AN ASSESSMENT OF FACTORS AFFECTING CHOICE OF GROWTH STRATEGY BY SELECTED COMMERCIAL BANKS IN KENYA

By
Galgalo M Ganale
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A research proposal submitted to the Department of Business Administration in partial fulfillment of the requirement for the Degree of Master of Business Administration of Kenyatta University.

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DECLARATION

This research proposal is my original work and has not been submitted for any degree in any other university.

Galgalo m Ganale
D53/PT/10969/2008

This research proposal has been presented for examination with my approval as the appointed supervisor.

Mr. Robert Nzulwa
Lecturer, Business Administration Department

Mr. Muruhgi
Lecturer, Business Administration Department

Mr. Shadrack Bett
Chairman
Business Administration Department
DEDICATION

This project is dedicated to my mum Habiba Muse.

It is also dedicated to my elder brother Ibrahim who worked tirelessly to provide me with a solid educational foundation. Not forgetting my other siblings and friends for their prayers, love and support that I received during the study.
ACKNOWLEDGEMENT

I would like to express my sincere gratitude and appreciation to everyone who has contributed their time toward the completion of this proposal.

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Lastly but not the least I would like to thank Allah (S.W) for giving me the opportunity, the strength and determination to complete this work.

Thank you ALL. I could not have done it alone.
ABSTRACT

The selection of a suitable strategic option is not an easy decision. It involves a lot of complex consideration. Several factors affect the choice of strategic option. They include both tangible and intangible elements. A company's strategy can be considered on any number of dimension including whether it emphasize product differentiation or low cost, innovation or reliability, innovation timing or focus, domestic or international activity and so on. The process of strategy choice is as much political as legal process. Firm strategy need to be conceptualized according to the extent it adheres or deviate from the central tendency of the industry. The banking industry in Kenya is highly competitive market with over 50 players. The competition has made the players in the sector to come up with competitive measures to remain relevant in the industry. Competitive strategy choice is top most innovation in the industry.

The aim of this study was to assess factors affecting choice of growth strategy by selected commercial banks in Kenya. The general objective of the study was to investigate factors affecting choice of growth strategy by selected commercial banks in Kenya. The population under study comprised of 1919 staff from credit, operations, information technology, research, innovation and strategy and human resources divisions of five major commercial banks in Kenya. A sample of 191 staffs was drawn using stratified sampling. Each respondent filled and submit a structured questionnaire that was administered personally. The researcher used statistical data analysis programme (SPSS) to carry out data analysis to describe the relationship between the dependent variable (strategy choice) and the independent variable, information technology, organizational resources, organizational culture, industry competition and top management preferences. Finding was presented by way of charts, graphs and tables. The researcher took 21 weeks to complete the work.
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaration</td>
<td>i</td>
</tr>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>Table of Content</td>
<td>Vi</td>
</tr>
<tr>
<td>List of Abbreviation</td>
<td>X</td>
</tr>
<tr>
<td>Definition of Terms</td>
<td>Xi</td>
</tr>
<tr>
<td>List of Figure</td>
<td>Xiii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>XV</td>
</tr>
<tr>
<td><strong>CHAPTER ONE: INTRODUCTION</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>2</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>11</td>
</tr>
<tr>
<td>1.3 Objective of the Study</td>
<td>12</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>13</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>13</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>14</td>
</tr>
<tr>
<td>1.7 Limitation of the Study</td>
<td>15</td>
</tr>
<tr>
<td><strong>CHAPTER TWO: LITERATURE REVIEW</strong></td>
<td></td>
</tr>
<tr>
<td>1.0 Introduction</td>
<td>16</td>
</tr>
<tr>
<td>2.1 Competition</td>
<td>18</td>
</tr>
<tr>
<td>2.2 Organizational Culture</td>
<td>21</td>
</tr>
<tr>
<td>2.3 Resource Base</td>
<td>24</td>
</tr>
<tr>
<td>2.4 Technology</td>
<td>26</td>
</tr>
<tr>
<td>2.5 Top Management</td>
<td>29</td>
</tr>
</tbody>
</table>
2.6 The Conceptual Framework ................................................................. 32
2.6.1 Interpretation of the Variables ......................................................... 33
2.6.2 Critical Review of Literature and Gaps ............................................. 34

CHAPTER THREE: RESEARCH METHODOLOGY ....................................... 36
2.0 Introduction ......................................................................................... 36
3.1 Research Design ................................................................................ 36
3.2 The Target Population ........................................................................ 37
3.3 Sampling Frame and Sample Size ....................................................... 38
3.4 Research Instrument ......................................................................... 41
3.5 Pilot Study .......................................................................................... 41
3.6 Data Analysis and Interpretation ......................................................... 43
3.7 Expected Outcome ............................................................................. 44

CHAPTER FOUR: RESULTS AND FINDINGS ........................................... 48
4.1 Introduction ......................................................................................... 48
4.2 General Information ......................................................................... 48
4.3 Technology ......................................................................................... 55
4.4 Top Management ............................................................................. 59
4.5 Competition ....................................................................................... 65
4.5.1 Competition in Banking Sector .................................................... 65
4.5.2 Technological Innovation and Competition .................................... 65
4.5.3 International and Pan African Banks ............................................ 66
4.5.4 Banks Strategy Choice ................................................................. 68
4.5.5 Central Bank Regulation ............................................................... 68
**List of Abbreviation**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHP</td>
<td>Analytical hierarchy process</td>
</tr>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistic</td>
</tr>
<tr>
<td>EABL</td>
<td>East African Breweries</td>
</tr>
<tr>
<td>GPD</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
</tr>
<tr>
<td>KM</td>
<td>Knowledge management</td>
</tr>
<tr>
<td>MBA</td>
<td>Master of Business Administration</td>
</tr>
<tr>
<td>MCDM</td>
<td>Multiple criteria decision-making</td>
</tr>
<tr>
<td>NMG</td>
<td>Nation Media Group</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource based view</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

Bank: A financial institution set up under banking act.

Central bank: The regulatory body set up to supervise commercial banks.

Commercial bank: A bank other than commercial bank established carry on business under banking act

Performance management: How well a firm meets its intended target in relation to other firms in the industry

Strategy: Is a pattern or plan that integrates an organization major goals, policies and actions sequence into cohesive whole.

Business strategy: Is the broad collection of decision rules and guidelines that define a business scope and growth direction.

Strategic management: Is a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises.

Competitive strategy: Strategy that offers unique sets of values and ensure firms success over competitors.

Organizational culture: Is the shared values, beliefs and norms within an organization

Competitive advantage: Ability of firms to either produce at a lower cost or add value to its product than its competitors.

Resources: All assets, capabilities, organizational processes firms attribute, information, knowledge etc controlled by a firm

Strategic choice: Is the decisional act of a firm management which has as object the option for that or for those generic strategies and alternative strategies which represent the best way of realizing the firm objectives.

Information technology: The branch of engineering that deals with the use of computers and
Telecommunications to retrieve and store and transmit information.

**Industry competition:** Is a relation among industry players to compete to gain customers and perform than competitors.
LIST OF FIGURES

Figure 2.1 Conceptual Framework .........................................................35

Figure 4.1 Extent Technology Improve Decision ..........................................53

Figure 4.2 Emphasizes Of Strategy on Technology .......................................54

Figure 4.3 Reasons for Emphasizing On Technology ...................................55

Figure 4.4 Technology and Competitive Advantage ....................................56

Figure 4.5 Technological Innovation and Performance ................................57

Figure 4.6 Rate of Technological Innovation .............................................58

Figure 4.7 Technological Challenges .......................................................59

Figure 4.8 Top Management Performance ...............................................60

Figure 4.9 Role Played By Top Management ............................................61

Figure 4.10 Factors That Influence Top Management Choice of Strategy ........62

Figure 4.11 High Level of Performance ...................................................63

Figure 4.12 Efficient Implementation ......................................................64

Figure 4.13 Organizational Culture and Priorities ......................................70

Figure 4.14 Strategy to Be Aligned With Organizational Culture .................71

Figure 4.15 Organizational Culture and Competitive Advantage ................72
Figure 4.16 Past And Current Strategy
INTRODUCTION

Strategic orientation is a complex concept that encompasses the way a firm thinks about its environment, the competition, and its own capabilities. A firm's strategic orientation is not only about choosing the right strategy but also about how it conceives and implements strategies. Miller and Friesen (1984) discuss the importance of environmental scanning in developing a successful strategy. The strategic orientation of a firm can be influenced by its industry, competitors, and the macroeconomic environment.

A converged strategic orientation refers to a situation where a firm's strategic thinking and actions are consistent. It implies that the firm's strategies are aligned with its internal resources and capabilities. Conversely, a dissociated strategic orientation occurs when there is a mismatch between the firm's strategic thinking and its implementation. This can lead to poor strategic decisions and reduce the firm's competitive advantage.

Miller and Friesen (1984) argue that a firm's strategic orientation should be flexible and adaptive. It should be able to react to changes in the environment, such as changes in consumer preferences, technological advancements, or geopolitical shifts. A firm with a flexible strategic orientation can respond more quickly to changes and adapt its strategies accordingly.

In summary, the strategic orientation of a firm plays a crucial role in its success. A firm with a well-conceived and effectively implemented strategy is more likely to achieve its goals and outperform its competitors.
CHAPTER ONE

INTRODUCTION

Strategic choice is the third logical step in the strategy formulation process. Strategic choice is as much political as a logical process. Several attempts have been made to provide theoretical framework for making strategic choices. Michael Porter (1985) devised the concept of generic strategies. Porter suggested that the most fundamental choice facing any business is the scope of the markets that it attempts to serve and how it attempt to compete in these chosen markets.

A company's strategy can be considered on any number of dimensions, including whether it emphasizes product differentiation or low cost (Porter, 1980), innovation or reliability (Miles and Snow, 1978), innovation timing or focus (Maidique and Patch, 1982), domestic and international activity (Bartlett and Ghoshal, 1989) and so on. Recently, a growing stream of research (e.g., Miller and Chen, 1995; Deephouse, 1996; Henderson, 1996) has suggested that an important way to conceptualize a firm's strategy is according to the extent to which it adheres to or deviates from the central tendencies of the industry, what Finklestein and Hambrick (1990) called strategic conformity. However, executive tend to develop a limited repertoire of strategic alternatives and often become wedded to one particular strategic approach, thus limiting their capacity to envision alternate course of action. The selection of a suitable strategic option is not an easy decision, involving a lot of complex considerations.

