

**BUSINESS PROCESS RE-ENGINEERING PRACTICES AND  
ORGANIZATIONAL PERFORMANCE OF SELECTED COMMERCIAL  
BANKS IN NAIROBI CITY COUNTY, KENYA**

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## **DEDICATION**

I would wish to dedicate this research project to my beloved husband Robert Tom Ileve and to my children Naumy Tom, Michael Tom and Sasha Tom.

## **ACKNOWLEDGEMENT**

I wish to recognize with gratitude my supervisor Dr, Felistus Makhamara for the guidance during this journey.

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## **ABBREVIATIONS AND ACRONYM**

<b>BPR</b>	Business Process Re-Engineering
<b>CBK</b>	Central Bank of Kenya
<b>DPF</b>	Deposit Protection Fund
<b>SME</b>	Small and Medium Enterprises

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## **OPERATIONAL DEFINITION OF TERMS**

**Innovation:** This is finding a better way to improve what an organization already has so that they can fir in the existing markets.

**Product Quality:** This an organization bring able to offer products that satisfy customers and fulfill their needs

**Business Process Re-Engineering:** So that an organization can improve how they produce their goods and attain its mission, it requires undertaking a process of rethinking and redesigning all the activities in the organization by using low costs

**Organizational performance:** this is the measurement of intended outputs against the organizations actual output or results.

## ABSTRACT

The organizational performance of Kenyan commercial banks has continually declined due to stiff competition from other financial institutions. The innovations of lending applications and mobile banking have given room for loan defaults by customers from the main banks hence reduced organizational performance. The main study objective was to establish influence of re-engineering practices of business process on Kenya commercial banks' organizational performance. Specifically, this research sought to initiate the impact of leadership change, customer focus, information technology and innovation on organizational performance of Nairobi County's commercial banks. The study scope was limited to Nairobi County commercial banks. The study focused on 43 commercial banks in Nairobi County. A descriptive research design was utilized for the study. A population of 1020 staff from the 43 commercial banks at Nairobi headquarters in Kenya was used, where a sample of 278 staff was selected. A descriptive design and stratified sampling were utilized for the research. The study utilized primary information. The data gathered was analysed using inferential and descriptive statistics. Multiple linear regressions were used. The study revealed that leadership change while maintaining all the other factors constant would positively change commercial banks' performance. Customer focus has a significant influence on commercial banks' performance. Most banks identify all their customers and address customer's complaint immediately. A change in information technology change while keeping other factors constant can affect commercial banks' performance. Most banks have introduced new technologies and adoption of m-commerce is growing fast in banks. A unit increase in innovation while holding all the other factors constant would positively change commercial bank performance. The study recommended that firms need to invest in information technology and educate their employees on how to use the technologies to reduce operation costs, increase operation speed and improve service and product quality. The research also recommended that studies in the future need to focus on non-commercial banks since the current study was only limited to commercial banks in Kenya.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background to the Study**

The organization's productivity results from the processes that organizations discover in reengineering methods to do their work (Hammer & Champy, 2008). The reengineering methods are to make changes in organizations so that they can be able to keep with the business environment's rapid changes (Zigiaris, 2010). Due to factors such as price respects, quality and selection, and delivery service and promptness; competition has increased (Zigiaris, 2010). The transformation of the organization requires all these needs so that the climate of the organization and structure can undergo the changing process. The organization's business strategy gives the organization a direction on how it should focus on redesigning and restructure the company radically through Business process re-engineering (BPR) (Maullet, 2011).

According to Carter (2015), most companies are after reengineering, downsizing without figuring out how to reduce the workload. Legitimate reengineering is a matter of streamlining internal processes and eliminating redundancies. However, this has also become a euphemism for staff reduction and de-layering. This leaves managers with pressure of working with slashed budgets, downsized workforces, mergers and acquisitions. As a result of downsizing and cost cutting, people get stressed because they do not view their jobs as stable.

The personnel involved in all activities in the organization needs to be part of the re-engineering process thus the management should that they are aware of the process and they also be assigned roles so that they can be able to adopt to the changes that

will take place. The main reasons why organizations undertake the re-engineering process include; ensuring that their organization is customer-oriented, ensuring that their goals are achieved and that the services to be provided to customers are effective. The organization's performance is improved through dealing with the current challenges and changing the traditions of the organization. The whole process of Business Process Reengineering (BPR) involves making the organization's activities to be more efficient, effective and added value so that their goals can also be achieved. An organization has to have effective plans in how the re-engineering process will take place, the resources needed and the roles each personnel will undertake. The process requires resources to be available especially finances so that the process can be effective and run smoothly where the personnel, finances and technology are available.

