Further, customer satisfaction is used to assess whether products and services offered by organizations surpass the expectations of customers and the more they surpass expectations, the more organizations are able to gain customer loyalty, increase their profits and as a result, increased market share which is a challenge with most commercial banks as denoted by Munari, Ielasi and Bajetta (2013).

A review on the past studies on determinants that affect organizational performance in United Arab Emirates (UAE) was done by Bashaer, Sanjay and Singh (2016). The proposed framework was founded on theoretical research and recommended a past evaluation to determine the probable empirical applications of the framework and validation of the proposed framework of its relevance, practicality and adequacy. Marwa (2018) researched on the factors influencing Kenyan bank's performance. Cost management system and financial technology influenced performance of the banks. Profit-maximization theory, contingency theory and agency theory anchored the research. The research was done in all licensed banks and financial performance was determined with ROE as the key factor. The theoretical and practical approaches of organizational performance were determined by Contu (2020). Empirical review was carried out and quantitative data collected using questionnaires. Findings revealed that achieving the proposed aims is a factor in obtaining organizational performance.

The above studies have shown that bank performance remains a concern and that there are many factors affecting their organizational performance which need organizational managers in the banking sector to design and execute strategies so that performance can be achieved and sustained and thus the research gap.

1.3 Objectives of the Study

The objectives of the study cover the main and the specific objectives;

1.3.1 Main Objective

To establish the effect of functional strategies on the organizational performance of commercial banks in Nakuru City County, Kenya

1.3.2 Specific Objectives

i. To establish the influence of operational strategy on organizational performance of commercial banks in Nakuru City County, Kenya
ii. To determine the influence of marketing strategy on organizational performance of commercial banks in Nakuru City County, Kenya
iii. To investigate the effect of finance strategy on organizational performance of commercial banks in Nakuru City County, Kenya
iv. To find out the effect of human resource management strategy on

organizational performance of commercial banks in Nakuru City County, Kenya

1.4 Research Questions

i. How does operational strategy affect organizational performance of commercial banks in Nakuru City County, Kenya?
ii. How does marketing strategy affect organizational performance of commercial banks in Nakuru City County, Kenya?
iii. How does finance strategy affect organizational performance of commercial banks in Nakuru City County, Kenya?
iv. How does human resource management strategy affect organizational performance of commercial banks in Nakuru City County, Kenya?

1.5 Significance of the Study

The findings benefit not only the management of the commercial banks operating in Nakuru County, Kenya but also to other managers in the supplementary banks, non-financial institutions and financial institutions. It helps them to understand how functional strategies can enhance commercial banks' performance since the results showed that the functional strategies affected organizational performance. A unit increase in financial strategy was found to result in 3.4% increase in organizational performance and thus aligning functional strategies for their banks by managers.

The findings of this study give information useful to those in policy making in the government and regulatory groups on the functional strategies in the banking industry. The findings provide a basis for informed future decision making, better policy formulation as well as more information to include in their data bank. The results showed that the functional strategies evaluated had an insignificant correlation with the commercial banks' organizational performance. For instance, operational strategy was insignificant tested at 5% level of significance.

The study is important to those in the academic cycles. It will act as a basis of reference for future academic researchers. It helps other academic researchers who might undertake the same topic in their future studies. The variables studied in this research gave 68.4% of organizational performance of commercial banks and therefore, the future academic researchers can establish the other factors not established in the research.

1.6 Limitations of the Study

The understanding of the participants on the questionnaire limited the study. Piloting was conducted first to ensure simplicity of the questions. Since the study sampled those in management, they may have withheld some of the information. An authorization letter from the university was sought before enrolling the research. Some of the respondents selected failed to return the questionnaires in time. In order to overcome this limitation a follow up call was done to the respondents to increase the response rate within a reasonable time. Covid 19 pandemic situation was a challenge during data collection since most respondents were working from home. The limitation was mitigated by sending the data collection tool via emails and a constant reminder to the respondents was done.

1.7 Scope of the Study

The research targeted only banks in Nakuru-County. Operational, marketing, finance and human resource management strategies adopted by the banks were evaluated and targeted branch managers, operational managers, marketing managers, chief accounting officers and the HR managers. 205 respondents were sampled. Descriptive research design was used. This research was conducted after mid of the year, a time when the management of banks evaluates the strategies implemented since the beginning of the year. Primary data was collected. Since year 2010 when there was global economic recession, there has been an arduous in the commercial banks' organizational performance.

1.8 Organization of the Study

The beginning chapter is the introduction providing some context for an appropriate understanding of the objectives and study's direction. The second chapter evaluates both the theories and past literature and brought out the research gap. Chapter three is methodology adopted in carrying out the study. Chapter four is the results and the discussion while the final chapter gives the summary of the findings, conclusions and the recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Information is reviewed as pertains to this study in this chapter. It has the theories, past scholarly studies, summarized gaps that were identified and ends with the conceptual framework.

2.2 Theoretical Literature Review

Marketing mix, human capital, resource based view and the control theories anchored this research.

2.2.1 Resource Based View Theory

Wernerfelt in 1984 developed this theory. The author suggested that resources in an organizational set up refer to resources that could be utilized to obtain the organizational objectives. The theory advocates for the alignment and realignment of both external and internal environment in such a way that capabilities from within are marched with the market context (Grant, 1991). RBV postulates that organizations are not the same in terms of resources and such a scenario may exist over time (Lado, Boyd, Wright & Kroll, 2006). This therefore, means that the uniqueness of resources owned by a given organization makes it possible to boost of a competitive advantage. According to Connor (2002) should all resources in different firms be homogeneous then there is no single organization enjoying competitiveness over others.

The resource-based view prefers looking inside an organization and more so factoring the market conditions that must be contended with by the organization and searching for probable grounds for sustainable competitive advantage when all the exterior environmental variables have been held constant (Peteraf & Barney, 2003). This method is important to organizations when setting out organizational strategies for the purposes of attaining efficiency within the work (Foss & Knudsen, 2003). The theory was applicable to the current study since it was associated to the resource of finance hence linked to the third objective.

2.2.2 Marketing Mix Model

This model was proposed by Jerome McCarthy in 1960. The model has the classic 4Ps of marketing. Marketing mix is a mixture of four elements that is product, price, promotion and place and every organization has the alternative of designing an ideal mix so as to create a trusted marketing strategy (Zeithaml & Bitner, 2003; Palmer, 1994; Kotler & Keller, 2006). According to Singh (2012) the marketing manager has the responsibility of considering the behavioural forces and thereafter deciding the marketing elements in his/her mix in relation to the available resources. Further, they must investigate the organizational resources to make a decision on a mix of processes that apt the resources (Singh, 2012).

Product is mostly the first element to be taken into account, with new product development a significant destabilizing tactics. Modis (1998) suggests that mutations of the products grow from the beginning and the culmination of the life cycle of a product and in instances where the products are many, survival and establishment is a guarantee for some of the products. Nilson (1995) affirms that when a totally new product is introduced in the market, it is a way of presenting chaos into a market while leads to destabilizing a prevailing market. Using such a technique successfully requires a long-term standpoint. It calls for a firm to be innovative in the short term taking advantage of chances that are unanticipated and unpredictable (Nilson, 1995; Golden, Johnson & Smith, 1995).

Price is a marketing scheme used both as a stabilizing and a destabilizing scheme. An organization reduces prices to increase sales making their competitors to follow suit resulting to price wars. Having a positive response from the market will result in a total restructuring of the market, an anticipation that was unexpected. On the other hand, an organization that understands the non-linear nature of these correlations must prepare for the unanticipated thereby taking benefit of the restructuring better compared to its rivals which results to new competitiveness. There is a likelihood of destabilizing the marketing system in using aggressive pricing strategies (Nilson, 1995) particularly when the business setting focus is on the price. In a market where there is price focused, aggressive promotion of prices mostly accrues sales benefits that are short-term. Introducing daily low prices policy in such market by an organization means potentially losing sales unless stabilizing market dimensions are fast brought forth. Further, Pitt, Berthon and Morris (1997) argue that an increase in competitor enmity results to a price-orientated contest that is heightened.

Place, or distribution, is traditionally one of the most conventionally handled marketing schemes with little variation going on. The key stabilizing dimensions of the marketing mix are the distribution and availability since when there is a control on the connection between supplier and customer, there is reduction of the ability of the customer to vary suppliers by the supplier thus stabilizing making the market. This is also true for the whole chain of retailers and manufacturers bringing uncertainty of whether stocking of the products of the manufacturers by the retailers or not (Nilson, 1995). The system's complexity is a product of the number of members in the channel. Identification and understanding of attractor pattern of the system by the channel members makes it possible to cope with the complexity better (Priesmeyer, 1992).

Promotion is usually the stabilizing element and can be destabilizing. As promotion become quick and consumers vary education wise, complexity and varying cultures, uncertainty go up, so being aware of and monitoring to avoid system having a behaviour that is uncontrolled becomes critical. An understanding on the attractor present in a market helps the marketer point out the suitable marketing schemes. More rivarly promotional schemes in a stormy market allows a marketer who is alert to have the benefit of the storm to affect or jolt the path of the attractor so that the market share, sales or profitability are increased (Priesmeyer, 1992). This theory informed the objective on marketing research.

2.2.3 Human Capital Theory

Schultz Theodore proposed the theory in 1960. The origin of the theory can be traced to macroeconomic development theory. In 1950s, the key elements of production were land, labour, physical capital and management (Mincer, 1962b; Becker 1993). According to Schultz (1961), in the 1960s, elaboration of the growth of the US economy by the economists became an uphill task based on the key elements of production. Becker (1964), Schultz (1961) and Mincer (1974) did a lot of work which challenged the predominant assumptions that the success of physical capital is vital to economic growth. The foundational thinking following this theory is that individuals' learning abilities are of equal worth with other resources which are used in the goods and services' production (Lucas, 1990)

This theory implies that people investing in education and training increases their level of skills thus making them more productive compared to the less skilled which justifies their higher salaries and rewards coming from their investment. Becker (1993) suggests that education increases salaries and productivity since knowledge and skills are provided and a way of analyzing difficulties. Further, Becker (1964) denoted that investing in education and training leads to improved productivity; nevertheless, the employee or the organization pays for the training based on the kind of training to be done.