This study focuses on the factors affecting the choice of strategic option.
1.1 Background to the study

The development in the recent years such as the removal of cross border barrier in Africa, the globalization of product markets, the technology developments and the change in the organization forms increased competition among firms. This increased competition caused high level of changes in the firm's environment and uncertainty for organizations of all types. Competence building is defined as the qualitative change in firms' existing assets, capabilities, exercising strategic options which will stiggle this process. According to this definition the objective of strategic managers is to have valuable strategic options. The management of strategic options includes selecting valuable strategic options.

A strategy is a pattern or plan that integrates an organization's major goals, policies, and actions sequence into a cohesive whole (Porter, 1980). Strategic management is therefore concerned with deciding on a strategy and planning how the strategy is to be put in effect through strategic analysis, strategic choice, strategic implementation and control (Johnson and Scholes, 1993). The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996).

In Kenya the private sector has over the years considerably contributed to the country's economic growth. It has contributed more than 80% of the Gross Domestic Product (GDP).
According to the Central Bureau of Statistic (CBS) (2004), the service sector contributed 52% of the GDP, industrial sector 16% and agriculture 29%. There have been reports that most of these organizations have been posting high profits in their financial reports for past few years. There is no doubt that blue chip companies are considered successful or top performers. These companies include East African Breweries (EABL), Kenya Airways, Nation Media Group (NMG), Safaricom Limited and Barclay bank Kenya among others.

These companies consequently have applied various strategies that other companies have failed to apply. These strategies have encompassed change. The forces of change are frequently the result of some external forces such as increased competition, new legislation or customer expectations (seniors, 1997). All these changes have contributed to increased competition, performance and overall increase of their share prices. This has been as a result of investing in technology, employees, re-engineering, re-structuring and utilization of other resources in their operations in order to be competitive. Consequently in the new competitive Kenyan environment, inefficient and uncompetitive firms cannot survive hence changes and new dynamics in the way organizations are managed and run are inevitable in order to ensure that organization maintain a sustainable competitive edge.

First and central to developing a sustainable competitive advantage in rapidly and often unpredictable changing circumstances, is the ability to learn fast and adapt quickly (Dickson, 1992). A major challenge for any organization is to create the combination of culture and climate to maximize learning (Slater and Narver, 1995).
A firm's strategy must address the way in which competitive advantage is gained and sustained (Bowman and Asch, 1996). According to them the route to sustainable competitive advantage forms the core of strategy; everything else flows from choices that are made about where to compete and how to gain competitive in the chosen markets.

Strategic choice is the third logical element of strategy formulation process. The process of strategy formulation is rationally divided into four steps; identifying the options, evaluate the options against the preferred criteria, select the best option and take action (Robson, 1994). Michael porter (1985) devised the concept of generic strategies. He suggested that the most fundamental choice facing any business are the scope of the market that the business attempt to survive and how it attempt to compete in the chosen markets.

The ability of executives to formulate and implement strategic initiatives that capitalize on environmental opportunities, while mitigating external threats, is vital to organizational success. The factors that affect strategic choice are therefore of central concern, and a largely body of work has explored the determinants and processes of strategic decision making, with particular attention paid to the role of senior executives and top management teams in shaping organizational outcomes. Building largely on the conceptual argument of Cyert and March (1963), Child (1972), and Hambrick and Mason (1984), researchers have found considerable empirical support for the view that organizational profiles reflect the characteristics and processes of senior management.
Several researchers emphasized the relation between resources, capabilities and the strategic options. Kogut and Kulatilaka (2001) defined capabilities as real options which bring future opportunities. Bernardo and Chowdhry (2002) claimed that with the real investment decisions firms learn information about the different types of resources they have, therefore firms should consider this learning process while exercising their strategic options. Pandza et al. (2003) considered real options thinking as an appropriate heuristic for capability development. Kylaheiko and sandstorm (2007) developed a framework for managing dynamic capabilities by using real options. Maritan and Alessandri (2007) also considered capabilities as real options. They revealed that industry based returns and firms specific returns are the components of returns to capability investment.

Selecting strategic options that are exercised is a multiple criteria problem. It includes both tangible and intangible factors. Also objective measurements and value judgement is used to make the decision. This decision includes the behavioral aspects of decision making or the presence of multiple and conflicting objectives. Unfortunately managers lack the cognitive capacity to consider all environmental elements and they do not have enough time (Kasanen, et al. 2000). Several researchers applied MCDM methods for strategic management decisions such as selecting strategic alliances (Ding and Liang; 2005; Buyukozan et al. 2008; Cheng and Li, 2007); strategic planning (Chadrasekaran and Ramesh, 1987; Al-Shemmeri et al, 1997); strategic decision making (Islei et al., 1990; Firouzbadi, 2008). The factor that is important for selecting strategic options have a hierarchical order also includes both tangible and intangible elements. Firms past strategy, the degree of the firms external dependence, management attitude toward
risk, internal political consideration, timing and competitor's reaction, influences the strategic choice decision. The culture and power structure of the organization also have a significant impact upon selection process (Ronson, 1994).
The Kenyan banking industry

The banking industry in Kenya is among the more mature in Africa; both in terms of product offering and profitability. With now around 50 banks operating in Kenyan market, the cut throat competition is the least which we could have expected (CBK Report January 2008). The competition have led to some banks being lenient in applying the prudential guidelines in order to be ahead of the competition totally ignoring the bank credit policies which are usually aligned to the central bank of Kenya prudential guidelines and banking act. Cap 488.

Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and product offering. The growth has been underpinned by:

1. An industry wide branch network expansion strategy both in Kenya and in east African community region.

2. Automation of a number of services and more towards customer needs rather than the traditional off the shelf-banking product.

Players in the sector have experienced competition over the last few years resulting from increased innovations among the players and new entrants into markets. In addition with new players like equity bank and co-operative society’s revolutionizing the bank sector, more established players who initially ignore retail banking in favour of corporate banking have re-entered the market thereby increasing competition.
According to a study by Hull (2002) although the market is dominated by few banks namely Kenya commercial bank, Barclays bank of Kenya, standard chartered bank and national bank, we now have other players who are taking a big role. Saccos have come in so are the international banks and microfinance.

Owing to the competition, banks have also commenced other competitive measures among them door-to-door marketing approach and undercutting other competitors, refinancing of existing products for instance some banks have been very aggressive in refinancing personal loan extended by other banks (KCB customer satisfaction research 2007).

That's not the end of headache for banks as they come under intense pressure from shareholders, both public and private, to achieve earnings and projections. Regulators placed added pressure on banks to manage the various categories of risk. Banking is extremely competitive industry. Competing in the financial services industry has become tougher with the entrance of such players as insurance agencies, credit unions, cheque cashing services, credit card companies and telecommunication companies.

Banks generate profits from interest it charges in its lending activities. Banks have expanded the use of risk based pricing from business lending to consumer lending (Grnroos 1979). The banking industry's main obstacle to increase profits are regulatory burdens, new government regulation and increasing competition from non-traditional financial institutions. The CBK guidelines in the in duplum rule require banks not to recover interest more than the loan principal amount from any borrowings (Banking act sec.44). The requirement has necessitated banks to
gradually adjust their lending rates and ensure that they improve on business volumes by selling quality products, embracing new technology e.t.c.

**Barclays bank of Kenya**

Barclays bank of Kenya is one of the leading bank in Kenya. Barclays bank of Kenya limited is a subsidiary of Barclays plc and the leading bank in Kenya in terms of profitability and market share in areas of loans and deposits. The bank has operated in Kenya for more than 90 years and has a branch network of over 115 outlets with 236 ATMS.

The Barclays business unit falls under retail banking, commercial banking, and treasury and card service. Financial strength coupled with international resources has positioned Barclays as the number one provider of financial services in the markets for the past several years.

Barclays bank market share in terms accounts volume is 10% in 2009 while the pretax profit for the first quarter 2010 is 1.9 billion. The bank income to cost ratio as at first quarter 2010 stand at 61%. (http://www.barclays.com/Africa/Kenya/barclayskenya.php).

**Equity bank**

Equity bank is Kenya’s fast growing bank. The bank revolutionized from building society, microfinance institutions to now all inclusive Nairobi stock exchange and Ugandan securities exchange public listed commercial bank. With 4.5 million accounts, accounting for 47% of all bank account in Kenya, equity bank is the largest in the region in terms of customer base.
Equity bank is one of the most capitalized bank in the region with a capital base of 19 billion.
Equity bank has received awards including most sustainable bank in 2009, best bank by euro
money award excellence and many others.

The pretax profit for the first quarter 2010 is 1.6 billion while income cost ratio for the same
period is 55%. (http://www.equitybank.co.ke/about.php?)

Cooperative bank of Kenya

Cooperative bank is the fourth largest bank in terms of asset base. Cooperative bank was
registered as commercial bank in 1968. Cooperative bank has undergone a successful strategic
business and operational restructuring over the last 7 years and has resulted in continuous
improved profitability. For the last seven years the bank has the bank continues to grow business
and expanded branch network to over 52 branches.

Cooperative bank controls 11% of the market share in terms of accounts volume. For the first
quarter 2010, the pretax profit is 1.3billion. the banks income to cost ration stands at 55%.

Standard chartered bank

Standard chartered bank is the third kenya’s four biggest bank. Standard chartered bank opened
its branches in Kenya in January 1911 with two branches. Currently the bank has 22 branches
located strategically located. Overall standard chartered control 27% of market share. The bank
has two core business divisions: wholesale banking (made up of client relationships and global
markets) and consumer banking. Since 1996 standard chartered bank has centralized the back
office operation of all branches into one central location with real time accounting system. Standard chartered is an active member of the communities in which they operate.

In terms of account volumes the bank controls 2% of the market share while its pretax profit for first quarter of 2010 is 2 billion. The banks income to cost stands at 36% making it the most efficient bank.

**Kenya commercial bank**

The Kenya commercial bank is one of the oldest financial institutions of Kenya. KCB has its headquarters situated in Nairobi.

The Kenya commercial bank was formed the year 1896 by the name national bank of India. In 1958 the Grindlays bank was merged with the national bank of India to form a single institution. The bank got its current name after independence in the year 1970. Initially the government acquired 60% shares but later in 1976 it finally possessed 100% share of the bank. However, currently the government only has 26% of the bank share.

Over the years KCB has growth tremendously in terms of both assets and capital. Currently KCB is the largest bank in east Africa by assets. From the year 2007 the bank has boost its presence in the region by opening branches in Tanzania, Uganda, Southern Sudan and Rwanda. The banks profitability has also been on an upward trend since 2005. For the first quater of 2010, KCB reported a pretax profit of 1.9 billion. This has been attributed to good economic environment, technological innovation and prudent cost management.
1.2 Statement of the problem

The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices, product innovations and information technology. Companies face intense competition from domestic and foreign brands which is resulting in rising promotion costs and shrinking profit margin. Due to changes in the marketplace, companies must cope with the dynamic environment in order to survive.