The radical change in re-engineering business process relies greatly on IT according to United Kingdom Hammer (2011). The application of IT is increasing in demand as businesses are continuing to multiply. The competitive environment that is in hand currently has made most of the organization to make use of IT in a sophisticated manner so as to advance their survival. Most of the studies done on performance and business process re-engineering have not showed how these two have led to the strategic changes in the business environment as studied by Giaglis (2011), using the manufacturing firms in France. It is thus advisable for organizations to improve their business process re-engineering through implementing of effective strategies that will be used in the production of products and ensure improved performance.

In Kenya, most of the business has been involved in reengineering for performance improvement. The study covers the use of business process reengineering as a key

factor influencing organizational performance. The strategies and operations of the bank have to be reengineered so that they can accommodate the changes that take place in the business' external and internal environment in which the bank is operating as well as the entire financial sector. The transformation of the organization requires all these needs so that the climate of the organization and structure can undergo the changing process. The organization's business strategy gives the organization a direction on how it should focus on redesigning and restructure the company radically through Business process re-engineering (Stalk, 2010).

### **1.1.1 Business Process Re-engineering Practices**

So that an organization can improve how they produce their goods and attain its mission, it requires undertaking a process of rethinking and redesigning all the activities in the organization by using low costs which is called Business process reengineering (BPR). Businesses are reengineered in two major areas in the organization. The making of decisions and dissemination of data is enhanced through modern technology (Berrington, & Oblich, 2010). A business process has to go through fundamental changes to improve quality, speed and productivity. Radical changes are preferred when dealing with business reengineering because unlike incremental changes they are made to bring about dramatic improvements.

Organizations constantly operate in competitive environments and they need to constantly make changes on how they operate or how work is done. These constant changes and shake ups make it easier for the companies to adapt to shifts in markets and changes in the business environment. Business Process Reengineering is not about marginal changes or fine tuning but about dramatic changes. Business process reengineering is for ambitious companies that are willing to make substantial and

significant changes for the purpose of achieving significant improvements on organizational performance. Some of the practices put across by the organizations in reengineering include; leadership change, customer focus, information communication technology and innovation.

According to Haghghat and Mohammadi (2012), most companies are after reengineering, downsizing without figuring out how to reduce the workload. Legitimate reengineering is a matter of streamlining internal processes and eliminating redundancies. However, this has also become a euphemism for staff reduction and de-layering. This leaves managers with pressure of working with slashed budgets, downsized workforces, mergers and acquisitions Elzinga (2014).

As a result of downsizing and cost cutting, people get stressed because they do not view their jobs as stable. The personnel involved in all activities in the organization needs to be part of the re-engineering process thus the management should that they are aware of the process and they also be assigned roles so that they can be able to adopt to the changes that will take place Giaglis (2011). The main reasons why organizations undertake the re-engineering process include; ensuring that their organization is customer-oriented, ensuring that their goals are achieved and that the services to be provided to customers are effective (Hammer & Champy, 2008).

### **1.1.2 Organizational performance**

Factors of performance that include customers, profit and cost which are both qualitative and quantitative are used to calculate the value of organizational performance. Performance should is determined by various factors that an organization needs to recognize so that it can ensure that they are included in the

activities planned. The firm goals are defined and performance indicators established by managers in an organization to ensure that organizational performance is improved. The managers use a systematic approach which is effective in measuring of an organization's performance as affirmed by Timothy (2012). How performance factors relate with each other and the process of identifying them helps an organization in improving its performance.

There are three main areas that define organizational performance which are; the performance of its finances, performance in its product market and returns of the shareholders according to Triandis (2015). The performance of an organization is determined by its plans of strategies, operations, finances, legal factors and the development of the organization. It involves measuring of the procedure then modifying it, increasing its efficiency and effectiveness. Almost all organizations practice the concept of strategy management as this helps in determination of how the organization performs.

Adjusting to the environment is crucial in the achievement of an organization's objectives and goals. This means that for an organization to remain competitive, it should constantly change their strategies. It also requires that organizations should continuously adapt and re-orient themselves to the changing environment. The process has to be deliberate and coordinated leading to gradual or radical systematic realignments between the environment that result in improvements in performance and effectiveness (Timothy, 2012).

### **1.1.3 Commercial Banks in Nairobi County**

The Central Bank of Kenya Act, (1984), The Banking Act, (1991), The Companies Act, (1978), and other sets of rules that are incredible set by the (CBK) are the acts that run Kenyan banking business. The exchange control was done away with in 1995 when the banking industry's liberalization begun. The bank's organizational performance, liquidity and solvency are promoted execution of financial policies through the section of the Finance Minister's categorized by Central Bank of Kenya (CBK, 2016). The main roles played by the Kenya Central Bank are to provide information on all non-banking sectors and Kenyan commercial banks including interest rates and other financial rules and publications. KBA (Kenya Bankers Association) also helps banks in Kenya to table their challenges and find ways in which those challenges can be solved and any other interests (CBK, 2012).