Schultz (1961) and Nelson and Phelps (1966) argue that this theory has the ability to be acclimatized to varying settings. They suggested the usefulness of this theory in addressing ‘disequilibrium’ circumstances or more commonly, with circumstances where there is a varying setting and employees need to adapt. They proposed that the theory of the employees is an important factor that facilitates adoption of techniques that are new and more productive. Further, in an age where sustainability is critical, most organizations are progressively encouraging their employees to be more innovative and to look for new ideas and schedules that operate more sustainably. The human capital in an organization can be pivotal in organizational adaptation in unpredictable and varying settings. This theory informed the objective on human resource management strategy.

2.2.4 Control Theory

This theory was proposed by Walter Reckless in 1973 and its centre focus is on control mechanisms that need to be enforced at all organizational levels. Organizational structure, behavioral controls like customs and procedures or performance measurement mechanisms are the various control forms that an organization can use so that the anticipated results are obtained (Barrows & Neely, 2012).

The kinds of control systems in this theory include under behavior control where employers supervise and examine the deeds of their staffs regularly, based on the organizational standards and then give them rewards which increases their efficiency. There is output control where the staff performance is under control by rewards or approvals after an evaluation on the foundation of the standards of the organization and finally the input control system where the process of selecting and training of the employees is controlled. Nevertheless, for growth and development of the organization to take place, there is need to ensuring that employees are competent as required (Krausert, 2009). The structure, customs, procedures and administrative information of an organization are the determinants of the control system to be used since one of the three or a combination of the control system can be used (Shell, 1992).

Control theory assists in managing the performance of employees through evaluation of the system output for its stability with sets of traits that are defined beforehand. Adjustments are done by the system controller when deviations takes place (Barrows & Neely, 2012). When there is regular supervising and responses, quick and better results (sales volumes are increased, efficiency is enhanced) are generated. One of the strengths of this theory is that once the needs of the employees are aligned with the standards and requirements of an organization, the anticipated behavior will be obtained (Luria, 2008). Therefore, these requirements make this theory more pertinent since it feints as a controller in the alignment of the behaviors of employees with the behavioral standards of the organization which ultimately lead to the achievement of the anticipated performance.

On the contrary this theory assumes that employees focus on their responses that control their output quality. Nevertheless, this can negatively affect the employees decreasing their motivation and productivity level. Further, in this theory, performance of employee is also a factor of the rewards and recognition only achieved when their performance meets the organizational standards (Locke, 1991). This theory anchors the dependent variable (organizational performance).

2.3 Empirical Literature Review

This section comprises review of past scholarly work by other researchers in accordance to the study objectives.

2.3.1 Operational Strategy and Organizational Performance

Operations strategy influence on firms' performance was done by Wandiga (2019). Descriptive and explanatory research designs were used. Two hundred and twenty seven (227) management consultancy firms were targeted. Stratified random sampling method was used in selecting 114 firms. Questionnaires were used in collecting data while analysis done by descriptive and inferential statistics. Results showed that operations strategy had an influence that was significantly positive. Stratified random sampling method was used while purposive sampling was employed in the current study. The current study focused on the banking industry where quality products of a bank led to its growth.

Bosire (2018) established the impact of operation strategies on performance of Scania East Africa Limited in Kenya. Survey research design that is descriptive in nature was used. 97 employees were sampled and who to respond in each department selected purposively. Questionnaires were used. Descriptive (percentages, frequencies, mean sand standard deviations) and inferential (correlation) statistics were done using SPSS. Findings revealed a relationship that was positive between operation strategies and performance. Survey research design was used while the present study used descriptive research design. The current study covered the banking industry where through innovation, the bank identifies a niche market.

The impact of customer centric strategy on the commercial banks' profitability was researched by Gikuhe (2014). Descriptive research design was used while analysis done through descriptive statistics where data was run through SPSS for a thorough analysis statistically. Findings showed that customer centric strategy is an enabler in organizations in serving the requirements of customers, thus increasing satisfaction of customers and strengthening the organization in regard to growth and profits. This research targeted respondents from all levels of management who were randomly sampled. The current study targeted 41 operational managers, 41 marketing managers, 41 chief accounting officers and the 41 human resource managers of the 41 licensed commercial banks. Customer responsiveness in the banks leads to customer satisfaction.

2.3.2 Marketing Strategy and Organizational Performance

Gateka (2019) established the impact of marketing strategies on sales performance of the banks in Bujumbura, Burundi. Three hundred and thirty seven (337) respondents were targeted while 183 respondents were sampled. Questionnaires and key informant interviews were used. Descriptive, inferential statistics and manual coding of transcripts were used in analysis of quantitative and qualitative data. Product and price as marketing strategies insignificantly affected sales performance while promotion and place significantly affected sales performance. The focus of the current research was on organizational performance not on sales performance. The findings in the current study showed that bank uses pricing strategy to increase profits.

The impacts of marketing strategies on Equity Bank performance were examined by Nguru, Ombui and Iravo (2016). Descriptive exploratory research design was adopted. Customers from two branches of Equity Bank in Westlands, Nairobi were targeted. Data collection was via questionnaires and data was analyzed with aid of statistical package for social sciences (SPSS). A positive relationship between customer management and customer satisfaction with performance was established. exploratory research design was adopted in the study while descriptive research design was used in the present study. The current study focused on all the banks in Nakuru County where promotion strategy was used to increase profits.

The effect of marketing strategies and banks' performance and its impacts on Nigeria economy was determined by Ishola, Adedoyin, Adeoye and Dangana (2017). Management, employees and customers of the banks were the respondents. Five hundred (500) questionnaires were given out to the sampled population. Results of the analysis showed that the marketing strategies were not significantly different. The banking industry in Kenya was studied in the present study. The findings in the current study indicated that bank's distribution networks influenced its market share.

2.3.3 Finance Strategy and Organizational Performance

A research to establish the influence of dividend policy on banks performance was carried out by Korir (2018). The research was a census study and it adopted a descriptive design. Capital Markets Authority (CMA) and the websites of the listed commercial banks were the sources of data due to its availability. Five year period (2013 – 2017) data was obtained. The study results revealed that dividend policy impacted the performance of the banks. The study focused on financial performance while the current study covered organizational performance. The results in the current study showed that dividends paid to the shareholders leads to customer retention.

A study investigating the impacts of capital budgeting methods on profitability in companies in Eldoret was carried out by Nyarombe, Kipyegon and Kamar (2015). Survey research design was used. One hundred and ten (110) top level managers, departmental managers and supervisors of the selected companies were targeted. Stratified sampling method was used where 85 respondents were sampled. Results revealed that the net present value, payback period and internal rate of return effects and profitability index affected profitability levels. The current study focused on the organizational performance of the banks while the study focused on profitability in companies. In the current study capital structure in the banks increases sales volume.

The influence of working capital on performance of service firms listed at the NSE was studied by Kanji (2017) using descriptive research design. Data for a 5-year period was collected for 24 service firms. CMA, CBK and websites of the firms under study were the sources of data. The data was analyzed annually where multiple regression, correlation and descriptive analysis was done. A weak positive correlation was found between net working capital ratio and return on assets. The current study focused on organizational performance where return on assets was the focus of the study. Banks have working capital which affects efficiency.

2.3.4 Human Resource Management Strategy and Organizational Performance

A research to determine the influence of HRM strategies on the performance of banks was carried out by Ngui (2014). Survey method was adopted. Forty six (46) banks and 2,738 employees were targeted where 349 employees were sampled using stratified random sampling. Questionnaires and interviews were administered. Means, percentages and regression analysis were conducted using SPSS and Excel. Results revealed that HRM strategies positively and significantly impacted banks' performance. The present study covered functional strategies but the study focused on HRM strategies only. Rewards offered by the banks in Nakuru City County lead to low efficiency.

The correlation between strategic HRM and performance on private commercial banks in Bangladesh was evaluated by Khatoon, Amin and Hossain (2013). Primary data was collected from managers from January to November 2012 and annual reports of 2011 and 2012. Findings revealed that financial performance indicators on capital adequacy were at satisfactory level in comparison to the industry average. The present study focused on both financial and non-financial variables. Its findings showed that human resource strategy affects organizational performance.

Khalumba (2012) determined the influence of HRM strategies on the Kenyan banks' performance. The 43 licensed banks formed the target population. Questionnaires were used in collecting data while financial reports from CBK formed the secondary data. Both descriptive statistics and correlation analysis were done. Findings revealed that strategic human resource planning programs embraced by commercial banks are connected with the overall banks strategy. The present study focused on the HRM strategy and not HRM programs. In addition, there are formal training programs on customer retention.

2.4 Summary of Literature Review and Gaps

The RBV of the firm is an approach to business strategic management that originated in the 80s and 90s. The proponent of this theory is founded on the concept that organizations comprise of several types of tangible and intangible resources. The resources are skills, knowledge and experience, technology, data and information, location and processes. Combining these resources create a set of strategic capabilities which provide a sustainable competitive advantage to the organization. The current study focused on human resource as a strategy can improve organizational performance.

Marketing mix model suggests that the marketing managers needs to put into consideration the behavioural forces and then make a decision on the marketing elements in their mix having in mind the available resources (Singh, 2012). Human capital theory implies that people investing in education and training increases their level of skills thus making them more productive compared to the less skilled which justifies their higher salaries and rewards coming from their investment while the control theory denotes that for growth and development of the organization to take place, there is need of ensuring that employees are competent as required. These theories are relevant in informing the current study.