Rapid technological change has created a new business environment where innovation has become a top competitive strategy. According to Ansoff and McDonnell (1990), increased competition has created a fundamental shift in the economic environment where no organization can hope to stay afloat if it fails to come up with proper strategic responses.

In the Kenya’s banking sector the cut throat competition from both local and international firms have led to players in the sector adapting various strategies to remain competitive in the industry. Strategies such mergers, acquisition, regional expansion, downsizing, innovations, mobile and internet banking and partnership with other service providers have been witnessed in the recent past. According to CBK annual supervision report (2009), locally competition is expected to intensify as banks downstream and well established pan African and international banking brands establish their presence in Kenya. According to the report, these markets dynamic could see a move toward mergers and strategic alliances.
Financial deregulation and increasing globalization have brought new competition to domestic banking and allowed considerable diversification by banks, insurance and communication companies and co-operatives.

Banks have responded to the competitive environment. According to Omuonde (2003) it is strategically imperative that banks focus on other revenue streams. According to him banks need to diversify their revenue streams by expanding the scope of its activities in addition to general banking services.

It is against this background that this study aimed to assess factors that affect choice of growth strategy by selected commercial banks.

1.3 Objectives of the study

General objective

The general objective of this study was to investigate factors affecting choice of strategy to emerging competition by commercial banks in Kenya.

Specific objectives

The specific objectives of this study were:

1. To find out whether technology affect choice of strategy.

2. To establish the effect of organizational culture on the choice of strategy.
3. To examine whether resource base affect choice of strategy.

4. To determine whether top management preferences affect choice of strategy.

5. To find out whether competition affect choice of strategy.

1.4 Research questions

To achieve the above objectives, the study seek to answer the following questions.

1. Does technology affect choice of strategy?

2. Does organizational culture affect choice of strategy?

3. Does resource base affect choice of strategy?

4. Does top management preference affect choice of strategy?

5. Does competition affect choice of strategy?

1.5 Significance of the study

The study in unraveling the factors affecting choice of strategy is useful in the following ways.

This study helps bank management to know factors that affect their choice of strategy and analyze in which their strengths and weaknesses lie. In addition, management will know how technology, organizational culture, resource base and top management affect choice of strategy.
To MBA student the study acts as a point of reference and supplements the available literature on corporate choice of strategy and performance. To investors, the research provides insights on other ways of assessing top management performance apart from financial statement and books.

To all other stakeholders, the research provides a different platform to assess organizational performance on the basis strategy they chose. To the body of knowledge, the research adds new information on the existing literature. Government has an interest in the study, as it ascertains whether commercial bank’s strategy’s are in line with central banks guideline and regulation. In addition, the government also ascertains future prospects of its revenue through taxation.

To the academician and researchers, they are interested with the research outcome to provide background and trends in the industry. The study is significant to other commercial banks in giving insights on choice of strategy and in solving choice of strategy issues.

1.6 Scope of the study

With major banks as the target population, the research finds and analyzes factors affecting choice of strategy by commercial banks. The focus has bias toward information technology, operations, credit, research, innovation and strategy and human resource divisions.

The variable of the research study includes information technology, organizational culture, resource base, competition, top management preferences and industry competition. 352 credit staffs, 174 human resources staffs, 458 information technology staffs, 885 operation staffs and 50 research, innovation and strategy staffs fall within the scope.
The banks want to maximize performance on the goodwill that it enjoys from stream of loyal customers who have not been given due attention, manage cost and adapt appropriate technology infrastructure. The research anticipates identifying possible long term solutions to salvage the situation. The research redefines variables such as organizational culture, resources and technology to suit the current environment. The research provides new interpretation of dynamic and competitive banking industry.

1.7 Limitation of the study

This study was limited by financial resources, time, and availability of literatures on the topic surveyed and respondent cooperation and reliability.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The strategy literature presents several typologies of competitive strategic orientations to describe how an organization develops competitive advantage in an industry relative to its rivals (e.g., Miles and Snow, 1978; Porter, 1980 &1985; Miller and Friesen, 1986; Mintzberg, 1988). The common inclination in all these business strategy typologies is a focus on the relative emphasis a business places on efficiency versus market effectiveness (differentiation). For example, Miles and Snow’s (1978) defender strategy and Porter’s (1980) overall cost leadership strategy describes a firm’s relative focus on efficiency so as to become the lowest cost producer in the industry. On the other hand, the prospectors strategy (Miles and Snow, 1978) and differentiation strategy (Porter, 1980) describe a firm’s relative focus on the search for market opportunities to create and offer unique products and services to customers.

Over the years, the importance of business strategy in both large and small firms has been continuously emphasized in the strategic management literature (David, 2001; Wheelen and Hunger, 2002; and Rue and Holland, 1989). According to the literature, firms adopt business strategy to outline the fundamental steps they need to follow in order to accomplish their organizational objectives.
The current competitive environment creates a situation where high quality strategic decisions are becoming increasingly important (David, 2008). Forrest (1990) observed that firms have to develop new strategies to react to the changing nature of business as reflected in such factors as increasing competition, both national and International, the increasing internationalization of markets, and new global competitors.

The strategic management literature has emphasized that achieving competitive advantage in today's dynamic and intensely competitive environment hinges on formulating and implementing a coherent business or competitive strategy (Hoskisson et al., 2000; Porter, 1980, 1985). According to the business strategy perspective, a firms competitive advantage lies in its ability to develop or obtain organizational resources and capabilities, take a strategic position in a market and implement a competitive strategy that takes into consideration the opportunities and threats in the external environment (Porter, 1980; Miller and Friesen, 1986). A plethora of empirical studies have been conducted in advanced industrialized economies to corroborate the proposition that the implementation of a coherent business strategy enhances competitive advantage by influencing organizational outcomes (e.g., Bowman and Ambrosini, 1997; Campbell-Hunt, 2000; Miller and Dess, 1993).

Most previous studies of the competitive strategy-performance relationship, which have mostly focused in advanced industrialized countries, have provided support for the viability and profitability of implementing cost leadership and differentiation strategies (Beal and Yasai-Ardekani, 2000; Bowman and Ambrosini, 1997; Campbell-Hunt, 2000; Dess and Davis, 1984; Hambrick, 1983; Kotha and Vadalmani, 1995; Miller and Dess, 1993; Miller and Friesen, 1986).
Recent studies from the emerging economies in Africa, Asia, Latin America, and Europe have also provided support for the economic viability of implementing cost leadership and differentiation strategies (Acquaah et al., 2008; Aulakh, Kotabe and Teegen, 2000; Kim and Lim, 1988; Kim, et al., 2004; Spanos, et al., 2004). Acquaah et al., (2008) showed that both cost leadership and differentiation strategies of manufacturing and service firms in Ghana were positively related to performance (return on assets and return on sales). Aulakh, et al., (2000) found that both cost leadership and differentiation strategies were positively related to export performance among firms from Brazil, Chile, and Mexico. Kim and Lim (1988) showed that cost leadership and differentiation were positively related to firm performance for firms in the electronic industry in Korea. Kim et al (2004) found that 8 business-to-customer (B2C) firms, obtained from a Korean online shopping mall, pursuing the cost leadership and differentiation strategies experienced significant performance benefits. Using data from Greece, Spanos et al (2004) found that of the competitive strategies of cost leadership, marketing differentiation and technology differentiation, cost leadership appears to be the most viable and profitable strategy.

2.1 Competition

The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices, product innovations and information technology. Companies face intense competition from domestic and foreign brands which is resulting in rising promotion costs and shrinking profit margins. Due to changes in the marketplace, companies must cope with the dynamic environment in order to survive.
Rapid technological change has created a new business environment where innovation has become a top competitive strategy. According to Ansoff and McDonnell (1990), increased competition has created a fundamental shift in the economic environment where no organization can hope to stay afloat if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become routine for survival means.

Industries are responding to customer’s demand by becoming more innovative in their new ways of approaching the changing environment. They adopt strategies such as improved customer services, credit facilities, post-paid cards and provision of convenience goods and services (Aosa, 1992).

The Kenya’s banking sector is not an exception. Goulet and David (1996) stated that the banking industry has changed dramatically over a relatively short period, from being a virtual cartel to a highly competitive market. Financial deregulation and increasing globalization have brought new competition to domestic banking, and allowed considerable diversification by banks, insurance companies and co-operatives. Information technology has provided many opportunities for creating new financial products and distribution methods, for example Automatic Teller Machines (ATMs), Telephone Banking and Computer Banking, and reduced the need for investment in conventional branch infrastructure.

According to a study by Hull (2002), although the market is dominated by few banks namely Barclay bank of Kenya, Standard chartered bank, Kenya commercial bank and national bank, we
now have other players who are taking a big role. Saccos have come in so are international bank and microfinance.

According to the Central Bank, Currently, Kenya has 44 commercial banks, one stand alone mortgage company, one deposit taking microfinance institution and 129 foreign exchange bureaus (CBK report, 2008).

Owing to the competition, banks have also commenced other competitive measures among them door-to-door marketing approach and undercutting other competitors, refinancing of existing products for instance some banks have been very aggressive in refinancing personal loan extended by other banks(KCB customer satisfaction research 2007).

According to the Co-operative Bank of Kenya Ltd. (2003), the bank signed a partnership with International Moneygram Worldwide Network for the provision of cash transfer services across the world and this product has grown remarkably. The bank followed this by launching the Co-op Cash Visa Electron Card, popularly known as Co-op Cash. The bank has completed the centralization of banking services by networking all its branches and operations countrywide, making it a branchless operation. This achievement has been extremely vital in the consolidation of the banks business. Muriuki (1998) adds that the bank has developed high quality products through its personal and consumer-banking department to meet the needs of its retail customers and other emerging markets. These products include the Personal Loan, the launch of ATMs and the friendly service structure among others.
According to Omuodo (2003), as pressure mounts on the banking industry’s profitability resulting from over reliance on interest income by banks, it is strategically imperative that banks focus on other revenue streams. National Industrial Credit Bank, NIC, has introduced new products to diversify revenue and to keep its head above the water. Omoudo adds that part of NIC Bank’s strategy has been to diversify revenues, by expanding the scope of its activities in addition to its predominant asset finance focus and offering more general commercial banking facilities and other products. Premium financing and provision of custodial services have reduced over reliance on interest income.

According to CBK report (2008), with now around 50 banks in Kenyan market, the cut throat competition is least they could have expected. The competition have led to some banks being lenient in applying the prudential guidelines in order to be ahead of the competition totally ignoring the bank credit policies which are usually aligned to the central bank of Kenya prudential guidelines and banking act. Cap 488.