Operations of Kenya and management of monetary policy and the supervising agency are regulated by the CBK. The Institute of Certified Public Accountants of Kenya (ICPAK) work closely together with CBK to ensure that International Financial Reporting Standards (CBK, 2016) through its implementation is the leading sector in banking. Most of the banks have increased their corporate governance through the support they receive where the banks are able to undertake their activities smoothly with the help of the government policies that have been put up to them. Financial data is recorded accurately though the follow up of banks to record all their transactions so that financial reporting process can be overseen successful (Ochieng, 2011).

## **1.2 Statement of the Problem**

Organizational performance of Nairobi County's commercial banks has been declining due to stiff competition from other financial institutions loss of customer base to the mobile money services and growing new technology. The innovation of lending applications and mobile banking has given room for loan defaults by customers from the main banks hence reduced performance. The government introduced interest caps to all banks which have made them not to make great profits. Due to these challenges of innovation and government regulations in the banking, the banks must re-engineer the strategies to cope with the market competition (Nyambura, 2010).

George (2009), examined on how their organizational performance was affected by Business process reengineering factors in Nigeria. Most of the banks in Nigeria faced challenges such as increase of pressure or competition due to development in technology, globalization, and demand for customers. Nigerian Banks were also explored by Kabiru (2015) who found out on how their organizational performance was also affected by business process reengineering factors. There was reliability and validity in the BPR dimensions as the study established.

Gichuki (2014) carried out a study to establish how manufacturing companies listed on the Nairobi securities exchange performance was affected by business process reengineering. The research study established the innovation affected performance. In a research by Kungu, (2010) on performance strategies implementation and reengineering of business process at Total Kenya Limited. The outcome of the research study showed that product quality affected organizational performance.

Whereas a lot of studies have been done on business process reengineering. Few studies have been done on influence of BPR practices on Nairobi County's commercial banks organizational performance. Furthermore most studies in Kenya have focused on other sector of the economy such as the manufacturing sector with no known study focusing on the services sector particularly the banking sector .Therefore this study will focus on the banking sector. The study consequently found conceptual, contextual and theoretical gaps. The study therefore sought to investigate on how Nairobi County's commercial banks are influenced by BPR.

### **1.3 Objectives of the study**

#### **1.3.1 General Objective**

To determine how organizational performance of Nairobi County commercial banks was influenced by business process re-engineering practices.

#### **1.3.2 Specific Objectives**

- i) To establish how Nairobi County commercial banks organizational performance was influenced by leadership change
- ii) To examine how Nairobi County commercial banks organizational performance was affected by customer focus
- iii) To assess how Nairobi County commercial banks organizational performance was influenced by information technology
- iv) To find out how Nairobi County commercial banks organizational performance was influenced by innovation

#### **1.4 Research Questions**

- i. What is the influence of leadership change on Nairobi County commercial banks organizational performance?
- ii. What is the effect of customer focus on Nairobi County commercial banks organizational performance?
- iii. What is the influence of information technology on Nairobi County commercial banks organizational performance?
- iv. What is the influence of innovation on Nairobi County commercial banks organizational performance?

#### **1.5 Significance of the Study**

This study was helpful to the Kenyan financial institutions management as the policies helped them use competitive plans for business growth, value addition, and gaining competitive advantage both locally and regionally. They also armed with relevant acquaintance on the way to act competitively in the financial sector market by introduction of policies that leads to formidable competition, reduction of the operation costs, offering of better services, and maximize profits address the difficulties faced in the adoption of the policies formed.

The conclusions made is of abundant helpful to policy formulators because they can provide insights formulation positive fiscal policies, which is sensitive and relevant to the forces determining business process re-engineering penetration in the banking industry in Kenya. The findings help the government officials and particularly

financial institutions in Kenya when making policy choices whose general objectives are to cater for financial sector in the country.

This research was also important to academicians. It contributed to the available literature on organizational performance and business process re-engineering field. This study was an incentive for further studies to enhance and outspread the existing study particularly in our country. The study results are of importance to scholars and researchers and as they add to the existing acquaintance in business process re-engineering area. It also helps other scholars to advance their researches on areas that yet to be explored.

The Nairobi County commercial banks are 43 in total, limited the study's scope (see appendix V). The staff that worked in Nairobi City County commercial banks were 1020. The questionnaires were administered to the staff so that primary data can be obtained. Inferential and descriptive statistics was used in data analysis. An effective sample size was acquired through the Morgan and Krejcie's method for sample size determination. The study focused on four independent variables; leadership change, customer focus, information technology and innovation. The time frame for the study was June 2018 to June 2019. This period of study was considered because it was when the government introduced interest caps to all commercial banks which made them not to make great profits.