Empirical literature reviewed from the various academicians and researchers have shown that studies on the effect of operational strategy, marketing strategy, finance strategy, HRM strategy and organizational performance have been carried out but the results are varied. Further, the focus of the studies was on the financial performance, sales performance or the profitability. Additionally, there is no study that has been conducted in Nakuru County. The empirical literature above also indicates the different studies and their area of focus in management consultancy firms, automotive industry, service companies, selected companies and commercial banks. For instance, internal and external organizational measures, financial skills, leadership quality and marketing skills have been focused by many scholars while researching on organizational performance. This study researched on the profits, sales volume, customer retention, efficiency and market share where little attention has been given. Hence there is need to continue with research endeavors, particularly in the banking industry in an attempt to obtain concrete evidence. This study focused on these gaps with an aim of making a contribution to the organizational performance in the commercial banks which will be a great contribution to research, scholars and academicians' world.

Table 2.1: Summary of literature review and gaps

Study	Theme	Research Results	Gaps	Current research focus
Bosire (2018)	Operation strategies effect on performance of Scania East Africa Limited in Kenya	Operational strategies and organizational performance relationship was positive	Survey research design was used	The present study used descriptive research design.
Gikuhe (2014)	The effect of customer centric strategy on the profitability of banks	Findings showed that customer centric strategy enables organizations to serving the customer's needs	The study focused on the profitability of the banks	The current study focused on the organizational performance of the commercial banks
Gateka (2019)	Strategies in marketing impacting banks' sales performance in Burundi	Product and price strategies insignificantly affected sales performance	Key informant interviews were done	Questionnaires were the only data collection tool
Nguru et al. (2016)	Marketing strategies impact on the performance of Equity Bank	Customer management and customer satisfaction was positively correlated with performance was found	The study focused on a single bank only (Equity bank)	All licensed commercial banks were involved in the study
Ishola et al. (2017)	Marketing strategies effect on performance of banks	Marketing strategies were insignificant	Quality of service was one of the marketing strategies the study focused on	Price, promotion and distribution network were the marketing strategies the current study focused on
Nyarombe et al. (2015)	The impacts of capital budgeting systems on profitability in companies in Eldoret	NPV, payback period, IRR and profitability index affected profitability levels	The study obtained data from top level managers, departmental managers and supervisors	The current study obtained data from the branch and departmental managers
Kanji (2017)	Working capital impact on financial performance of service firms listed at the	A weak positive correlation was found between net working capital ratio and ROA	CMA, CBK and websites data of the firms was used	The study targeted managers and departmental heads in the

	NSE			41 licensed banks in Nakuru County
Ngui (2014)	Impact of HRM strategies on bank performance	HRM strategies had a positively and significantly impacted performance of banks in Kenya.	HRM strategies only were studied	The current study focused on the functional strategies
Khalumba (2012)	HRM strategies' effect on Kenyan banks' performance	Strategic human resource planning programs embraced by commercial banks are connected with the general banks strategy	Respondents in all the commercial banks were obtained through random sampling	The current study used purposive sampling to have departmental managers as the respondents

Source: Researcher (2021)

2.5 Conceptual Framework

This is the link of the four research variables; operational strategy, marketing strategy, financial strategy, HRM strategy and organizational performance.

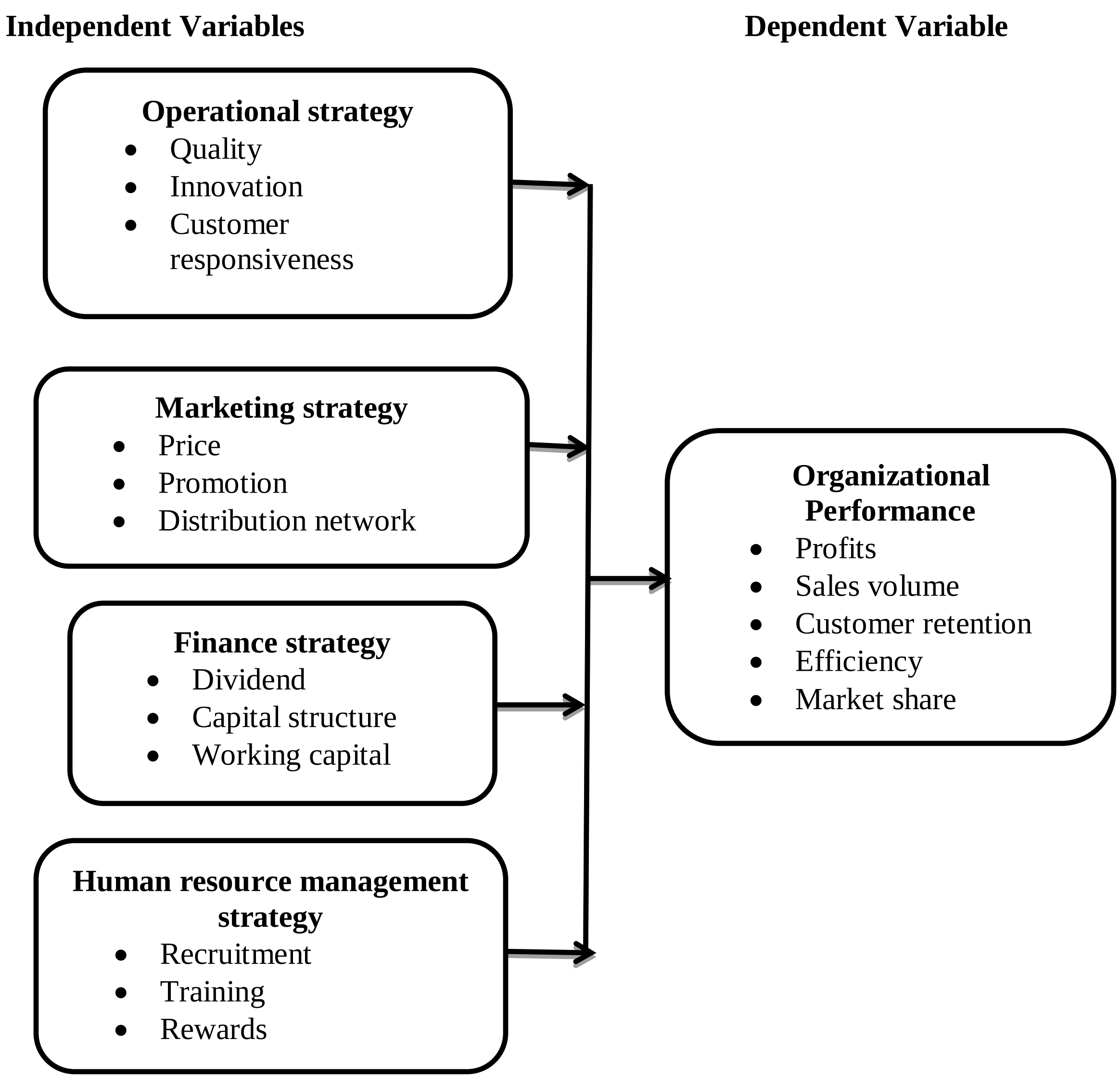

Figure 2.1: Conceptual Framework

Source: Researcher (2021)

Operational strategy was conceptualized in terms of quality**,** innovation and **c**ustomer responsiveness which in turn affect efficiency. Marketing strategy was determined by price, promotion and distribution network directly influence sales volume hence market share and consequently organizational performance. Financial strategy involves dividend, capital structure and working capital which dictate profits and subsequently organizational performance. Human resource management strategy was determined through recruitment, training and rewards. Organizational performance was conceptualized in form of profits, sales volume, customer retention, efficiency and market share.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter covers the approaches to be utilized in selecting the respondents, ensuring standards are observed in collection of data and that the right data is obtained.

3.2 Research Design

This study used descriptive research design which aims at accurately and systematically describing a population, situation or phenomenon (Mugenda & Mugenda, 2008). This design answers what, where, when and how but not why questions. The design also enables the researcher to explain the variables under study and obtain regression models for predicting independent variables (Zikmund, 2003). This design was appropriate for the current study since the research aims at identifying the trends and categories of the functional strategies in the commercial banks.

3.3 Target Population

Shields and Rangarjan (2013) observe that the target population is the sub-set of the overall population, from which the researcher will draw the study sample. It constituted all 41 branch managers, 41 operational managers, 41 marketing managers, 41 chief accounting officers and the 41 HR managers of the 41 licensed commercial banks in Nakuru County, Kenya. These respondents had accumulated experience with reference to their role in the making of the functional strategies as a key window for strategic management performance of the commercial banks.

Table 3.1: Distribution of Study Population

Designation	Population	Percentage
Branch managers of all the banks	41	100
Operational managers of all banks	41	100
Marketing managers of all banks	41	100
Chief accounting officers of all banks	41	100
HR managers of all banks	41	100
Total	**205**	**100**

Source: Human resource records (2021)

3.4 Sampling and Sample Size

Selection of sample is a main aspect of carrying out any research (Babbie, 2012). This is a census study and therefore information was collected from all eligible elements in a defined population (all the commercial banks). 41 branch managers, operational managers, marketing managers, chief accounting officers and the HR managers in the commercial banks and therefore the sample size were 205 respondents. These respondents are individuals knowledgeable with the questions at hand and are the most senior persons of the commercial banks.