According to CBK supervision report (2009), local competition is expected to intensify as banks downstream and well established pan African and international brands establish their presence in Kenya. According to CBK these market dynamic could see a move towards merger and strategic alliances.

Competition in the market place is getting ever fierce forcing us to rethink our strategies (CEO of equatorial commercial bank, 2010). According to him technology driven innovation, fierce
competition and the presence of pan African banks and other international banks, has made smaller banks to rethink their strategies for survival.

2.2 Organizational culture

Organizational culture is the shared values, beliefs and norms within an organization, and is the foundation from which the strategy emerges. In order for a strategy to receive support, it must be aligned with organizational culture.

The world of business is dynamic hence organizational culture ought to move at the same pace with the business. The concept organization culture has been of much attention with analyst associating it with superior corporate performance (Peters and Waterman, 1988), increased productivity (Ouchi, 1981), improved morale, and high rate of return on investment.

In an interview the Harvard business review (Howard, 1990), the president of Lewis strauss stated:

“"We have learned that the soft stuff and the hard stuff are becoming intertwined. A company’s values-what it stand for, what its people believe in –are crucial to its competitive success. Indeed value driven business”.

Despite division in its conceptualization, organizational culture has been deemed as a key research construct and a key area of managerial practice because it demonstrates contribution to organizational effectiveness (Deal and Kennedy, 1982; Denison, 1990; Ouchi and Jaeger, 1977; Peter and Waterman, 1982).
Studies of the linkage between organizational culture and organizational effectiveness have expanded exponentially. Multiple theories have been established to explain how organizational culture influences organizational performance such as Ouchi and Jaeger (1977), theory Z, Peal and Kennedy's (1982), and Peters and Waterman (1982) strong culture, Cameron and Quinns (1999) four cultural types: hierarchy, clan, market and adhocracy, and Dennis and his colleague (Dennis, 1990; Dennis and Mishra, 1995; Dennis and Neale, 1996; Few and Dennis, 2003) four functional dimension of organizational culture: adaptability, consistency, instrument and mission that are positively related to organizational effectiveness across different national cultures. Culture provides organizational members a shared understanding of organizational value and beliefs that is necessary when rules and regulations fail to coordinate behavior (Slater and Narver, 1995).

Cliff Bowman and David Asch (1996) argued that organizational culture affects realized strategy. According to them processes within and outside the organization affect individual perception and cognitions. Internal organization processes include power relationship between individuals and groups, the control and reward systems, management style and organizational symbols. Non-organization influences includes all expression for all the sources of life experiences that shape an individual's view of the world. This includes education, family, local, regional and national cultural influences and the individual's past work experiences.

According to them the key issue in strategy is the extent to which values, beliefs, attitude and assumptions are held in common by the members of an organization. This is because values,
beliefs, and assumptions held by individuals influences their behavior, the decision they make and the action they perform. If there is a large degree of agreement amongst members of the organization, then it is likely that they will behave and respond in similar ways. This can be enormously powerful and beneficial if the shared belief and values are in line with the intended strategy of the organization and if the intended strategy is appropriate. However if the intended strategy require certain behaviours that run counter to the prevailing beliefs, then this represent a major blockage to strategy implementation.

Thus the result of the actions of all the individuals affects the emerging strategy of the organization (Bowman and Asch, 1996).

According Collins and Porras (1998), in high performing organizations strong culture endure and means by which organizations can strengthen their performance, adapt to change and changing environment, all while increasing their chances of survival and maintaining their competitive advantage.

According to Baker (2002), organizational culture, the informal, nonmaterial, interpersonal and the moral basis of cooperation and commitment has acquired an increasingly higher status than the formal, material and instruement controls stressed by scientific management theories.

Denison Consulting (2003) provides research-based organizational culture and leadership development surveys that links to bottom line performance metrics. The surveys and model are based on over 20 years research on the link between organizational culture and bottom-line performance measures such as ROI, ROA, sales growth, quality and employee satisfaction. The
Denison Model made up of four culture traits, mission, consistency, involvement, and adaptability, serves as a basis for the Denison Organizational Culture Surveys and the Denison Leadership Development Survey.

Unlike traditional employees satisfaction, engagement assessment, corporate culture surveys, or climate surveys, the Denison Organizational Culture Surveys looks at the culture of an organization as a whole and ties the culture to bottom-line performance measures. Repeated use of the Denison Organizational Culture Survey provides a measure of the organization's progress toward achieving a high-performance culture with optimum overall performance.

Organizational culture has enormous influence on organizations choice of strategy. Thus management needs to make special efforts to create a supportive culture in the organization.

2.3 Resource base

According to Barney (1991), firms' resources include all assets, capabilities, organizational processes, firm's attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive and implement strategies to improve its efficiency and effectiveness.

Firms build competitive advantage by utilizing unique sets of resources. Resources are heterogeneous and typically include all assets, capabilities, processes and knowledge controlled by firms that enable it to conceive of and implement strategies to improve its efficiency and effectiveness (Barney, 1991).
The resource based view play a central role in the business strategy literature. This perspective holds that a firm’s physical, human, and organizational resources that yield valuable, rare, imperfectly imitable, and imperfectly substitutable assets provide the bases for achieving the sustainability of competitive advantage because competitors cannot readily replicate these unique resource-based advantages (Barney 1991, 2001; Rumelt, Schendel, and Teece, 1991). Teece, Pisano, and Shuen (1997) develop the resource based perspective further with their concept of “dynamic capabilities”, by which sustainable advantage depends on the ability of firms to hone coordinated technological, organizational, and managerial processes that are not easily imitable. Such capabilities are nonimitable because they are derived from socially complex tacit knowledge that cannot be codified (Berman, Down, and Hill 2002).

Fahy (2000) on competitive advantage and resources provides a detailed insight into the logic of the resource –based view and highlight its contribution to the debate on the nature of competitive advantage. The study found significant relationship between resources and competitive advantage in terms of superior performance, characteristic and types of advantage generating resources and strategic choice by management.

Gupta and MCDaniel (2002), on knowledge management (KM) and competitive advantage investigated the vital link between the management of knowledge in contemporary organization and the development of sustainable competitive advantage. They found that knowledge is the second source of competitive advantage.
The resource based stipulates that in strategic management the fundamental sources and drivers to firm’s competitive advantage and superior performance are mainly associated with the attribute of their resources which are valuable and costly to copy (Barney, 1986, 1991, 2001a; Conner, 1991; Mills, Platts, and Bourne, 2003; Peteraf and Bergen, 2003).

A well formulated and implemented strategy can have significant effects on the attainment of competitive advantage level (Richard, 2000; Arend, 2003; Powell, 2003; Porter and Kramer, 2006). The resource based view provides an avenue for organizations to plan and execute their organization strategy by examining the position of their internal resources and capabilities towards achieving competitive advantage (Kristandl and Bontis, 2007; Sheehan and Foss, 2007).

Recent studies and findings on resource attributes and performance in international joint ventures in Malaysia by Ainuddin et al. (2007) strengthens the significance of the value, rareness, inimitable and non-substitutable factors in the resource based view of competitive advantage.

In Kenya’s banking sector resources such as well-trained manpower, technology, capital and assets such as building, machinery play critical role in giving a firm a competitive advantage.

Thus resources such as brand names, technology, skilled personnel, machinery and capital are the foundation for attaining and sustaining competitive advantage position.
2.4 Technology

Forman (1982 and 1985) reported that a strategy that emphasized technology is not necessarily the best. Regardless of their organizational size, Frohman concluded that if a firm decides to exploit technology as a competitive weapon, it must also fulfill the following three conditions:

a) Have top management orientation

b) Have project selection criteria and

c) Have appropriate systems and structure.

Morone (1989) noted that technology provides a firm the opportunity of a source of competitive advantage. As such, the author proposed that strategic management in firms should respond to this technological opportunity and integrate technology with their business strategy.

Molloy and Schwenk’s study (1995) of the effects of technology on the strategic decision process suggested that information technology improved decision making efficiency and effectiveness at each stage of the strategic decision process.

Schroeder et al. (1995) found the linkages between strategy, technology and performance in small manufacturing firms. The authors concluded that failure to adopt an appropriate new technology or the failure to realign a firm’s strategy to the new technology weakened the firm’s competitive position as well as affects its performance.
Hitt, Ireland and Hoskisson (2003), Wheelen and Hunger (2002), David (2001), Price (1996) stressed that technology forms one of the forces that can drive strategic change in organizations. These authors emphasized the important relationships that exist between technology, strategy, structure and organizational performance. The authors also claimed that superior utilization of technology is one the most important ingredient of economic success.

Substantial growth of new technologies, the dynamic of society, and technological development shifts connected with innovation processes, give rise to a great number of management perspectives. The main strategy of surviving organizations during this century inevitably will be associated with the formation of sufficiently effective innovation management system for coping with emergent industries and aggressive innovative movement coming from competitors and the provision of adequate leadership skills for improving organizations’ responsive directions.

Technological innovations, including the internet, represent one of several viable options or tools that are increasingly being utilized to enrich planning and development efforts.

This contention is reinforced by studies suggesting that technology has a positive impact on organizational performance (Devaraj and Kohli, 2003).

The advent of new technology permitting the large-scale provision of Internet banking and payments services has profound implications for many issues of concern to bankers, academics and financial policymakers. These include the nature of competition between financial intermediaries, the structure of banking regulations and changes in the legal environment resulting from changes in banking technology.
The adoption of technological innovations by business organizations has exploded over the last few decades, with global spending on technology across all industries estimated at $2.6 trillion (Kutler, 2005). Part of this growth has been represented by a realization of business benefits associated with the use of the internet. In fact, use of the internet increased over 200 percent from 2000-2007 (Internet World Stats, 2007).

2.5 Top management

Organizations operate in a space of strategic issues. Strategy making is an organization-level process that encompasses the range of activities firms engage in to formulate and enact their strategic mission and goals.

The strategic management literature has viewed firms as information processing and interpretation systems, in which top management members collect, interpret and act upon information (Daft and Weick, 1984).

According to Donaldson and Lorsch (1983) part of the role of top management is reshaping and redirecting the belief system in a manner that support strategic choice.

Studies have generally confirm that a higher level of organizational performance results when the decision making characteristic within an organization and its strategy are aligned (e.g., Govindarajan, 1988; Gupta and Govindarajan, 1984; Miller, Kets de Vries and Toulouse, 1982; Miller and Toulouse, 1986)
The past studies has focused mainly on such factors as environmental (e.g., Covin and Slevin, 1989; Miller and Friesen, 1983) and individual level factors (e.g., Gartner, 1985). Scholars Zahra, Jennings and Kuratko (1999) called for more research at different levels.