### **1.6 Significance of the Study**

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### **1.7 Study Limitations**

The limitation of the study is location being that it was carried out in the County commercial banks in the headquarters of the Nairobi City County. Due to the fear that management might punish the employees, it was difficult for the researcher to acquire confidential information from the banks which was a major challenge for the study.

To tackle the difficulty, the researcher wrote to bank management a letter prior to the actual study to inform them the study was purely for academic purposes.

The researcher was forced to work on overtime due to the short period given for the process of data collection which was another challenge. An organizational performance was affected by very many factors and it would be unrealistic for the researcher to tackle all of them that's the reason why she dealt comprehensively on business re-engineering as one dimension. How organizational performance is affected by business process re-engineering was determined by the study. The study tended to show the importance for organizations to have business process re-engineering so that they can achieve organizational performance in the financial institutions.

### **1.8 Organization of the Study**

The study was divided into five chapters. Chapter one of the study contains introduction, background of the study, statement of the problem, the objectives, research questions, scope, limitations, and the significance of the study. Chapter two outlined the theories, relevant literature on cost reduction, customer satisfaction, product quality and innovation. Chapter three consisted of the research design, target population, sample design, data collection, validity and reliability of data collection instruments, data analysis techniques, and ethical considerations. Chapter four comprised of study findings while the last chapter included research conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section introduces a review of the writing on the influence of BPR practices on organizational performance as in the past examinations and the research gaps filled by this study are additionally clarified. The particular territories secured here incorporate research gaps, literature critique, empirical review and the theoretical framework.

#### **2.2 Theoretical Review**

The area explores different theories that were utilized to illuminate research on the influence of BPR practices on performance of an organizational. The examination depended on the accompanying theories: Resource-based view institutional theory and stakeholder theory

##### **2.2.1 Resource Based View Theory**

Penrose (1959) and Barney (1991) outline on organization economics and strategic management were combined in the RBV theory. Resources contained in the competitive advantage of a firm determine the performance of the firm which is a significant determinant as suggested by the RBV theory (Wernerfelt, 1984). The RBV theory motivates organizations to make use of their unique resources so that sustainable competitive advantage can be attained through adopting strategies which are unique and cannot be copied by the competitors. By possessing of the unique resources, an organization is able to maintain its competitive advantage as it concurs

with the RBV theory which also boosted its performance through individual employees' talent management by the organization (Wright et al., 1984).

The complex social relationships in an organization can be enhanced through instilling of competences in the human resources which should be developed by the organizations as observed by (Wright et al., 2009). Organizations are able to become edge to their competitors through the unique assets developed by employees through their commitment that results from developing the employees as viewed by (Ling & Jaw, 2011). How generation of resources from employees was explored through stress put by the RBV theory strength, how maintenance of their talents is done and development of competitive advantage which make the theory relevant to the study being done (Cheruiyot, 2013).

RBV theory therefore advocates for the management to improve employee's talents which results to getting the organization with great performance (Wernerfelt, 1984). State corporations and government agencies should advocate for management of their unique talents through a wider understanding on resource base theory and its significance so as to be at par with the private institutions who invest heavily on managing their workforce which is a relevant theory to this study.

On the basis of theory, organizations strive to possess and maintain the most unique resources to ensure they remain competitive in the market (Wernerfelt, 1984). As such many organizations opt to adopt business process re-engineering practices. This theory helped illuminate more on the practices of innovation, quality of the product, satisfaction of the customers and cost reduction adopted by organizations to re-engineer their processes.

### **2.2.2 Institutional Theory**

It was implemented by Scott (1995), in his work on organizations and institutions. This theory is an extensively acknowledged theoretical posture that accentuates isomorphism, legitimacy and rational myths (Powell & DiMaggio, 2010). Institutional theory emphasis is on the profound and more robust social structure aspects. According to Scott (2004) this theory reflects the processes through which structures, such as routines, norms, and rules, are established as commanding guidelines that inform social behavior.

The theory explains that international obligations, national pressures and trading relationships influence business process re-engineering practices in the institutions. Besides, the public sector should lead by example to prompt other policies, to inspire stakeholders to participate in governments' policy making processes, to conserve sensitive natural resources, to safeguard vulnerable populations and to fulfil its social responsibilities at various levels of governance (Brinkerhoff, 2002). The theory is used in this study since each stakeholder needs to have a perfect understanding of the pointers that have been determined for every project objective as this will assist them in business process re-engineering on how the key organizational performance indicators are contributing to the achievement of organizational performance. According to Meyer and Rowan (2007), institutions are seen to serve crucial social functions, including rule formulation and enforcement and the promotion of legitimacy comprehensibility, as well as social stability.