Table 3.2: Sample Size

Designation	Population	Sampled respondents	Percentage
Branch managers of all banks	41	41	100
Operational managers of all banks	41	41	100
Marketing managers of all banks	41	41	100
Chief accounting officers of all banks	41	41	100
HR managers of all banks	41	41	100
Total	**205**	**205**	**100**

Source: Human resource records (2021)

3.5 Data Collection Instrument

Collection of primary data took place because its degree of accuracy is very high and also it is usually original since data is obtained directly from respondents (Shawn & Terrence, 2008). Questionnaires were used and had closed-ended questions, which were developed by the researcher. The questions mirrored the 5-point Likert-type scales designed to measure the extent of agreement on the research indicators. The questionnaire had Section A which targeted to collect information relating to the respondents (demographics) while section B addressed the research objectives.

3.6 Data Collection Procedure

Physical delivery or online Google documents format was used in the administration of the data collection tools whichever was found suitable to sampled respondents. Adequate time for filling the questionnaires was given to the respondents and follow up were done to the respondents who had not responded after the two weeks.

3.7 Pilot Study

Piloting helps to amend any difficulties with the instrumentation in the data collection methods (Babbie, 2007). The pilot study was done in one commercial bank in Laikipia County due to its vicinity to Nakuru County and cheap in terms of travelling cost. 1-10% of the sample size can be used for piloting (Mugenda & Mugenda, 2003) and thus obtaining the respondents was done by taking 5% of the total sample size and 10 staff in one commercial bank in Laikipia County (convenient and cost effective) were used for pilot study. Babbie (2007) also observes that respondents involved in the pilot study are persons in the population, with traits similar to the actual persons involved in the research.

3.8 Validity and Reliability of Research Instrument

The section consists of validity and reliability of the research instruments.

3.8.1 Validity of Research Instrument

Kothari (2008) suggested that it portrays the scale or measure which a data collection tool evaluates what is meant to evaluate. The researchers' subjective judgment of the significance of the items in the research tool if they seem explicit is what is referred to as face validity (Oluwatayo, 2012). Face validity was established by the researcher through ensuring that the questions in the questionnaire were appropriate. Construct validity denotes how well a concept or a notion is translated or transformed (the operationalization) (Cook & Beckman, 2006). This was established by operationalizing the study variables. The understanding of construct validity was made possible through theories used. Kothari (2010) defined content validity as the extent to which a data collection tool sufficiently contains the objectives of the research. Content validity was adopted to find out if the data collection tool was sufficiently answering the questions researched. In establishing the content validity, adjustments or additions was made to the data collection tools through consulting and discussing the research tool with the supervisor.

3.8.2 Reliability of Research Instrument

This is the extent of internal consistency demonstrated by a research tool on repeat trials (Kothari, 2010). It makes sure that the research tool is able to determine the internal consistency (Chakrabartty, 2013). According to Kothari (2008) values of 0.8-0.9 indicates high reliability while values of 0.6-0.8 show acceptable reliability. Cronbach's alpha is mostly used whose computation in the current research was done using SPSS (Kothari, 2008). As shown in Table 4.2 the average value of coefficient obtained in the current study was 0.712 and therefore the research instrument was reliable.

3.9 Data Analysis and Presentation

Data was taken through data clean up. Data was then keyed using SPSS. Both descriptive and inferential statistics were used. Regression analysis was also carried out. The Pearson's coefficient of correlation was done. Data presentation was in frequency tables and charts.

The regression model was

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where,

Y = Performance of commercial banks

β_0 = y intercept/constant

$\beta_1 \ldots \beta_4$ = regression coefficients

$X_1 \ldots X_4$ = Specific functional strategies

ε = error term

3.10 Ethical Considerations

Respondents' consent was obtained before administering the questionnaires. Anonymity and confidentiality was ensured throughout the study. Kenyatta university introductory letter was obtained and a permit was sought. References from all sources including journals and text books used were fully acknowledged.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The results and discussion of the data are presented in this chapter based on the specific objectives. The study generally established the effect of functional strategies on the organizational performance of commercial banks in Nakuru County, Kenya. The study determined the effect of operational strategy, marketing strategy, finance strategy and HRM strategy on organizational performance. Data collection was done using questionnaires. Results are presented using frequency tables and charts.

4.2 Response rate

Results shown in Table 4.1 indicate that a total number of 205 questionnaires were administered to the sampled respondents.

Table 4.1: Response Rate

Questionnaires	Frequency	Percent
Filled	179	87.3
Not filled	26	12.7
Total	205	100

Source; Survey data (2021)

According to the results, 179 questionnaires were filled which gave a return rate of 87.3%. Babbie (2012) argued that return rates are termed acceptable, good and very good if 50%, 60% and 70% respectively are achieved and thus accepted for analysis and publication. The high return rate obtained is attributable to self-administration of the questionnaires by the researcher.

4.3 Reliability Statistics

Cronbach's Alpha coefficients are usually between 0-1. Coefficients that are high show that the data collection tool is more reliable (Sekaran & Bougie, 2010). Independent variables were operational strategy, marketing strategy, finance strategy and human resource management strategy. Dependent variable was organizational performance.

Table 4.2: Coefficient of Reliability

Item	Cronbach's Alpha	No of items
Operation Strategy	0.605	6
Marketing strategy	0.691	5
Finance strategy	0.612	6
HRM strategy	0.810	5
Organizational performance	0.844	5
Average	0.712	5

Source; Survey data (2021)

As shown above, operation strategies had a coefficient of 0.605, marketing strategies, 0.691, finance strategies, 0.612, HRM strategies, 0.810 and organizational performance, a coefficient of 0.844. The coefficients ranged from 0.605 to 0.844 and thus the data collection tool was reliable. According to Kothari (2008) values of 0.8-0.9 indicates high reliability while values of 0.6-0.8 indicates acceptable reliability which shows that the research instrument had acceptable reliability and therefore was reliable.

4.4 Demographic Profiles of the Respondents

These profiles included gender, age, education level, designation in the bank and the length of time the respondent had worked for bank. The profiles were presented using frequencies, percentages, tables and figures.

4.4.1 Gender of the Respondents

The respondents were to indicate their gender and their responses are shown in Figure 4.1. Results showed that 63.1% were male while 36.9% were female.

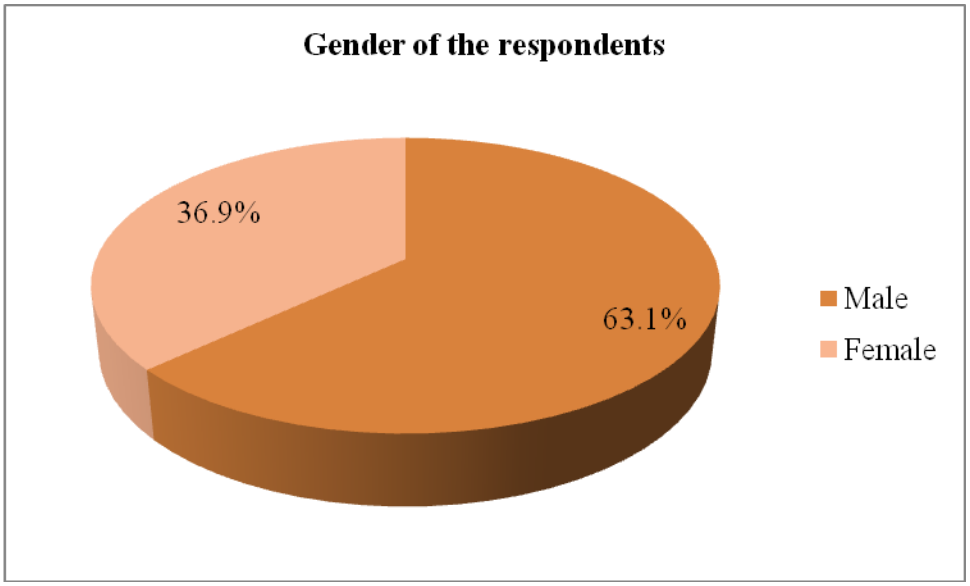

Figure 4.1: Gender of the Respondents
Source; Survey data (2021)

Results of this study indicated that both gender are well represented in the management of the commercial banks in Nakuru County. A study carried out by Kisiang'ani (2016) indicated that the government, private sector and the parastatal were doing little to create awareness among its employees on gender issues. In the banks however, results showed that much has been done having 36.9% of women in the management of the commercial banks.

4.4.2 Age of the Respondents

As shown in Table 4.3, the age category of 41-50 years had 35.8% of the respondents being the highest number. This was followed by 31-40 years with 25.1%, respondents aged 51-60 years were 19.0% while age category of above 60 years and less that 30 years had 12.8% and 7.3% respectively.

Table 4.3: Age of the Respondents

Age category	Frequency	Percent
30years and below	13	7.3
31-40 years	45	25.1
41-50 years	64	35.8
51-60 years	34	19.0
More than 60 years	23	12.8
Total	179	100.0

Source; Survey data (2021)

Respondents who were of the age category of 31-50 years were 60.9%. When employees are in the ages of below 50 years, there is enhanced productivity as stated by Vandenberghe and Waltenberg (2010). When employees are either below the age of 30 years or above 50 years, their productivity is significantly reduced. As shown in the results, most of the employees were within the productivity age bracket and therefore their productivity is enhanced.

4.4.3 Education Level of the Respondents

Education level of the respondents was sought and their response is as in Figure 4.2. 54.7% of them were bachelor's holders while 24.6% were masters' holders. Further, 16.2% had diploma while only 4.5% were PhD holders.