According Richard Robinson et al (1988) management attitude towards risk exerts considerable influence on strategic choice. According to him where management attitude favour risk, the range and diversity of strategic choice expand and vice versa. In addition he also asserts that the power/political factors influence strategic choice. According to him in small enterprises the CEO is the dominant force.

Cyert and March (1963), identified another source of power that influences strategic choice in large firms, the coalition phenomena where subunits or influential managers, influence choice of strategy.

The international strategy literature suggest that the management of decision making characteristics may be particularly important for businesses competing in the global industries (Barlett & Ghoshal, 1989; Hedlund & Rolander, 1990) because geographic and cultural distances between subsidiaries within the business unit inherently creates variability in the organizational decision making.

A firm's entrepreneurial strategy making can be largely affected by its top management. It has been found that top management has a greater impact on the organizational outcomes than do the actions of individual executives (O’ Reilly, Snyder, and Boothe, 1993)
Brekic (1994) state that top management has dual role in formulating and developing of the strategy i.e. creation and development of research projects and practical activity - application of research results in determining the course of action.

Finkelstine and Hambrick (1996) specifically suggested that both top management composition and dynamics are critical determinants of organizational strategy and performance.

Top management are the principle decision makers, as such they use their pre-existing knowledge structure to selectively interpret information obtained both internally and externally (Hambrick and Mason, 1984; Ocasio, 1997).

Ocasio (1997) offers a complementary theory to the upper-echelons perspective. According to this theory organizational behavior can be explained based on how organizations distribute and regulate the attention of their top management. The central argument is that "what decision-makers do depends on what issues and answers they focus their attention on" (Ocasio, 1997:188). Comparable to the upper echelons perspective Ocasio's theory acknowledges the central role of top management. Top management focus of attention, however is not random occurrence. Rather, the focus of attention is triggered by characteristics of the specific situation top managers finds themselves in, which in turns depends upon the structural distribution of attention within the organization (Fiske and Taylor, 1984; Ocasio, 1997).

Koontz and Weihrich (1998) assert that success of a company does not depend only on the strategy itself, but also on its efficient implementation. According to them the key to formulating
the strategy and projecting a route toward the desired future state is the strategic awareness of top managers.

With the intense competition, market dynamics and technological development, top management may be seen as the key players in the strategic management process

Osborn et al (2002) suggested that positive comments and recognition is the field where a strategic leader is able to focus leadership style and these may encourage creative contributions.


Competitive issues, paired with internal exigencies are placing pressure on leaders to enhance the success of their planning and development efforts (Mathews, 2006).

The current competitive environment creates a situation where high quality strategic decisions are becoming important (David, 2006).

According David (2006) decision enacted through well-developed strategic plans have significant and positive implication for the overall perpetuity of an organization.

The effects of top management composition and dynamics on organizational strategy and performance is more evident and pronounced in new ventures than in established firms because in new ventures strategic decisions are often made by team cognition rather than by individuals (West, 2007).
2.6 The conceptual framework

Figure 2.1: Conceptual framework

![Conceptual Framework Diagram]

2.6.1 Interpretation of the variables

The conceptual framework illustrates influence of five variables on strategy choice by commercial banks including information technology, organizational culture, top management preferences, competition and organizational resources.

The literature explored indicates that information technology is a vital component in delivery of bank products and services. Technology is associated with knowledge and capabilities. The
literature indicate that technology is a source of competitive advantage and firms need to integrate technology with their business strategy.

In addition, technology improves decision making, efficiency and effectiveness at each stages of decision making. From the literature explored, there is a relationship between strategy, technology and performance.

Organizational culture is also seen to very vital to strategy choice. The literature explored indicates that organizational culture represents organizational image and philosophy as the shared believes, values of the organization and employees perceptions is depicted by organizational culture. From the literature organizational culture is critical to competitive success. According to various authors culture contributes to organizational effectiveness and performance hence affect realized strategy.

In addition top management preferences affect choice of strategy. From the literature explored the top management can support and redirect the belief system in a manner that it supports strategic choice. According to literature explored higher performance results when the decision making characteristic within the organization and strategy are aligned.

In addition top management preferences also enhance organization's ability to exploit strategic opportunities.
Finally both firm’s capabilities and resources and competition also affect choice of strategy. The literature explored indicates that firms’ capabilities are the cornerstone for developing competitive strategy while the essence of strategy formulation is to cope with competition.

2.6.2 Critical review of literature and gaps

The literature reveals that the above variables affect choice of strategy. Banks endeavor to choose best strategic options that give them competitive advantage over other competitors. To stay afloat thus require integration and mix of variables to be considered so that appropriate strategy is chosen. It is noted in the literature that little is mentioned as to which variables are more critical or have far reaching influence if not addressed in the short run. Commercial banks in Kenya is currently facing dilemma as to prioritizing the factors that influence banks overall strategy choice.

The financial resources to be dedicated to implementation of any variable are also scarce. There is also the risk involved in any chosen strategy. The environmental is dynamic, competition is stiff and the technology is changing rapidly and customers are more informed.

It is with this background that the researcher expects to determine from the stakeholders the weighty issues among variables identified to facilitate professional advice to banks management on short and long term strategies to achieve quality performance management and best performance in the light of competition in the banking sector locally and in the region.
The literature explored indicates that choice of strategic options is influenced by five key variables including technology, organizational culture, resource base, top management preferences and competition in the industry. However, the literature does not focus on the extent to which the critical variables influence choice of strategy. As McGrath et al. (2004) put "the link between the real options, the factors that are affecting these options and value of strategic performance is largely unexamined. Several researchers focus on the value of strategic options a firm is holding". The study strives to bridge the gaps identified as to the extent or degree of influence of the variables distilled from the literature.
3.0 Introduction

This chapter presents the research design, the target population, sampling size and the strategy, data collection instruments and procedures and instruments of data analysis.

3.1 Research design

Research design is the pillar and structure of investigation so conceived as to obtain answers to research questions. The main aim of the researcher was to collect data on the factors affecting choice of strategy by some selected commercial bank in Kenya. Data collection was based on the independent variables with aim of establishing their influence on strategy choice. The researcher will qualitative research design.

The qualitative research design that was employed in this study was descriptive research. The main reason for using this design was because the design is beneficial and advantageous since factual information is obtained with minimum bias and maximum reliability of evidence collected (Kothari, 2003).

3.2 The target population

The target population for this study comprise of 1919 staff from five major banks in Kenya. In Kenya there are 44 commercial banks as per central bank report 2009. The research was to
sample 10% of banks depending on their market share. The staffs are from five major divisions namely; the research, innovation and strategy, the human resources, the information technology, the credit division, and the operations. These divisions are targeted because they directly or indirectly involved in the process of strategy choice and implementation (KCB cascade, 2009).

The strategy, research and innovation division is entrusted with the task of research, innovation and consolidation of strategy across the entire company.

The operation division is tasked with day to day running of the company. Thus they implement the strategy.

The human resources division is entrusted with manpower planning and strategy. The human resource 2010-2014 strategy is to create a fully aligned high-performing team across the KCB group in order to drive efficiency whilst growing market share (KCB cascade, 2009).

The information technology division is entrusted to manage technological innovation of the company.

The credit and finance division are entrusted with credit policies, expenditure and prudential guide and credit regulation.

The researcher strongly believes that those included in the sample were to provide reliable data for the study. The population is ideal because all the key divisions of the company are well represented.
3.3 Sampling frame and sample size

According to Mugenda and Mugenda (2004) sample size of a given population should represent 10% of the population. This study then used 10% of the target population as this was adequate and ensure more representation.

The study used the stratified sampling method in selecting targeted respondents. As propounded by Herzog (1996) with probability sampling, all units in the pool of potential selectees were to have a known probability of being chosen. Each staff in the population of this study stands a chance of being included in the sample which makes it immune to sample bias. Cooper et al. (2004) observe that stratified sampling is a sampling where the population can be segregated into two or more mutually exclusive subpopulation or strata. The population was first divided into five mutually exclusive subpopulation or strata therein referred to as a division as show in table 3.1 based on the roles played by the divisions. The questionnaires were distributed randomly to the strata identified. A total of 191 questionnaires were distributed. The research expected a return of at least 80% of the questionnaires.
Table 3.1: sampling frame

<table>
<thead>
<tr>
<th>Division</th>
<th>KCB</th>
<th>BBK</th>
<th>EBL</th>
<th>COOP.</th>
<th>SCB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>107</td>
<td>92</td>
<td>75</td>
<td>84</td>
<td>64</td>
<td>352</td>
</tr>
<tr>
<td>Human Resources</td>
<td>42</td>
<td>38</td>
<td>29</td>
<td>34</td>
<td>31</td>
<td>174</td>
</tr>
<tr>
<td>Information technology</td>
<td>127</td>
<td>102</td>
<td>76</td>
<td>89</td>
<td>64</td>
<td>458</td>
</tr>
<tr>
<td>Operation</td>
<td>221</td>
<td>199</td>
<td>155</td>
<td>177</td>
<td>133</td>
<td>885</td>
</tr>
<tr>
<td>Strategy, innovation &amp; research</td>
<td>8</td>
<td>15</td>
<td>10</td>
<td>12</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Grand Total</td>
<td>505</td>
<td>446</td>
<td>275</td>
<td>396</td>
<td>297</td>
<td>1919</td>
</tr>
</tbody>
</table>

Source: KCB, BBK, EBL, COOP. & SCB Human Resources Department
The researcher was in a position to get rich information from the samples as they are representatives and gender factor taken care of. Patton (1990) asserts that, information rich cases are those from which one can learn a lot about for the purposes of research.

<table>
<thead>
<tr>
<th>Division</th>
<th>Totals</th>
<th>10% of the population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>352</td>
<td>35</td>
</tr>
<tr>
<td>Human Resources</td>
<td>174</td>
<td>17</td>
</tr>
<tr>
<td>Information Technology</td>
<td>458</td>
<td>46</td>
</tr>
<tr>
<td>Operation</td>
<td>885</td>
<td>88</td>
</tr>
<tr>
<td>Strategy, innovation &amp; research</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>1919</strong></td>
<td><strong>191</strong></td>
</tr>
</tbody>
</table>
3.4 Research instruments

The instruments that was used is questionnaire.

**Questionnaires**

The questionnaires were both open-ended and closed on demand. By using both the open and closed ended approach, the researcher gets a complete and detailed understanding of the issue under research (Donald Kombo and Delmo Tromp 2006). The open ended types of questions give informants freedom of response and the closed ended type’s facilitates consistency of certain data across informants (Kothari and Pals, 1993).