It is relevant since it permits the emphasis on the social pressures, conformity and legal frameworks role in influencing Nairobi County commercial banks organizational performance. The study examines the role of various arms of government in the policy

making process that govern the banking sector in Kenya. According to Gladwin (2005) policy emergence blends well with the theory as it is often depicted as efforts to in some way reconcile two or more rationalities typically the social welfare ones. Nonetheless, policies, in this sense, are typically not perceived as being very well-matched with prevailing economic rationalities in most sectors. In its place, it is regarded as a set of practices and logics that are in competition with existing economic practice.

### **2.2.3 Stakeholder Theory**

Edward Freeman introduced it in 1963. Originally, the stakeholder concept was defined to include those persons who without their support a company would cease to exist (Donaldson, 1995). A stakeholder analysis process was defined by Mansell (2013) as a process of helping in the understanding of the interaction between stakeholder and a project. The stakeholder analysis is a tool that helps members of the project categorize and give priority to stakeholders playing a crucial role in project success.

Some criticism of this theory was seen in Charles (2003), who criticized this theory for making assumptions that the interests of different stakeholders may be balanced. Charles (2003) contended that this is an end result of its emphasis on negotiations as the main method for handling conflicts among stakeholder interests. Charles (2003) suggested that it therefore requires policy analysts who are critical thinkers and can easily articulate their thoughts and ideas. Another strong criticism is also that some groups are omitted; originally as they had no economic effect on the business and now as the concept takes an anthropocentric viewpoint.

The stakeholders theory is of value to the study because it shows that every legal person or bank shareholders taking part in Nairobi County's commercial banks , does so to get benefits, and that the priority of the interests of all legal stakeholders is not obvious (Mansell 2013). He further argues that, even though stakeholder theory is instrumental and descriptive, it is more profoundly normative. Stakeholders in banking sector in Nairobi County are well-defined by their interests and all interests of stakeholders are said to be fundamentally valuable. Stakeholder theory is managerial and can be used to recommend attitudes, structures, and practices in banking sector and needs that coinciding attention be accorded to the interests of all authorized shareholders.

## **2.3 Empirical Literature Review**

### **2.3.1 Organizational performance and Leadership Change**

Abbas and Asghar (2010), aimed at establishing the role of leadership in organizational performance. The study collected qualitative data and case study and content analysis was used. Goals are not achieved due to organizational changes as the study found. N organization cultivation and evolution relies greatly on the role played by leadership, as effective and competent leadership is required to have organizational changes so that the shape of the organization can be made desirable and the process of organizational change can also be addressed in the best way. The study however, did not establish the effects of customer focus, ICT and innovation on performance.

Madanchian (2016), investigated the effects of leadership on organizational performance of consulting company in Malaysia. Descriptive research design was

applied and correlation analysis was carried out. The study found that leadership is capable of developing an effective organization, ensure that transformational leadership and organizational performance are well understood and how they relate as significant factors in the process. Leaders are also required to measure how employees performance and develop their performance through effective approaches and methods. The study targeted consulting company, however the study did not focus on the effects of business process re-engineering on performance.

The Kenyan Health sector was studied by Kuria, Namusonge, and Iravo, (2016), to investigate how organizational performance was affected by leadership. The study adopted a descriptive survey design. The study's respondents were selected through stratified sampling techniques where 384 employees were targeted from Kiambu and Machakos Level 5 hospitals and Kenyatta National Hospital. How employee participation and organizational performance related was influenced by leadership according to the study findings. Employees and leaders were found to have very poor relations by the study done recently. Therefore, the Kenyan Health care performance was found to be influenced by leadership.

### **2.3.2 Customer Focus and Organizational performance**

Pakistan was studied by Arshad and Shahzad (2013) on how the customer contact centers' customer focus related to job quality. Customer satisfaction was crucial in ensuring the organizational performance of any firm. The study established that employees are the principle actors in ensuring customer satisfaction. The study additionally noted that it is through job satisfaction that employees are able to offer the best services and products hence, resulting in customer satisfaction. In this case, customer satisfaction affects organizational performance indirectly. In the event that

employees are not able to offer the best services and products to meet customer demand they are let go from an organization resulting in high organizational performance. The research did not fill the gap in assessing the effect of innovation, ICT and customer focus on organizational performance.

In an attempt to understand the effect of customers' focus, Mogadishu et al, (2018) investigated on how on how Customer Satisfaction in Commercial Banks was affected by various factors. How satisfaction of customers was affected by quality of service and product differentiation was the main focus of the study in commercial banks in Mogadishu Somalia. The study adopted cross-sectional research design and researchers used a sample for a 73 respondents. Customer satisfaction is crucial in all banking institutions. The study also established that employees are responsible for ensuring customer satisfaction. This is a major role of the employees. However, the role may be overwhelming to the staff since customers in this era are more demanding on the services and products provided by different institutions. This affects organizational performance in the event that staff members are not able to relate and offer services as required by customers. The study did not highlight the effects of innovation, information technology on organizational performance.