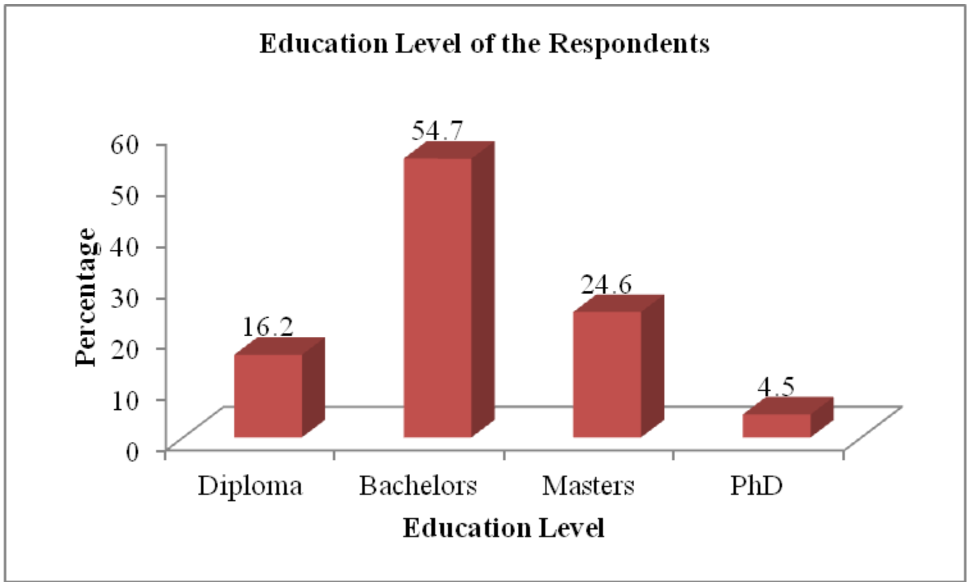

Figure 4.2: Educational Level

Source; Survey data (2021)

There is improved performance of employees when there is advancement in their level of education by one year, their net value is increased by 14% in the organization (Soderbom & Teal, 2000). There is also the existence of a positive correlation between levels of education that are high and employees' performance (Hirsch & Emerick, 2007). In the commercial banks, the high levels of education of employees indicate there is high performance.

4.4.3 Designation of the Respondents in the Bank

Respondents were to indicate the position they held in the commercial banks and their responses are shown in Figure 4.3. Results showed that 21.8% of them were operational managers, 21.2% were HR managers, 20.7% were chief accounting officers, 20.1% were marketing managers while 16.2% were branch managers. Biasness of the data was avoided by having respondents with varying designations or working in varying positions which ensured that the data was reliable.

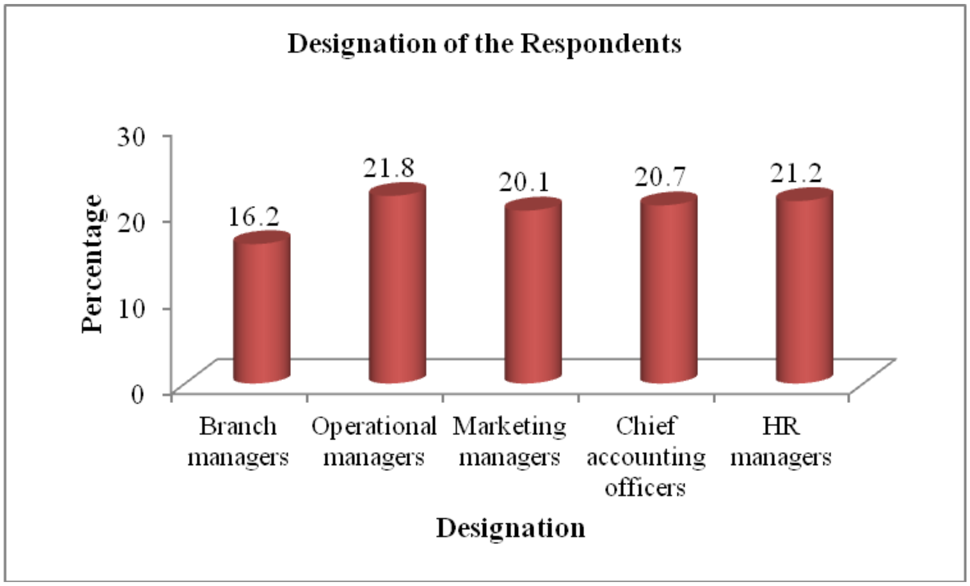

Figure 4.3: Designation of the Respondents in the Bank

Source; Survey data (2021)

4.4.5 Number of Years Working for the Bank

Respondents' response on the number of years working for the commercial banks is as in Table 4.4. Results showed that 56% of them had worked for the commercial banks for 5-10 years, 16% for 11-15 years, and 15% for below 5 years while those who had worked for more than 15 years were 13%.

Table 4.4: Number of Years Working for the Banks

Years	Frequency	Percent
Below 5 years	27	15
5-10 years	100	56
11-15 years	29	16
More than 15 years	23	13
Total	179	100

Source; Survey data (2021)

Studies have cited that working experience has the ability to introduce an employee to the work world and thus helps in learning what and what not to do, knowing the work place and learning the coping mechanisms in the work conditions (Gilman, 2005). There is also getting to learn the skills that are required for thriving in the work place. The findings showed that most of the respondents had sufficient working experience thereby terming the information they gave as reliable since their interaction with the system of the commercial banks was long enough.

4.5 Descriptive Statistics

Respondents indicated their level of agreement on the varying aspects of operational strategy, marketing strategy, finance strategy, human resource management strategy and organizational performance as 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree) and 5 (strongly agree). Descriptive statistics were used in analysis.

4.5.1 Descriptive Statistics on Operational Strategy

The study determined the influence of operational strategy on organizational performance of commercial banks in Nakuru County, Kenya. Operational strategies were conceptualized in terms of quality**,** innovation and **c**ustomer responsiveness.

Table 4.5: Operational Strategy and Organizational Performance

Operational Strategies	Frequency and Percentages					Mean	SD
	SD	**D**	**N**	**A**	**SA**		
Offering quality products by the bank is a strategy that has ensured growth of the bank	4 2.2%	28 15.6%	31 17.3%	39 21.8%	77 43.0%	3.88	1.19
Innovation has helped in creation of specific products for specific customers	2 1.1%	26 14.5%	29 16.2%	51 28.5%	71 39.7%	3.92	1.11
Through innovation, a niche in the market has been identified		15 8.4%	24 13.4%	44 24.6%	96 53.6%	4.23	0.98
The customer responsiveness used ensures that customers are satisfied		11 6.1%	0 0%	6 16.2%	79 44.1%	4.16	0.91
Our customer responsiveness strategy has created trust hence retained		7 3.9%	27 15.1%	55 30.7%	90 50.3%	4.27	0.86
Operational strategy determines organizational performance		7 3.9%	12 6.7%	79 44.1%	81 45.3%	4.31	0.76
Aggregate Mean						**4.18**	**0.97**

Source; Survey data (2021)

In Table 4.5, the frequencies and percentages, showed that the respondents (with the least being 0% and the highest 53.6%) had different opinions ranging from strongly disagreeing to strongly agreeing that operational strategy affected the organizational performance. The highest percentage of 53.6% was from strongly agreed which indicate that the respondents noted that operational strategies affected the organizational performance of commercial banks. Moreover, few of the respondents (3.3%) strongly disagreed that operational strategies affected the organizational performance of commercial banks.

Mean summaries showed that operational strategy determines organizational performance as it had the highest mean of 4.31. The performance didn't vary much (standard deviation of 0.76). Customer responsiveness strategy has created trust hence retained customers (mean of 4.27). Variation in customer retention was low (Standard deviation of 0.86). Innovation has helped in creation of specific products for specific customers (mean of 3.92). There was a slight variation (Standard deviation of 1.11) while offering quality products by the bank is a strategy that has ensured growth of the bank (mean of 3.88) and Standard Deviation of 1.19.

Operations have a key function in the determining the daily happenings of a company which includes products and services delivery to the customers. Operations strategy greatly contributes to the performance of organizations achievable via series of happenings that are arranged in a logical flow right from the way they are acquired and resources configuration, development of capabilities, building of the proficiencies which lead to performance that is superior compared to other organizations (Wandiga, 2019). Operations strategy is a part of functional strategy in an organization and tackles important questions in regard to the acquisition and configuration of important resources in an organization for the achievement of the set goals. The organizations' actions and strategic decisions are incorporated by the operations strategy important in shaping the long-term abilities of the operations and their function towards the entire strategy via reconciling the market requirements with operational resources (Slack, 2015). This supports the results of the current study that operational strategy affects organizational performance of the commercial banks.

4.5.2 Descriptive Statistics on Marketing Strategy

The study determined the influence of marketing strategy on organizational performance of commercial banks in Nakuru County, Kenya. Marketing strategy was conceptualized as price, promotion and distribution network.

Table 4.6: Marketing Strategy and Organizational Performance

Marketing Strategies	Frequency and Percentages					Mean	SD
	SD	**D**	**N**	**A**	**SA**		
Bank uses pricing strategy to increase profits	0 0%	31 17.3%	41 22.9%	60 33.5%	47 26.3%	3.69	1.05
Pricing strategy is used to increase sales volume		31 17.3%	30 16.8%	82 45.8%	36 20.1%	3.69	0.98
Promotion strategy is used to increase profits		8 4.5%	14 7.8%	91 50.8%	66 36.9%	4.20	0.77
Bank's distribution networks influence its market share		22 12.3%	33 18.4%	59 33.0%	65 36.3%	3.82	0.10
Marketing strategy plays a role in organizational performance of the bank		34 19.0	38 21.2%	65 36.3%	42 23.5%	3.64	1.05
Aggregate Mean						**3.81**	**0.79**

Source; Survey data (2021)

In Table 4.6, the frequencies and percentages, showed that the respondents (with the least being 0% and the highest 50.8%) had different opinions ranging from strongly disagreeing to strongly agreeing that marketing strategy affected the organizational performance. The highest percentage of 50.8% was from strongly agreed which indicate that the respondents noted that marketing strategy affected the organizational performance of commercial banks. Moreover, none of the respondents strongly disagreed that marketing strategies affected the organizational performance of commercial banks.