The questionnaire method is free from bias of the interview as answers are in the words of respondents and the respondents has adequate time to give well thought out answers and save on this (Kothari, 2003).

The researcher administered the questionnaire personally. Gay (1993) recounts 20% of the study population in survey studies to be representative enough to respond to the questionnaire.

3.5 Pilot study

To confirm the effectiveness of the questionnaires, a pretest was carried out as a piloting of research instruments is very useful in finalizing them (Wiersma, 1995). It was important to ensure that the instruments are piloted to determine their validity and reliability since they have never been used before.
According to Mugenda and Mugenda (2003) a pretest sample of a tenth of the sample respondents with homogenous characteristics was selected for the pilot study. This assists the researcher in correcting ambiguities in the questionnaires and to establish their validity and reliability.

Validity is tested by representativeness of the target population and by consensual judgments’ by experts (Mugenda and Mugenda, 2003). During the pilot study, the researcher was focused on the objective of the study and keen in determining any particular parameter which could be included in the actual administration.

Mugenda and Mugenda (2003) define reliability as a measure of the degree to which a research instruments yield the same results on repeated trials. Reliability in research is caused by random error, which is the deviation from a true measurement. After the pilot study, the respondent questionnaires was tested using split- half technique.

Orodho (2005) refers to split –half method as a type of testing based on co-efficient of internal consistency of the research instruments. Instruments is divided into two equal halves usually in terms of even and odd numbered items and scored separately after it has been tested. Then correlation coefficient is calculated from the scores on each half of the test which usually fall between 0.0 and 1.0, with the closer to 1.0, the more reliable the instruments is. This study targeted correlation coefficient closer to 1.0 while the ambiguities was identified and corrected. This method has the ability to measure the internal consistency of the instruments by taking into account changes in time and circumstances.
Two divisions outside the study sample in the company were purposefully selected for piloting the instruments.

3.6 Data analysis and interpretation

Descriptive statistics was used to analyze the data. According to Denscombe (1998) this method is the process of transforming a mass of raw data into tables, charts with frequency distribution and percentages and that it is a vital part of making sense of the data.

The study examined the collected data to make inferences through a series of operations involving editing to eliminate repetitions and inconsistencies, classification on the basis of response homogeneity and subsequent tabulation for the purpose of inter-relating the variable under study. The refined data was analyzed using description statistics involving percentages and mean scores to determine concentration and standard deviation so as to measure disparity for the liker-scale questions used in the questionnaires. Descriptive statistics was invaluable in describing data in such a way as to portray the typical respondents and to reveal the general pattern of responses regarding factors affecting choice of strategy by commercial banks. The statistic was generated with the aid of computer software, statistic package for social sciences (SPSS). As stipulated by Obure (2002) the statistical program for social sciences (SPSS) incorporates all the most popular analytical procedures for use in social sciences, financial investment analysis and business research, health sciences and even physical sciences. It was appropriate for this study as the data from survey generate statistics. Finally for the purpose of
communicating effectively to ultimate users, findings was presented using both tabular and graphical presentation like histogram, bar charts, line graph and pie charts.

3.8 Expected outcome

The study expects to establish factors affecting choice of strategy by commercial banks. Specifically the research finding illustrates how technology, resource base, top management preference, organizational culture and industry competition influence strategy choice by Kenya commercial bank.
CHAPTER FOUR

RESULT AND FINDINGS

4.1 Introduction

This chapter presents and briefly explains the finding of this study based on the data collected. The data collected from 60 respondents out of the targeted 191 was analyzed using SPSS and presented using tables, charts, frequencies and percentages. The response rate was 31.4%. This response rate was very low compared to expected response rate of 80%. Although most of the targeted respondent did not return the questionnaires, it was possible to meet the objective of the study. The data presented in this chapter are based on five variables: (1) technology (2) organizational culture (3) top management (4) competition and (5) organizational resources.

4.2 GENERAL INFORMATION

This section had questions on gender, age, length of service and department.

4.2.1 Gender

The gender breakdown amongst the respondents of various banks was 58.3% male and 41.7% female as tabulated in the table 4.1below:-
Table 4.1 Gender Distribution

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Female</td>
<td>25</td>
<td>41.7</td>
<td>41.7</td>
<td>41.7</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>35</td>
<td>58.3</td>
<td>58.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.2 Age Distribution

The age distribution in the banks was found to be 5% age 22 and below, 21.7% between ages of 23-26, 53.3% were between 27 to 30 years old. 10% were between 31-34 years while 10% were 35 years and above as shown in table 4.2 below.
Table 4.2 Age Distribution

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 and below</td>
<td>3</td>
<td>5.0</td>
<td>5.2</td>
</tr>
<tr>
<td>23-26</td>
<td>13</td>
<td>21.7</td>
<td>27.6</td>
</tr>
<tr>
<td>27-30</td>
<td>32</td>
<td>53.3</td>
<td>82.8</td>
</tr>
<tr>
<td>31-34</td>
<td>6</td>
<td>10.0</td>
<td>93.1</td>
</tr>
<tr>
<td>35 and Above</td>
<td>6</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.2.3 Length of Service

Table 4.3 below shows the respondent length of service which refers to the employees’ year of service to commercial banks. 6.7% have worked for 1 year, 15% have worked for 2 years, 43.3% have worked for 3 years, 6.7% have worked for 4 and 5 years respectively. 1.7% have worked for 6 and 20% have worked more than 6 years.
Table 4.3 length of service

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>4</td>
<td>6.7</td>
<td>7.0</td>
</tr>
<tr>
<td>2 year</td>
<td>9</td>
<td>15.0</td>
<td>22.8</td>
</tr>
<tr>
<td>3 years</td>
<td>26</td>
<td>43.3</td>
<td>68.4</td>
</tr>
<tr>
<td>4 years</td>
<td>4</td>
<td>6.7</td>
<td>75.4</td>
</tr>
<tr>
<td>5 years</td>
<td>4</td>
<td>6.7</td>
<td>82.5</td>
</tr>
<tr>
<td>6 years</td>
<td>1</td>
<td>1.7</td>
<td>84.2</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.4 Departmental Representation

From table 4.4 below 5% of the respondent did not indicate their department while 30%, 28.3%, 10%, 13.3% and 5% represents credit, human resources, information technology, operation and research and innovation and strategy divisions respectively.
<table>
<thead>
<tr>
<th>Departmental Representation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Response</td>
<td>3</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Credit</td>
<td>18</td>
<td>30.0</td>
<td>30.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Human Resources</td>
<td>17</td>
<td>28.3</td>
<td>28.3</td>
<td>63.3</td>
</tr>
<tr>
<td>Information Technology</td>
<td>6</td>
<td>10.0</td>
<td>10.0</td>
<td>73.3</td>
</tr>
<tr>
<td>Operations</td>
<td>8</td>
<td>13.3</td>
<td>13.3</td>
<td>86.7</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>8.3</td>
<td>8.3</td>
<td>95.0</td>
</tr>
<tr>
<td>Research, Innovation and</td>
<td>3</td>
<td>5.0</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>
4.3 TECHNOLOGY

On the technology variable six questions were asked to determine whether technology affect choice of strategy. The responses are shown by pie charts below respectively.

**Figure 4.1 Extent Technology Improve Decision Making**

From the pie chart above, 45% of the respondents believe that technology improve decision making by very greater extent and greater extent respectively. 1.7% gives no responses and little extent respectively. 6.7% said technology improves decision making by moderate extent.
Respondent were asked whether strategy that emphasize technology necessarily the best. 71.7% indicated yes and 25% indicated no. 3.3% did not respond to the question. Findings are presented in the pie chart above.
Figure 4.3 Reason For Emphasize On Technology

<table>
<thead>
<tr>
<th>Reason For Emphasize in Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEST</td>
<td>2.9%</td>
</tr>
<tr>
<td>COMPETITION</td>
<td>5.9%</td>
</tr>
<tr>
<td>Coping Technique</td>
<td>2.9%</td>
</tr>
<tr>
<td>DYNAMIC</td>
<td>2.9%</td>
</tr>
<tr>
<td>EFFICIENT</td>
<td>32.4%</td>
</tr>
<tr>
<td>VITAL</td>
<td>5.9%</td>
</tr>
<tr>
<td>RAPID CHANGE</td>
<td>11.8%</td>
</tr>
<tr>
<td>Other Strategies</td>
<td>8.8%</td>
</tr>
<tr>
<td>NOT REPLACE HUMAN</td>
<td>8.8%</td>
</tr>
<tr>
<td>Network</td>
<td>2.9%</td>
</tr>
<tr>
<td>FASTER</td>
<td>14.7%</td>
</tr>
<tr>
<td>NOT REPLACE HUMAN</td>
<td>8.8%</td>
</tr>
<tr>
<td>Network</td>
<td>2.9%</td>
</tr>
<tr>
<td>FASTER</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

The respondents were further asked to support their answer as to why strategy that emphasize technology is the best. 32% indicated technology improves efficiency, 14.7% indicated technology speed up processes, 11.8% indicated technology changes rapidly, 5.9% indicated technology is vital.
The respondents were asked whether technology provide competitive advantage.

93.2% indicated yes and 6.8 indicated no. the outcome is presented by pie chart above.
From the pie chart 94.8% of the respondent indicated that there is relationship between technological innovation and organizational performance while 5.2% indicated no.
From the pie chart above 51.7% of the respondents indicated technological innovation in the banking sector is very intense. 37.9% indicated intense while 10.3% indicated moderate.
From the pie chart above, most respondents indicated expertise is the most felt technological challenge at 32.8%, cost at 31%, frequency of failure at 17.2% and quality at 19%.

4.4 Top Management

On this variable the respondent were asked whether top preferences affect choice of strategy, the role top management play in reshaping and redirecting strategy choice and factors that influences top management choice of strategy. The results are shown by the bar graphs below.
Figure 4.8 Top Management Preferences

98% of the respondents indicated that top management preferences affect choice of strategy and 2% indicated no, as displayed by the bar graph above.
As displayed in the bar graph above, 98% gave yes that top management reshape and redirect the belief system in a manner that supports strategic choice. 2% gave no.
52% of the respondent indicated that environmental factors influence strategic choice by top management. 12% indicated individual level factor, 28% indicated managerial attitude and 8% indicated political power as displayed by the bar graph above.
The respondent view on whether higher level of organizational performance result of good decision making by top management, 63% indicated to greater extent, 20% indicated very greater extent, and 13% indicated moderate extent.
87% of the respondents strongly agree that success of a company does not depend on strategy itself but on its efficient implementation. 13% agree as bar graphed above.
4.5 Competition

On this variable the respondent were asked question on industry competition.