Customer focus is crucial in the banking industry. In a study conducted by Ongoto (2015) on how Kenya commercial bank, Nakuru branch customer focus was affected by various factors. The Cross Sectional Survey Design was adopted by the study. The findings of the study indicated that customer satisfaction was crucial for the organizational performance of all banking institutions. The study revealed that for customer satisfaction to be achieved, staff members have to be trained and fit to serve the demanding customers. Ls Finding an employee who is able to serve all types of

individual within a firm comfortably is difficult, thus affecting organizational performance. It was based on commercial banks, however, it didn't explain the effects of information technology, customer focus and innovation on organizational performance.

### **2.3.3 Information Technology and performance of Organizations**

Wangu (2010), studied on how Kenyan insurance company performance was influenced by technology innovation. Census survey was used to determine the study population; the Kenyan 49 insurance companies were included since the end of 2014. Structured questionnaires were used to collect primary data. The SPSS statistical package program version 22as used in analyzing of the data for the descriptive and inferential statistics. Organizational performance was found to be influenced by both product innovation and innovation itself positively and significantly by the study. Performance and market innovation were not found to relate significantly but a very small relationship was established. The Kenyan insurance was found to have a predominant type of innovation process per the results. The research didn't highlight the customer focus effects, innovation and leadership change on organizational performance. Additionally the study targeted the Petroleum industry in Kenya and not Family bank.

Kenyan mobile telephone industry was studied on how their performance was affected by technology. The descriptive and explanatory was employed by the study. Kenya has four mobile phone companies where a 170 sample size was determined from a total of 381 respondents that had been targeted. Stratified random sampling technique was also adopted by the research. The use of self-administered questionnaires was used in collecting the primary data for the study. An acceptable

0.7 was determined through the Cronbach's alpha reliability coefficient used to test for reliability making the instrument reliable for the study. Inferential statistics were used to analyze the data. Hypothesis on the other hand was tested through an inferential statistics simple linear regression. Data analysis was aided by the stata statistical package version 11.0. Tables were used in presentation of the data. The mobile phone companies' performance was explained by significantly by technology as the study established.

The Kenyan commercial banks' performance was studied by Wachira (2013), and how it was affected by technological innovation. All the Kenyan commercial banks were targeted using descriptive cross sectional design which was employed by the study which was a census. The Central Bank of Kenya was the source for the annual financial reports which was the study's secondary data. A structured questionnaire was used in the customer care departments to collect primary data from the personnel. IBM SPSS Statistics 21.0 was used to analyze the data and frequencies, descriptive statistics and multiple regression analysis were involved in computation. Technological innovations in the banks was valued by the customer care employees. The banks had adopted customer independent technology, customer assisted technology and customer transparent technology which led to high profits and a better performance from the banks. The research failed to establish the innovation, cost reduction, and customer satisfaction relationship and their effects on organizational performance. The study left a research gap to be filled, in that it only focused on all commercial banks and did not focus on individual banks. Moreover the study did not highlight the influence of innovation and customer satisfaction on performance of an organization.

#### **2.3.4 Innovation and Performance of an Organization**

Innovation in the modern world influences the work carried out by employees, hence their organizational performance. How the productivity of workers was impacted by communication technologies was studied by Kekkonen (2012). The case study design was adopted by the study. The study established that innovation facilitated the work of employees. The study indicated that through innovation employees find work to be easier and faster. In this manner innovation affects organizational performance negatively. The reason is that when staff members find work to be easier and faster, they tend to remain in the same organization thus lowering organizational performance. He failed to establish how organizational performance was influenced by cost reduction, customer satisfaction and product quality..

In a study conducted by Collince (2014) on factors influencing high organizational performance in Kenyan commercial banks. Descriptive research design was used with a sample size of 104. The data collected was analyzed using SPSS. The findings of the research indicated that innovation affected organizational performance. It was established that through innovation, an organization may experience organizational performance by firing less skilled staff for more skilled staff. This results in a high organizational performance. Moreover, the study also established that through innovation, the staff members are trained and imparted with relevant skills required to carry out their daily operations. This results in low performance of an organizational. This research emphasized on the commercial bank of Kenya and not Family bank. Moreover, the study did not highlight the effect of cost reduction, product quality and customer satisfaction on organizational performance.

In a study conducted by Gichuki (2014), on how the Nairobi securities exchange manufacturing companies financial organizational performance was affected by cost management strategies. The research study established the innovation affected organizational performance. As reported by the research innovation resulted in well trained and skilled employees. However, the study also explained that with innovation follows automation, more so in the manufacturing sector. This results in the retrenchment of employees who are not skilled enough to operate the new machines. The retrenched employees are replaced with new employees knowledgeable on the new technologies. This results in high organizational performance. The study didn't establish how performance of an organization was affected by quality of product and customer satisfaction. Moreover, it emphasized on manufacturing companies registered in Nairobi Security Exchange.