Mean summaries showed that bank uses promotion strategy to increase profits (mean of 4.20). The variance in profits was low (standard deviation of 0.77). Bank's distribution networks influence its market share (mean of 3.82) whose variance was very low (standard deviation of 0.10). Bank uses pricing strategy to increase profits (mean of 3.69) which varied slightly (standard deviation of 1.05). Bank uses pricing strategy to increase its sales volume (mean of 3.69) and the variation was low (standard deviation of 0.98). Marketing strategy plays a role in organizational performance of the bank (mean of 3.64) which varied slightly (standard deviation of 1.05).

The findings of the current research are supported by several authors. Owomoyela, Oyeniyi and Ola (2013) denote that the marketing strategy helps in creating, building, defending and maintaining the competitive advantage of organizations. Excellent organizations are known by their capability in the execution of the selected alternative of the marketing strategy decision and their well-envisioned marketing strategy that outlines where, when and how. Executing proper and effectual marketing strategies is needed to productively guide the distribution of the resources that are available in instances where the capabilities of the marketing strategy are placed pursuit of anticipated goals and aims (Farris, Neil, Phillip & Reibstein, 2010). Understanding the requirements and wants of the consumer is essential if marketing is to succeed like the significance of competition in influencing the success of the business enterprise of an organization (Prinka & Pankaj, 2019)

4.5.3 Descriptive Statistics on Financial Strategy

The study determined the influence of financial strategy on organizational performance of commercial banks in Nakuru County, Kenya. Financial strategy was conceptualized as dividend, capital structure and working capital.

Table 4.7: Financial Strategy and Organizational Performance

Financial Strategies	Frequency and Percentages					Mean	SD
	SD	**D**	**N**	**A**	**SA**		
Dividends paid to the shareholders leads to customer retention	0 0%	18 10.1%	25 14.0%	65 36.3%	71 39.7%	3.96	1.20
Payment of dividends to shareholders enhances bank's market share		7 3.9%	67 37.4%	85 47.5%	20 11.2%	3.66	0.73
Capital structure in the bank increases sales volume	18 10.1%	39 21.8%	22 12.3%	54 30.2%	46 25.7%	3.40	1.34
Management of the bank has a lot of interest in the capital structure since is affects profits			20 11.2%	79 44.1%	80 44.7%	4.33	0.67
Bank has a working capital which affects efficiency		7 3.9%	68 38.0%	68 38.0%	36 20.1%	3.74	0.82
Finance strategy plays a role in organizational performance		47 26.3%	21 11.7%	66 36.9%	45 25.1%	3.61	1.13
Aggregate Mean						**3.78**	**0.98**

Source; Survey data (2021)

In Table 4.7, the frequencies and percentages, showed that the respondents (with the least being 0% and the highest 47.5%) had different opinions ranging from strongly disagreeing to strongly agreeing that financial strategy affected the organizational performance. The highest proportions of 47.5% was from strongly agreed which indicate that the respondents noted that financial strategies affected the organizational performance of commercial banks. Moreover, only 10.8%

of the respondents strongly disagreed that financial strategies affected the organizational performance of commercial banks.

Mean summaries showed that management of the bank has a lot of interest in the capital structure since is affects profits (mean of 4.33) whose variation was low (standard deviation of 0.67). Dividends paid to the shareholders leads to customer retention (mean of 3.96). There was slight variation in customer retention (standard deviation of 1.20). Finance strategy plays a role in organizational performance (mean of 3.61) which in turn varied slightly (standard deviation of 1.13). Capital structure in the bank increases sales volume (mean of 3.40). There was little variation (standard deviation of 1.34).

Effective financial strategies warrants that there is achievement of goals, survival for long, security, enjoyment of competitiveness and maximization of the value of the stakeholders in an organization (Momanyi, 2018). Rosli (2012) argues that the main factor that gives an organization competitive advantage over others is its effectual and proficient conversion of resources and abilities that are available. Omopariola and Windapo (2019) also found out that the financial strategies affects organization performance in construction projects. Further, Jusoh and Parnell (2011), contend that the financial strategies are the basis for competitive advantage and high organizational performance which commercial banks needs to attain as evidenced by the results of this study.

4.5.4 Descriptive Statistics on HRM Strategy

The study determined the influence of HRM strategy on organizational performance of commercial banks in Nakuru County, Kenya. HRM strategy was conceptualized in form of recruitment, training and rewards.

Table 4.8: HRM strategy and Organizational Performance

HRM Strategies	Frequency and Percentages					Mean	SD
	SD	**D**	**N**	**A**	**SA**		
Bank recruits qualified candidates hence customer retention		0 0%	15 8.4%	56 31.8%	107 59.8%	4.51	0.65
Bank conducts extensive training for efficiency		7 3.9%	7 3.9%	87 48.6%	78 43.6%	4.32	0.73
There are formal training programs on customer retention	17 9.5%	38 21.2%	53 29.6%	42 23.5%	29 16.2%	3.16	1.21
Rewards offered by the bank lead to efficiency	26 14.5%	30 16.8%	21 11.7%	30 16.8%	72 40.2%	2.76	1.31
Human resource strategy affect organizational performance	4 2.2%	11 6.1%	14 7.8%	128 71.5%	22 12.3%	3.86	0.79
Aggregate Mean						**3.72**	**0.94**

Source; Survey data (2021)

In Table 4.8, the frequencies and percentages, showed that the respondents (with the least being 0% and the highest 71.5%) had different opinions ranging from strongly disagreeing to strongly agreeing that HRM strategy affected the organizational performance. The highest percentage of 71.5% was from strongly agreed which indicate that the respondents noted that HRM strategy affected the organizational performance of commercial banks. Moreover, only 26.2% of the respondents strongly disagreed that HRM strategy affected the organizational performance of commercial banks.

Mean summaries showed that bank recruits qualified candidates hence customer retention (mean of 4.51) with a standard deviation of 0.65. Bank conducts extensive training for efficiency (mean of 4.32) whose variation was low (standard deviation of 0.73). Human resource strategy affects organizational performance (mean of 3.86) which in turn did not vary much (standard deviation of 0.79). There were formal training programs on customer retention (mean of 3.16) which varied slightly (standard deviation of 1.21). Rewards offered by the bank lead to low efficiency (mean of 2.76). However, efficiency showed little variation (standard deviation of 1.31).

HRM strategies help to retain the best staffs and the human resource departments should develop new strategies that would ensure the most competent employees are selected in the organization (Besma, 2014). Further, strategies like training and recruitment are also useful in improving the competence and satisfaction of the employees. Albrecht, Bakker, Gruman, Macey and Saks (2015) emphasize that training and development are important HRM strategies needed for the improvement of the skills of employees. To retain the employees, Jouda, Ahmad and Dahleez (2016) points out that proper compensation plan and rewards are HRM strategies that lead to retention of employees in an organization.

4.5.5 Descriptive Statistics on Organizational Performance

The study determined organizational performance of commercial banks in Nakuru County, Kenya. Organizational performance was conceptualized to constitute profits, sales volume, customer retention, efficiency and market share.

Table 4.9: Organizational Performance

Organizational performance	Frequency and Percentages					Mean	SD
	SD	**D**	**N**	**A**	**SA**		
Profits determines the level of organizational performance	3 1.7%	8 4.5%	43 24.0%	95 53.1%	30 16.8%	3.79	0.83
Bank's performance is due to sales volumes	0 0%	10 5.6%	16 8.9%	72 40.2%	81 45.3%	4.25	0.84
Customers have been retained therefore improvement on organizational performance	9 5.0%	5 2.8%	16 8.9%	73 40.8%	76 42.5%	4.13	1.03
Efficiency enhances organizational performance	1 0.6%	13 7.3%	41 22.9%	106 59.2%	18 10.1%	3.71	0.77
Improved organizational performance is due to increased market share	1 0.6%	21 11.7%	38 21.2%	65 36.3%	54 30.2%	3.84	1.01
Aggregate Mean						**3.94**	**0.90**

Source; Survey data (2021)

In Table 4.9, the frequencies and percentages, showed that the respondents (with the least being 0% and the highest 59.2%) had different opinions ranging from strongly disagreeing to strongly agreeing that there was organizational performance. The highest percentage of 59.2% was from strongly agreed which indicate that the respondents noted that there was organizational performance of commercial banks. Moreover, only 7.9% of the respondents strongly disagreed that there was organizational performance of commercial banks.

Mean summaries showed that bank's performance is due to sales volumes (mean of 4.25) and a low variance (standard deviation of 0.84). Customers have been retained therefore improvement on organizational performance (mean of 4.13). There was little variance in the performance (standard deviation of 1.03). Improved organizational performance is due to increased market share (mean of 3.84), the performance changed slightly (standard deviation of 1.01). Profits determine the level of organizational performance (mean of 3.79) though performance didn't vary much (standard deviation of 0.83). Efficiency enhances organizational performance (mean of 3.71) though it had low variation (standard deviation of 0.77).

A research carried out by Noe, Hollenbeck, Gerhart and Wright (2017) showed that outcomes such as increased sales and profits are important in assessing the performance of organizations. Additionally, there are organizational outcomes like increased sales volumes, quality of production and efficiency in carrying out production which are important in organizational performance. Further, Ardjouman and Asma (2015) argue that having the right functional strategies in any organizations will in the long run result to improved performance of organization in form of sales volumes, profits and market share.