4.5.1 Competition in the Banking industry

As shown in the table below 78% indicated that industry competition is very intense, 18% intense and 3.3% moderate.

Table 4.5 competition in the banking

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Intense</td>
<td>11</td>
<td>18.3</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td>2</td>
<td>3.3</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>Very</td>
<td>47</td>
<td>78.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Intense</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.2 Technological Innovation Facilitated Competition

As illustrated in the table below all respondents agreed that technological innovation facilitate competition.
Table 4.6 technological innovation facilitated competition

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.3 International and Pan Africa Banks

35% of the respondents agree that presence of international and pan African banks affect industry competition. 30% to a greater extent, 28% to moderate extent and 6.7% to a little extent as shown in the table below.
Table 4.7 International and Pan African Banks

<table>
<thead>
<tr>
<th>Valid Extent</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Greater</td>
<td>21</td>
<td>35.0</td>
<td>35.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Little Extent</td>
<td>4</td>
<td>6.7</td>
<td>6.7</td>
<td>41.7</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>17</td>
<td>28.3</td>
<td>28.3</td>
<td>70.0</td>
</tr>
<tr>
<td>Very Greater Extent</td>
<td>18</td>
<td>30.0</td>
<td>30.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.5.4 Bank Strategy Choice

As shown in the table 50% of the respondents agreed that their bank choice of strategy is responsive to competitors move, 25% strongly agree and 21.7% disagree.
### Table 4.8 Bank Strategy Choice

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>21.7</td>
<td>70.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>15</td>
<td>25.0</td>
<td>96.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>3.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

### 4.5.5 Central Bank Regulation

98.3% of the respondents agree that central bank regulation foster competition and 1.7% disagree. Majority of the respondent believe central bank regulation foster competition as illustrated in the table below.

### Table 4.9 Central Bank Regulation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid No</td>
<td>1</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Yes</td>
<td>59</td>
<td>98.3</td>
<td>98.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.5.6 Bank Regional Expansion

As shown in the table below, 56.7% of the respondents agree regional expansion by commercial banks is as a result of competition and 43.3% disagree.

**Table 4.10 Bank Regional Expansion**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>No</td>
<td>26</td>
<td>43.3</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>34</td>
<td>56.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.6. Organizational Culture

On this variable the respondent were asked whether organization culture affect choice of strategy.

Figure 4.13 Organizational Culture Support Priorities of Organization

On the questions on whether organizational culture supports organizational priorities, 45.8% indicated more likely, 39% moderately, 8.5% less likely and 6.8% highly as shown by the pie charts above.
From the pie chart above, 50% of the respondent agree that strategy chosen need to be aligned to organizational culture to greater extent, 28.3% moderate extent and 21.7% very greater extent.
53.3% of the respondents agree that organizational culture is a source of competitive advantage, 41.7% strongly agree while 3.3% strongly disagree as shown in the pie chart above.
As illustrated in the pie chart above, all respondents confirm that past strategy affect choice of current strategy.

4.7 Organizational resources

On this variable the respondents were asked whether organizational resources influence choice of strategy. The respondent were asked whether firm resources support organizational goals and mission, whether firms utilize unique set of resources to build competitive advantage and which firm resources is the main source of competitive advantage among other elements.
4.7.1 Organization Goals and Mission

46.7% of the respondent indicated that organizational resources highly supported organizational goals and mission, 43.3% averagely supported, 8.3% lowly supported and 1.7% not supported as illustrated in the table below.

Table 4.11 Organizational Goals and Mission

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Averagely</td>
<td>26</td>
<td>43.3</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>Highly</td>
<td>28</td>
<td>46.7</td>
<td>90.0</td>
</tr>
<tr>
<td></td>
<td>Supported</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lowly</td>
<td>5</td>
<td>8.3</td>
<td>98.3</td>
</tr>
<tr>
<td></td>
<td>Supported</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not</td>
<td>1</td>
<td>1.7</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Supported</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.7.2 Utilize Unique Set of resources

All the respondents agreed that organizations utilize unique set of resources to build competitive advantage as shown in the table below.

Table 4.12 Utilize Unique Set of Resources

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.7.3 Relationship between organization resources and Firms choice of strategy

48.3% of the respondent indicated that there is high and moderate relationship between organization resources and strategy choice, while 3.3% of the respondents indicated that there is low significance. The result is illustrated in the table below.

Table 4.13 Relationship between Organization Resources and Firms Choice of Strategy

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>29</td>
<td>48.3</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Moderate</td>
<td>29</td>
<td>48.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.7.4 Main Source of Competitive Advantage

As shown in the table below, 48.3% of the respondents indicated well-trained manpower is the main source of competitive advantage, 26.7% indicated technology, 15% brand name and 10% indicated capital.

Table 4.14 Main Source of Competitive Advantage

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Name</td>
<td>9</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Capital</td>
<td>6</td>
<td>10.0</td>
<td>10.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Technology</td>
<td>16</td>
<td>26.7</td>
<td>26.7</td>
<td>51.7</td>
</tr>
<tr>
<td>Well-Trained manpower</td>
<td>29</td>
<td>48.3</td>
<td>48.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.7.5 Firms to Conceive and Implement Strategies

As illustrated in the table below, 51.7% of the respondents agreed that organizational resources enable firms to conceive and implement strategies. 40% strongly agree and 8.3% disagree.

Table 4.15 Firms to Conceive and Implement Strategies

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>31</td>
<td>51.7</td>
<td>51.7</td>
<td>51.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>8.3</td>
<td>8.3</td>
<td>60.0</td>
</tr>
<tr>
<td>Strongly</td>
<td>24</td>
<td>40.0</td>
<td>40.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
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CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains a discussion of the findings of the study outlined in chapter 4. A summary of the purpose of the study, specific objectives, research methodology and major finding will also be discussed. Finding in the study will be interpreted against the literature review in chapter 2 followed by conclusions and recommendations both for commercial banks and for future studies.

5.2 Summary

The purpose of this study was an assessment of factors affecting choice of growth strategy by selected commercial banks. The specific objectives of this were to:

1. To find out whether technology affect choice of strategy.
2. To establish the effect of organizational culture on the choice of strategy.
3. To examine whether resource base affect choice of strategy.
4. To determine whether top management preferences affect choice of strategy.
5. To find out whether competition affect choice of strategy.
The population under study was 1919 staffs from five major commercial banks. The population was stratified into five departments and then stratified random sample used to select the 191 participants.

5.2.1 Technology

The major findings in the study were that technology improves decision making to a greater extent. Similarly majority considered that strategy that emphasizes technology is the best because technology improves efficiency, speed processes, foster competition and vital to corporate success. There was also general consensus that technology is a source of competitive advantage.

In addition technological innovation promotes performance and that technological innovation in the Kenya’s banking sector is very intense. Lastly but not the least, majority pointed out that the major technological challenges faced by firms is expertise and costs.

5.2.2 Top Management

Majority of the respondents considered top management preferences affect choice of strategy, top management reshape and redirect organizational belief system in a manner that supports strategic choice. In addition majority of the respondents acknowledge that environmental factors influences strategic choice by top management. High level organizational performance is a good decision by top management and success of strategy also depend on its efficient implementation.
5.2.3 Organizational Culture

Majority of the respondents considered organizational culture supports organizational priorities. Similarly many respondents agreed that strategy chosen need to be aligned to organizational culture. Organizational culture is also considered as a source of competitive advantage.

5.2.4 Industry Competition

Majority of the respondents considered competition in Kenya’s banking industry as very intense and that technological innovation, international and pan African banks, central bank regulation and regional expansion by major players facilitates and fosters industry competition.

5.2.5 Organizational Resources

In the study it was found that organizational resources support organizational goals and mission. Also well-trained manpower is considered as the main source of competitive advantage. Similarly majority of the respondents indicated organizational resources enable firms to conceive and implement strategies.

5.3 Discussion

In this section, an interpretation of the results will be provided by comparing them with the findings of previous studies carried out on factors affecting choice of strategy as discussed in the literature review section chapter 2. The five variables namely
technology, top management, industry competition, organizational culture and organizational resources were analyzed against choice of strategy. The outcomes are displayed below and will form the basis of discussion in this chapter.

5.3.1 Technology

In this study, the findings on the variable technology and choice of strategy are that technology improves decision making to a greater extent. According to Molly and Schwenk's (1995), on the effect of technology on the strategic decision making process suggested that information technology improved decision making efficiency and effectiveness at each stage of strategic decision making process.

The study also found that strategy that emphasizes technology is the best. This is contrary to Forman report (1982 and 1985) that a strategy that emphasizes technology is not necessarily the best.

In addition the study established there is a relationship between technology and organizational performance. This concurs with the findings of Hitt, Ireland and Hoskisson (2003) who emphasized important relationship exist between technology, strategy, structure and organizational performance. Schroeder, et al (1995), also found that there is linkage between strategy, technology and performance. They concluded that failure to adopt an appropriate new technology or failure to realign a firm's strategy to new technology weakened the firm's competitive position as well as affects its performance.
5.3.2 Top Management

The study findings were that top management preferences affect choice of strategy. The study also found that top management plays the role of reshaping and redirecting belief systems in a manner that supports strategic choice. This concurs with Donaldson and lorsch (1983) that part of the role of top management is reshaping and redirecting the belief system in a manner that supports strategic choice.

In addition, the study found that higher level organizational performance is a result of good decision making by top management. Guvindarajan (1988) and Miller and Toulouse (1986) confirmed that a higher level of organizational performance results when the decision making characteristic within an organization and its strategy are aligned.

According to Richard Robinson et al (1988) management attitude toward risk exerts considerable influence on strategic choice. These study findings contradict this. The study found that environmental factors considerably influence choice of strategy by top management.

5.3.3 Competition

The study reveals that competition in Kenya's banking sector is very intense. This concur with central bank report (2008), that with around 50 banks operating in Kenya the cut throat competition is least they could have expected. Technological innovation, international and pan African bank, was also found to facilitate competition. This concurs
with equatorial commercial bank CEO (2010) assertion that competition in the industry is ever getting fierce forcing small banks to rethink their strategies. According to him, technology driven innovation, fierce competition and the presence of pan African and other international banks, has made smaller banks to rethink their strategies for survival. According to CBK supervision reports (2009), local competition is expected to intensify as banks downstream and well established pan African and international brands establish their presence in Kenya.