#### **2.4 Summary of Literature Reviewed and summary gaps**

The literature that was reviewed showed some gaps which are intended to be filled by the study as Table 2.1 summarized them:

**Table 2.1: Literature Reviewed and Summary gaps**

<b>Author of Study, year</b>	<b>Focus of the study</b>	<b>Methodology</b>	<b>Research Findings (Summary)</b>	<b>Research Gap And Focus Of Current Study</b>
Author; Figar and Ivanović (2015)	The objective of the study was to analyze the process and effects of cost reduction	The study used secondary data.	Cost reduction affected organizational performance. The findings established that organizations in their quest to reduce costs normally start	The study did not establish the effects of customer satisfaction, product quality and innovation performance of an organization.

			with reducing labour costs.	
Author; Mwandembo (2015)	qualitative data was collected and case study and content analysis was used. Goals are not achieved due to organizational changes as the study found.	A Cross Sectional Survey Design was adopted for the study.	The study explained that downsizing reduced the number of staff members in an organization, thus resulting to high organizational performance in organizations	The study did not establish the influence of customer satisfaction and innovation on organizational performance
Author; Arshad and Shahzad (2013)	how the customer contact centers' customer focus related to job quality	Questionnaires were used to collect data and descriptive analysis to analyze data	It was established that employees are the principle actors in ensuring customer satisfaction  In this case, customer satisfaction affects organizational performance indirectly	The research did not fill the gap in the assessment innovation, product quality and cost reduction effects on organizational performance.
Author; Mogadishu et al, (2018)	The main objectives of the study were to identify how customer satisfaction in Mogadishu commercial banks is influenced by quality of service and product	The study adopted cross-sectional research design and researchers used a sample for 73 respondents.	The study also established that employees are responsible for ensuring customer satisfaction.  However, the role may be overwhelming to the staff. This affects	The study did not highlight the effects of innovation, product quality and cost reduction on organizational performance.

	differentiation		organizational performance in the event that staff members are not able to relate and offer services as required by customers.	
Author; Ongoto (2010)	The study intended to find out how customer satisfaction at the Kenya commercial bank, Nakuru branch, Kenya	A Cross Sectional Survey Design was adopted for the study	The study revealed that for customer satisfaction to be achieved, staff members have to be trained and fit to serve the demanding customers. Finding an employee who is able to serve all types of individual within a firm comfortably is difficult, thus affecting organizational performance.	The study focused on commercial banks, however, it did not explain the effects of cost reduction, product quality and innovation on organizational performance
Author; Ngure (2008)	The main objective of the study was to identify the cost control practices at KUC and the challenges facing cost control practices at KUC.	The study adopted personal interview to collect the data which was recorded by writing the responses.	The study established that performance of an organization was affected by quality of the product quality. It showed that in the quest of attaining the goal of product quality, some organizations resolve to firing	The study left a research gap to be filled, in that it only focused on Kenya Utalii College and not Family bank. Moreover the study did not highlight the influence of innovation and customer satisfaction on organizational

			unskilled staff and replacing them with skilled labour.	performance.
Author; Pekkanen (2012)	The aim of the research was to The study established that innovation facilitated the work of employees. The study indicated that through h innovation employees find work to be easier and faster.	A Cross Sectional Survey Design was adopted for the study.	The study indicated that through innovation employees find work to be easier and faster. In this manner innovation affects organizational performance	The study failed to establish how organizational performance was influenced by product quality, satisfaction of customers and reduction of cost
Author; Collince (2014)	The objective of the study was to establish the factors influencing high organizational performance in commercial banks	The study adopted the Cross Sectional Survey Design	The study established that through innovation, an organization may experience organizational performance by firing less skilled staff for more skilled staff. This results in a high performance of an organization.	It emphasized on the commercial bank of Kenya and not Family bank. Moreover, the study did not highlight the effect of cost reduction, product quality and customer satisfaction on organizational performance.
Author; Gichuki (2014)	The research study established the innovation affected organizational performance.	Employed causal research design Multi-variance linear regression	The research study established the innovation affected organizational performance. The study	The research failed to establish how organizational performance was affected by product quality and satisfaction of