4.6 Correlation Analysis

Table 4.10: Correlation Analysis for the Study Variables

		Operational strategy	Marketing strategy	Financial strategy	HRM strategy
Operational strategy	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	179			
Marketing strategy	Pearson Correlation	-0.032	1		
	Sig. (2-tailed)	0.673			
	N	179	179		
Financial strategy	Pearson Correlation	0.112	0.284**	1	
	Sig. (2-tailed)	0.135	0.000		
	N	179	179	179	
HRM strategy	Pearson Correlation	-0.311**	0.068	0.026	1
	Sig. (2-tailed)	0.000	0.364	0.726	
	N	179	179	179	179

Source; Survey data (2021)

Based on the results, operational strategy and marketing strategy have a statistically insignificant linear relationship (r=-0.032, p<0.673) and the relationship direction is negative and thus operational strategy and marketing strategy are negatively correlated. Operational strategy and financial strategy have a statistically insignificant linear relationship (r=0.112, p<0.135) and the relationship direction is positive and thus operational strategy and financial strategy are positively correlated. Operational strategy and HRM strategy have a statistically significant linear relationship (r=-0.311**, p<0.000) and the relationship direction is negative and thus operational strategy and HRM strategy are negatively correlated.

The study findings support those of Bosire (2018) which showed positive correlation between operation strategies and organization performance. Odhiambo (2015) found a positive correlation between marketing strategy and performance which supports the findings of this research. Kanji (2017) found a positive correlation between finance strategy and performance contradicting the study results.

4.7 Inferential Statistics

Linear regression analysis was done using SPSS software. Coefficient of determination gives an explanation on the extent to which variations in independent variables can be given by the variation in the dependent variable that is given by all the four independent variables (operational strategy, marketing strategy, finance strategy and HRM strategy)

Table 4.11: Analysis of coefficient of determination using SPSS version 25

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.543[a]	0.592	0.684	0.50570

a. Predictors: (Constant), HRM Strategy, Financial strategy, Marketing strategy, Operation strategy

Source; Survey data (2021)

According to the results in Table 4.11, R of 0.543 shows a positive effect of operational strategy, marketing strategy, finance strategy and HRM strategy on the organizational performance of commercial banks. The adjusted R-Square statistics of 0.684 implied that operational strategy, marketing strategy, finance strategy and HRM strategy explained 68.4% of variation in organizational performance of commercial banks while 31.6% of organizational performance is caused by other factors not factored in the present study.

Table 4.12: Analysis of variance on operational strategy using SPSS version 25

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.259	1	0.259	0.973	0.325[b]
	Residual	47.040	177	0.266		
	Total	47.299	178			

a. Predictors: (Constant), Operation strategy

b. Dependent Variable: Organizational performance

Source; Survey data (2021)

ANOVA was carried out (Table 4.12). A P value of 0.325 was obtained which is more than 0.05. Therefore operational strategy was insignificant tested at 5% level of significance.

Table 4.13: Analysis of variance on marketing strategy using SPSS version 25

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.766	1	0.766	2.914	0.090[b]
	Residual	46.533	177	0.263		
	Total	47.299	178			

a. Predictors: (Constant), Marketing strategy

b. Dependent Variable: Organizational performance

Source; Survey data (2021)

The P value of 0.090 was obtained which is more than 0.05 hence marketing strategy was insignificant tested at 5% level of significance.

Table 4.14: Analysis of variance on financial strategy using SPSS version 25

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.247	1	0.247	0.928	0.337[b]
	Residual	47.052	177	0.266		
	Total	47.299	178			

a. Predictors: (Constant), Financial strategy

b. Dependent Variable: Organizational performance

Source; Survey data (2021)

ANOVA was carried out (Table 4.14). A P value of 0.337 was obtained which was more than 0.05. This means finance strategy was insignificant tested at 5% level of significance.

Table 4.15: Analysis of variance on HRM strategy using SPSS version 25

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.786	1	1.786	6.946	0.009[b]
	Residual	45.513	177	0.257		
	Total	47.299	178			

a. Predictors: (Constant), HRM strategies

b. Dependent Variable: Organizational performance

Source; Survey data (2021)

ANOVA was carried out (Table 4.15). A P value of 0.009 was obtained and it was less than 0.05. It shows that HRM strategy as insignificant tested at 5% level of significance.

Table 4.16: Analysis of Coefficients using SPSS version 25

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	4.111	0.583		7.046	0.000
Operational strategy	0.010	0.071	0.011	0.142	0.887
Marketing strategy	0.140	0.083	0.130	1.692	0.092
Financial strategy	0.034	0.067	0.039	0.507	0.613
HRM strategy	-0.229	0.089	-0.201	-2.587	0.011

a. Dependent Variable: Organizational Performance

Source; Survey data (2021)

Organizational performance of commercial banks = 4.111 + 0.010 (0.071) + 0.140 (0.083) + 0.034 (0.067) - 0.229 (0.089)

Where; Organizational performance = Constant + Operational Strategy + Marketing Strategy + Financial Strategy + HRM Strategy

The constant being 4.111 while 0.010, 0.140, 0.034 and -0.229 are the Unstandardized coefficient for operational strategy, marketing strategy, financial strategy and HRM strategy respectively. The regression results indicated that financial strategy had the greatest beta coefficient of 0.034, followed by marketing strategy with a beta coefficient of 0.140, operational strategy with a beta coefficient of 0.010 and HRM strategy with a beta coefficient of -0.229. When financial strategy, marketing strategy, operational strategy and HRM strategy have null value, organizational performance would be 4.111. A unit increase in financial strategy would result in 0.010 units; a unit increase in marketing strategy would result in 0.140 units; a unit increase in operational strategy would result in 0.034 units increase in organizational performance while a unit increase in HRM strategy would result in -0.229 units decrease in organizational performance of commercial banks in Nakuru County.

The results contradict those of Wangiga (2019) who found out that operations strategy positively and significantly impacted organizational performance. Ishola Adedoyin, Adeoye and Dangana (2017) found out that marketing strategies employed by the banks in Nigeria were not significantly different which supports the results of this research. A study by Ngui (2014) and Ouafky and Alzoubi (2019) showed that HRM strategy significantly impacts the performance of commercial banks and organizational performance respectively which support results of this study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Summary of the research results, conclusions and the recommendations that are related to the aims of the study are shown in this chapter. Areas for further research are also given. The study generally established the effect of functional strategies on the organizational performance of commercial banks in Nakuru County, Kenya. There were four specific objectives which determined the effect of operational strategies, marketing strategies, finance strategies and HRM strategies on organizational performance of commercial banks in Nakuru County, Kenya.

5.2 Summary

Descriptive and inferential analysis was done to meet the study objectives. This section presents a summary of the descriptive, correlation and regression results obtained as per the objectives of the study.

5.2.1 Operational strategy and organizational performance of commercial banks in Nakuru City County, Kenya

The influence of operational strategy on organizational performance of commercial banks in Nakuru City County, Kenya was established. Customer responsiveness strategy has created trust hence retained customers. Operational strategy determines organizational performance though the performance did not vary much. Analysis of variance showed that operational strategy was insignificant tested at 5% level of significance.

5.2.2 Marketing strategy and organizational performance of commercial banks in Nakuru City County, Kenya

The influence of marketing strategy on organizational performance of commercial banks in Nakuru City County, Kenya was determined. Bank uses promotion strategy to increase profits. Marketing strategy plays a role and caused slight variation in organizational performance of the banks. The strategy was insignificant when tested at 5% level of significance.

5.2.3 Finance strategy and organizational performance of commercial banks in Nakuru City County, Kenya

The study investigated the influence of finance strategy on organizational performance of commercial banks in Nakuru City County, Kenya. Management of the bank has a lot of interest in the capital structure since it affects profits. Finance strategy plays a role and led to slight variation in organizational performance. Financial strategy was insignificant when tested at 5% level of significance.

5.2.4 Human Resource Management strategy and organizational performance of commercial banks in Nakuru City County, Kenya

The influence of human resource management strategy on organizational performance of commercial banks in Nakuru City County, Kenya was determined. Bank recruits qualified candidates hence customer retention. HRM strategy affects organizational performance though the performance did not vary much. HRM strategies were insignificant when tested at 5% level of significance.

5.3 Conclusions of the Study

Operational strategies, marketing strategies, finance strategies and HRM strategies affected organizational performance of commercial banks and concluded that operational strategies, marketing strategies, finance strategies are critical functional strategies on the organizational performance as they lead to improved profits, increased sales volume, customer retention, efficiency and increased market share. On operational strategy and organizational performance of the commercial banks, the ANOVA statistics and regression analysis results helped in making the conclusion that each of the operational strategy variables studied herein are able to provide a plan for the bank operations' roles so that the available resources can be utilized in the best way. Further, since operational strategy specifies the policies and plans for using the organization's resources, it is possible to support the long-term competitive strategy of the organization and eventually higher levels of performance.

On marketing strategy, one-way ANOVA statistics informed the conclusion that price, promotion and distribution network affected the organizational performance of commercial banks. Regression analysis results showed that the effect of marketing strategy on organizational performance of commercial banks in Nakuru City County was positive but insignificant. Price, promotion and distribution network provides an organization an edge over it's rivals and helps in the development of goods and services with best profit making potential thus enhancing the profitability of organizations.

On finance strategy and organizational performance of the commercial banks, the ANOVA statistics and regression analysis results helped in making the conclusion that each of the finance strategy variables studied herein (dividend, capital structure, working capital) enables an organization to determine their financial needs and the resources needed to support and meet their objectives. Further, it helps in fulfilling of the organizations' overarching objective and planning for continued growth to enhance the success and sustainability of the organization which leads to higher levels of performance.

On human resource management strategy, one-way ANOVA statistics informed the conclusion that recruitment, training and rewards affected the organizational performance of commercial banks. Regression analysis results showed that the effect of human resource management strategy on organizational performance of commercial banks in Nakuru City County was negative but insignificant. Recruitment, training and rewards improve the organizational performance and uphold a culture that inspires innovation and works unremittingly to gain a competitive advantage enhancing the market share of organizations.