5.3.4 Organizational Culture

Findings in this study indicate that organizational culture support firm priorities highly. It also indicates that strategy chosen need to be aligned with organizational culture. In addition organizational culture affect realized strategy. These findings concurs with studies of linkages between organizational culture and organizational effectiveness such as Dennis (1990), Dennis and Mishra(1995), Dennis and Neale (1996) and Few and Dennis (2003) four functional dimension of organizational culture, adaptability, consistency, instrument and mission that are positively related to organizational effectiveness across different national cultures. Cliff Bowman and David Asch (1996), argued that organizational culture affects realized strategy.

Similarly this study found that organizational culture is a source of competitive advantage. According to Collins and Porras (1998), in high performing organizations strong culture endure and is a means by which organizations can strengthen their
performance, adapt to change and changing environment, all while increasing their chances of survival and maintaining their competitive advantage.

5.3.5 Organizational Resources

This study found that organizational resources supports firms’ mission and goals and that firms utilize unique set of resources to build competitive advantage. This findings is supported by Barney (1991), firms build competitive advantage by utilizing unique set of resources. According to him resources are heterogeneous and typically include all assets, capabilities, processes and knowledge controlled by firms that enable it to conceive and implement strategies to improve its effectiveness and efficiency.

The study also found that there is significant relationship between organizational resources and firms choice of strategy. This concur with Fahy (2000), who found significant relationship between resources and competitive advantage in terms of superior performance, characteristic and types of advantage generating resources and strategic choice by management.
5.4 Conclusion

The purpose of this study is to assess factors that affect choice of strategy by commercial banks.

5.4.1 Technology

This study found that technology greatly improves decision making in an organization. Strategy that emphasizes technology is the best. Technology provides firms with competitive advantage as such firms should respond to technological opportunity and integrate technology with business strategy. Technology has positive impact on organizational performance such as speed up processes, improve efficiency and effectiveness and vital for organizational survival in this century.

5.4.2 Top Management

This study found that top management preferences affect choice of strategy. Part of the role of top management is reshaping and redirecting the belief system in a manner that supports strategic choice. This study confirms that a higher level of organizational performance results when the decision making characteristic within an organization and its strategy are aligned.

5.4.3 Competition

This study found that competition in Kenya’s banking sector is very intense. This competition is fostered by financial deregulation by CBK and increasing globalization.
Similarly information technology has provided many opportunities for creating new financial products and distribution methods, for example Automated teller machines (ATMs), telephone banking and computer banking and reduced for investment in conventional branch infrastructure.

5.4.4 Organizational culture

This study found that organizational culture is crucial to firm’s competitive success. The study found culture is key to organizations effectiveness. Organizational culture has enormous influence on organizations choice of strategy.

5.4.5 Organizational Resources

This study found that organizational resources enable firms to conceive and implement strategies to improve its efficiency and effectiveness. The study found significant relationship between resources and strategy choice in terms of competitive advantage and superior performance.

5.5 Recommendation

This study shows that all the variables assessed affect choice of strategy by commercial banks. This study recommends the following measure to commercial bank in their efforts to make the process of strategy a success.
5.5.1 Technology

The main strategy of surviving organizations during this century inevitably will be associated with the formation of sufficiently effective innovation management system for coping with emergent industries and aggressive innovative movement coming from competitors and the provision of adequate leadership skills for improving organizations responsive directions. Therefore commercial banks should lay more emphasizes on technology innovations that permit large scale provision of internet banking and payment services to enrich their planning and development efforts.

5.5.2 Top Management

Top management has dual role in formulating and developing of the strategy. With current competitive environment top management of commercial banks need to make high quality strategic decisions. They should bring on all stakeholders and utilize information obtained both internally and externally. Quick strategic response to both competitors and market dynamic is essential.

5.5.3 Organizational Culture

Strategy should be aligned with organizational culture for it to receive support. Commercial banks should develop strong culture that unite all members of their organization in terms of their believes, values, attitude and assumption.
5.5.4 Competition

Commercial banks should become more innovative in the way they respond to industry competition. They need to adopt strategies that aim at improving customer services, credit facilities and responsive to client demands.

5.5.5 Resources

Commercial banks need to realize that organizational resources are source of sustainable competitive advantage. By examining the position of their internal resources and capabilities they can plan and execute their organization strategy.

5.5.6 Further recommendation

Much more research is needed in Kenya and other countries to establish whether the effects of these factors on strategy choice are similar.

Through this technology, top management, industry competition, organizational culture and resources affect choice of strategy. The dynamic could be different in other industries and this can form basis for further research.

5.6 Chapter summary

This is the final chapter of this research project and it contained a detailed discussion of the findings of the study according to each objective and with reference to literature review conducted in chapter 2. This was followed by drawing up conclusion and
recommendation for commercial banks and study gap that can form the basis of future studies.
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APPENDICES

Appendix 1: Letter of Introduction

Galgalo Ganale
C/O (MBA office)
Kenyatta University
P.o.box 58233, Nairobi
August 2010

Dear respondent,

My name is Galgalo Ganale, a Masters in Business Administration (MBA) student at Kenyatta University. I am currently carrying out my research project on the topic "an assessment of factors affecting choice of strategy by selected commercial banks in Kenya. I am inviting you to participate in this research project by filling out the questionnaire posted on the intranet. You will be asked variety of questions about factors affecting choice of strategy by commercial banks.
If you work in research, innovation and strategy, operations, human resources, credit and information technology divisions you can participate in the study. You are not required to put your name or staff number on this questionnaire. I guarantee that your responses will remain confidential and will not be identified with you personally. The questionnaire will take you about 20 minutes to complete, kindly take the time to fill it then click on the submit button.

If you have any questions or concerns about completing the questionnaire or about being in the study, you may contact me through the email address provided below.

A copy of the findings will be provided on request.

I greatly appreciate your help in furthering this research endeavor.

Sincerely

Galgalo Ganale

galgalanale@yahoo.com
Appendix 2: Questionnaire

SECTION A:

GENERAL INFORMATION

In this section you will be asked general questions.

To select your responses please tick appropriately.

1. Gender: Male □ Female □

2. Age: 22 and below □ 23-26 □ 27-30 □ 35 and above □

3. Length of service: 1yr □ 2yrs □ 3yrs □ 4yrs □ 5yrs □ 6yrs □ others (indicate) □


SECTION B

The questions in this section ask you about your experience about your work life in particular on strategy choice.

In this section, select an option that explains your opinion on each of the following statement.

I. Technology

5. To what extent does technology improve decision making in an organization?
   □ little extent □ moderate extent □ greater extent □ very greater extent
6. Does strategy that emphasizes technology necessarily the best?

☐ YES ☐ NO

Kindly give reason for your answer

7. Does technology provide a firm with competitive advantage?

☐ YES ☐ NO

If the answer to the above is NO kindly give your reason

8. Is there a relationship between technological innovation and organization performance?

☐ YES ☐ NO

If the answer to the above is NO kindly give your reason

9. How do you rate technological innovation in the banking industry?
10. Which of the following technological challenges is felt most by firms?

- cost
- quality
- expertise
- frequency of failure

Top management

11. Does top management preferences affect choice of strategy?

- YES
- NO

12. Does top management play the role of reshaping and redirecting belief system in a manner that supports strategic choice?

- YES
- NO

If the answer to the above is NO kindly give your reason

________________________________________________________________________________________________________________________

________________________________________________________________________________________________________________________

13. Which of the following factors considerably influence strategic choice by top management?

- Environmental factors
- Individual level factors
- Managerial attitude toward risks
- Political/power factors

14. To what extent does higher level of organizational performance results of good decision making by top management?
15. Does top management attitude toward risks influence strategic choice?

 □ YES □ NO

If the answer to the above is NO kindly give your reason

17. Success of a company does not depend only on the strategy itself but also on its efficient implementation.

 □ strongly agree □ agree □ disagree □ strongly disagree

III. COMPETITION

18. How do you rate competition in the banking industry in Kenya?

 □ Very intense □ intense □ moderate □ low □ very low

19. Does technological innovation facilitates competition?

 □ YES □ NO

If the answer to the above is NO kindly give your reason
20. To what extent does the presence of international and pan Africa banks affect industry competition?

□ little extent  □ moderate extent  □ greater extent  □ very greater extent

21. KCB’s strategic choice is responsive to competitors move?

□ strongly agree □ agree □ disagree □ strongly disagree

22. Does central bank regulations foster competition?

□ YES □ NO

If the answer to the above is NO kindly give your reason

__________________________________________________________________________

__________________________________________________________________________

23. Is regional expansion by KCB as a result of competition?

□ YES □ NO

If the answer to the above is NO kindly give your reason

__________________________________________________________________________

__________________________________________________________________________

IV. ORGANIZATIONAL CULTURE

24. Does organizational culture support priorities of the organization? Use the following.
25. To what extent does strategy chosen need to be aligned with organizational culture?

- More likely
- less likely
- moderately
- highly

26. Organizational culture affect realized strategy?

- little extent
- moderate extent
- great extent
- very greater extent

27. Organizational culture is a source of competitive advantage?

- strongly agree
- agree
- disagree
- strongly disagree

28. Does past strategy affect the choice current strategy?

- YES
- NO

If the answer to the above is NO kindly give your reason

V. organizational resources

29. Are the organizational mission and goals supported by resources?

- not supported
- lowly supported
- averagely supported
- highly supported

30. Does firms utilize unique sets of resources to build competitive advantage?
31. Is there relationship between organizational resources and firms choice of strategy? Tick as appropriate.

☐ Low ☐ moderate ☐ high ☐ none

32. Which of the following resources is the main source of competitive advantage?

☐ Well-trained manpower ☐ technology ☐ capital ☐ brand name

33. Does firms need to examine the position of their internal resources and capabilities before they plan and execute their strategy?

☐ YES ☐ NO

If the answer to the above is NO kindly give your reason

34. Firms resources enable firms to conceive and implement strategies.

☐ strongly agree ☐ agree ☐ disagree ☐ strongly disagree
### Appendix 3

#### Research Study Budget

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<tr>
<td></td>
<td>Sub total</td>
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<td>-</td>
<td>13000</td>
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| Final Project  | Stationery           | 10       | 400            | 4000          |
|                | Printing             | 1000     | 5              | 5000          |
|                | Transport            | -        | -              | 4000          |
|                | Data collection/research assistant | - | - | 14000 |
|                | Telephone costs      | -        | -              | 5000          |
|                | Miscellaneous (10% of contingencies) | - | - | 5000 |
|                | Sub total            | -        | -              | 37000         |

|                | Grand total          | -        | -              | **50000**     |

N/B: The above budget will be financed by the researcher.
Appendix 4:

Research Time Schedule

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<td>Pilot Testing</td>
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<tr>
<td>Data Collection</td>
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