5.4 Recommendations of the Study

The study recommends that operational strategies need to be enhanced in commercial banks since they lead to employee efficiency and effective resource management. Further, marketing strategies will help in branding of the commercial banks and understanding their clientele and thus important in improving their performance. The study also recommends that a well-planned financial strategy is able to take the banks to the next level giving them competitiveness over others and therefore they need to keep track of the finance strategies they have in place. Commercial banks in Nakuru City County also needs to have HRM strategies since they significantly increase employee productivity, positively impact employee learning and improve the overall performance of the banks.

5.5 Areas for Further Research

The variables studied gave 68.4% of organizational performance of commercial banks which means that there could be other organizational performance variables that requires to be established. The study was carried out in commercial banks and thus doing another research in other institutions to investigate if similar findings can be found is appropriate.

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APPENDICES

Appendix I: Questionnaire

This is a research project to establish the effect of functional strategies on the performance of commercial banks in Nakuru City County. Please fill the questionnaire below. Tick (√) or fill the space provided.

Questions

SECTION A: RESPONDENTS' PROFILES

1. Gender

   Male [ ] Female [ ]

2. Age
   a) Below 30 yrs [ ]
   b) 31-40 yrs [ ]
   c) 41-50 yrs [ ]
   d) 51-60 yrs [ ]
   e) More than 60 yrs [ ]
3. Highest education level
   a) Diploma [ ]
   b) Bachelors [ ]
   c) Masters [ ]
   d) PhD [ ]
4. Length of time working in the bank
   a) 5 years and below ( )
   b) 6 -10 yrs ( )
   c) 11 -15 yrs ( )
   d) More than 15 yrs ( )

5. Designation?
   a) Branch manager [ ]
   b) Operational manager [ ]
   c) Marketing manager [ ]

d) Chief accounting officer [ ]

e) HR manager [ ]

FUNCTIONAL STRATEGIES

In this section, you are supposed to denote the extent of your agreement in the statements given on the various functional strategies evaluated and organizational performance.

OPERATIONAL STRATEGIES

Statements on operational strategy	1	2	3	4	5
Offering quality products by the bank is a strategy that has ensured growth of the bank					
Innovation has helped in creation of specific products for specific customers					
Through innovation, a niche in the market has been identified					
The customer responsiveness used ensures that customers are satisfied					
Our customer responsiveness strategy has created trust hence retained					
Operational strategy determines organizational performance					

MARKETING STRATEGIES

Statements of marketing strategy	1	2	3	4	5
Bank uses pricing strategy to increase profits					
Pricing strategy is used by banks to increase sales volume					
Promotion strategy is used to increase profits					
Bank's distribution networks influence its market share					
Marketing strategy determines organizational performance					

FINANCIAL STRATEGIES

Statements on finance strategy	1	2	3	4	5
Dividends paid to the shareholders leads to customer					

retention					
Payment of dividends to shareholders enhances bank's market share					
Capital structure in the bank increases sales volume					
Management of the bank has a lot of interest in the capital structure since is affects profits					
Bank has a working capital which affects efficiency					
Finance strategy affects organizational performance					

HUMAN RESOURCE STRATEGIES

Statements on HRM strategy	1	2	3	4	5
Bank recruits qualified candidates hence customer retention					
Bank conducts extensive training for efficiency.					
There are formal training programs on customer retention.					
Rewards offered by the bank lead to efficiency					
Human resource strategy affect organizational performance					

ORGANIZATIONAL PERFORMANCE

Statements on organizational performance	1	2	3	4	5
Profits determines the level of organizational performance					
Bank's performance is due to sales volumes					
Customers have been retained therefore improvement on organizational performance					
Efficiency enhances organizational performance					
Improved organizational performance is due to increased market share					

Appendix II: KU Authorization Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/NKU/PT/39161/2017

DATE: 2nd November, 2021

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

SUBJECT: RESEARCH AUTHORIZATION FOR KEN NJOGU – REG. NO. D53/NKU/PT/39161/2017

I write to introduce Mr Ken Njogu who is a Postgraduate Student of this University. He is registered for MBA degree programme in the **Department of Business Administration.**

Mr Njogu intends to conduct research for a MBA Project Proposal entitled, **"Functional Strategies and Organizational Performance of Commercial Banks in Nakuru County, Kenya".**

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL

EK/enj

Appendix III: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **956789**

Date of Issue: **15/November/2021**

RESEARCH LICENSE

This is to Certify that Mr.. KEN NJOGU WANGECI of Kenyatta University, has been licensed to conduct research in Nakuru on the topic: FUNCTIONAL STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN NAKURU COUNTY, KENYA. for the period ending : 15/November/2022.

License No: **NACOSTI/P/21/14264**

956789

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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Appendix IV: Commercial Banks

1 Gulf African Bank
2 Cooperative Bank
3 UBA
4 Guardian Bank
5 I & M Bank
6 Habib Bank AG Zurich
7 Eco-bank Kenya
8 Credit Bank
9 Imperial Bank Kenya (In receivership)
10 First Community Bank
11 Guaranty Trust Bank Kenya
12 Absa Bank Kenya
13 Middle East Bank Kenya
14 ABC Bank
15 Dubai Islamic Bank
16 Family Bank
17 Housing Finance Company of Kenya
18 Development Bank of Kenya
19 National Bank of Kenya
20 Kingdom Bank Limited
21 Prime Bank (Kenya)
22 Mayfair Bank
23 Equity Bank Kenya
24 Access Bank Kenya
25 M'Oriental Bank
26 Kenya Commercial Bank
27 Bank of Africa
28 Paramount Universal Bank
29 Chase Bank Kenya (In Receivership)
30 SBM Bank Kenya
31 Bank of Baroda
32 Spire Bank
33 Stanbic Holdings Plc
34 Consolidated Bank
35 NCBA Bank
36 Diamond Trust
37 Victoria Bank
38 Standard Chartered Kenya
39 India Bank
40 Sidian Bank
41 Citibank

Appendix V: Sampled Respondents

	Bank	Type of manager				
		Branch managers	operational managers	marketing managers	chief accounting officers	HR managers
1	Gulf African Bank	1	1	1	1	1
2	Cooperative Bank	1	1	1	1	1
3	UBA	1	1	1	1	1
4	Guardian Bank	1	1	1	1	1
5	I & M Bank	1	1	1	1	1
6	Habib Bank AG Zurich	1	1	1	1	1
7	Eco-bank Kenya	1	1	1	1	1
8	Credit Bank	1	1	1	1	1
9	Imperial Bank Kenya (In receivership)	1	1	1	1	1
10	First Community Bank	1	1	1	1	1
11	Guaranty Trust Bank Kenya	1	1	1	1	1
12	Absa Bank Kenya	1	1	1	1	1
13	Middle East Bank Kenya	1	1	1	1	1
14	ABC Bank	1	1	1	1	1
15	Dubai Islamic Bank	1	1	1	1	1
16	Family Bank	1	1	1	1	1
17	Housing Finance Company of Kenya	1	1	1	1	1
18	Development Bank of Kenya	1	1	1	1	1
19	National Bank of Kenya	1	1	1	1	1
20	Kingdom Bank Limited	1	1	1	1	1
21	Prime Bank (Kenya)	1	1	1	1	1
22	Mayfair Bank	1	1	1	1	1
23	Equity Bank Kenya	1	1	1	1	1
24	Access Bank Kenya	1	1	1	1	1
25	M'Oriental Bank	1	1	1	1	1
26	Kenya Commercial Bank	1	1	1	1	1

27	Bank of Africa	1	1	1	1	1
28	Paramount Universal Bank	1	1	1	1	1
29	Chase Bank Kenya (In Receivership)	1	1	1	1	1
30	SBM Bank Kenya	1	1	1	1	1
31	Bank of Baroda	1	1	1	1	1
32	Spire Bank	1	1	1	1	1
33	Stanbic Holdings Plc	1	1	1	1	1
34	Consolidated Bank	1	1	1	1	1
35	NCBA Bank	1	1	1	1	1
36	Diamond Trust	1	1	1	1	1
37	Victoria Bank	1	1	1	1	1
38	Standard Chartered Kenya	1	1	1	1	1
39	India Bank	1	1	1	1	1
40	Sidian Bank	1	1	1	1	1
41	Citibank	1	1	1	1	1
	TOTAL	**41**	**41**	**41**	**41**	**41**

Source: Researcher (2021)

Appendix VI: Measurement of Research Variables

Variables	Pointers	Quantification	Measure
Operational strategies	Quality	Quality of new products	Ordinal scale (Likert 1-5)
	Innovation	Availability of new products	Ordinal scale (Likert 1-5)
	Customer responsiveness	Response of customer	Ordinal scale (Likert 1-5)
Marketing strategies	Price	Number of products with varying prices available	Ordinal scale (Likert 1-5)
	Promotion	Promotion programs and activities in place	Ordinal scale (Likert 1-5)
	Distribution network	Number of distribution networks	Ordinal scale (Likert 1-5)
Financial strategies	Dividend	Percentages of dividend offered	Ordinal scale (Likert 1-5)
	Capital structure	Amount of cash set aside for capital structure	Ordinal scale (Likert 1-5)
	Working capital	Amount of working capital reserved	Ordinal scale (Likert 1-5)
HRM strategies	Recruitment	Number of recruitment	Ordinal scale (Likert 1-5)
	Training	Number of trainings attended	Ordinal scale (Likert 1-5)
	Employee relations	Mechanisms for complaints handling	Ordinal scale (Likert 1-5)
	Rewards	Types of rewards	Ordinal scale (Likert 1-5)
Organizational performance	Profits	Amounts of profits annually	Ordinal scale (Likert 1-5)
	Sale volumes	Amounts of sales achieved	Ordinal scale (Likert 1-5)
	Customer retention	Number of customers retained	Ordinal scale (Likert 1-5)
	Efficiency	How efficient has the strategies been	Ordinal scale (Likert 1-5)
	Market share	Increase in market share	Ordinal scale (Likert 1-5)

Source; Survey data (2021)