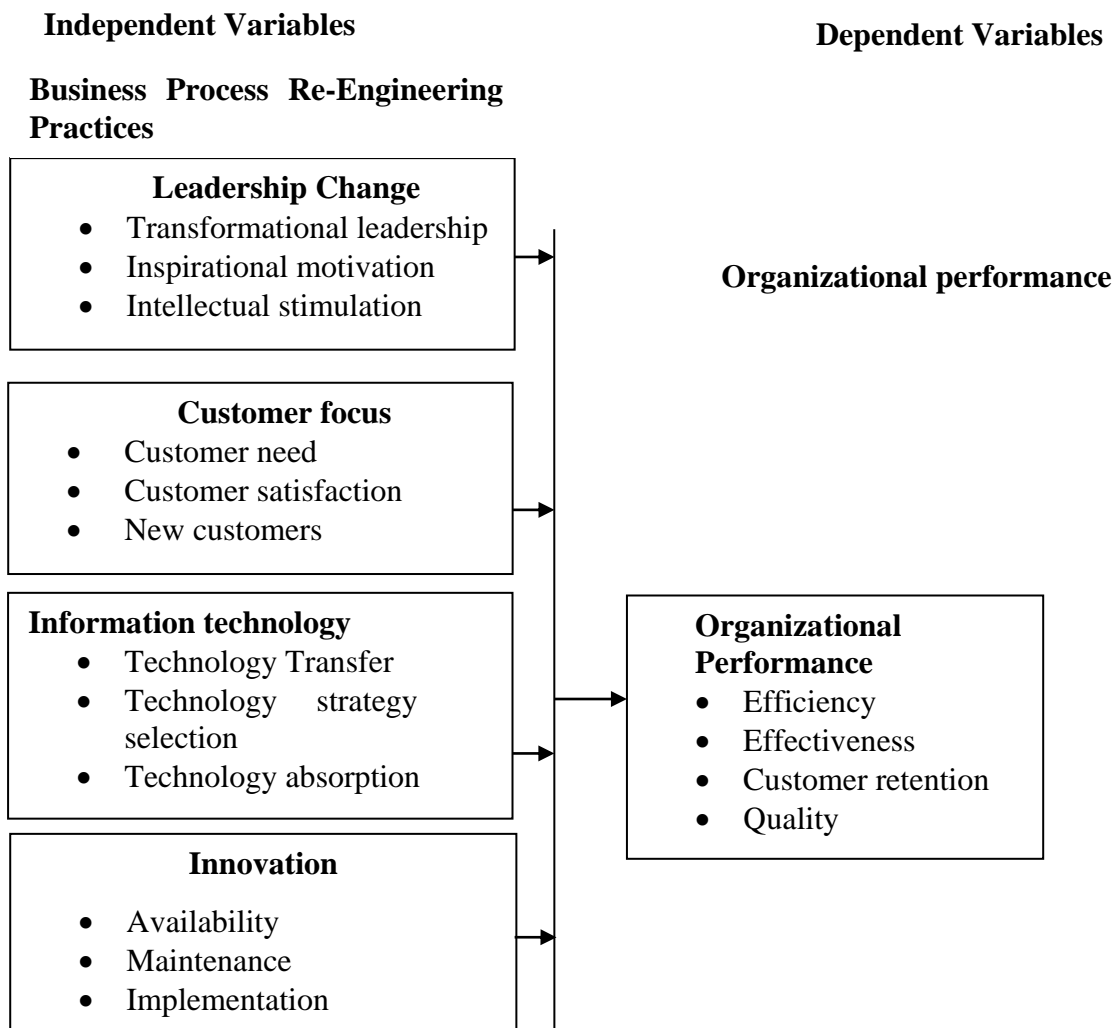
	As reported by the research innovation resulted in well trained and skilled employees	model applied	explained that with innovation follows automation, this results in the retrenchment of employees who are not skilled enough to operate the new machines, thus affecting organizational performance	customers. Moreover, it emphasized on manufacturing companies registered in Nairobi Security Exchange.
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**Source: Researcher (2019)**

## 2.5 Conceptual Framework

The study seeks to examine how business process re-engineering practices influenced organizational performance of Kenyan Commercial banks in Nairobi City County.

The study variables are shown in Figure 2.1.



**Figure 2.1: Conceptual Framework**

Source: Researcher (2019)

The focus of this study is the relationships between process re-engineering practices and organizational performance of Kenyan Commercial banks in Nairobi City County. This study's dependent variable is organizational performance. Organizational performance is measured by efficiency, effectiveness, customer retention and quality. The independent variable is process re-engineering practices and it is measured by leadership change, customer focus, information technology and innovation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The section covers the intended research methodology. It explains the target population, research design, and methods of collecting data, data analysis, sampling procedure, research instruments reliability and validity.

#### **3.2 Research Design**

It ensures that information gained in the process of collection of data is adequate in responding to the question(s) satisfactorily as possible (Creswell & Clark, 2007). Kothari (2004), argued that a good research design yields high volume of information and offer a chance to consider different features of a problem.

For the purposes of this study descriptive research design was utilized for the study. The research design gave the researcher the ability to designate the features of the variables of interest. Organizational performance is the dependent variable and the independent variables include: innovation, product quality, customer satisfaction and cost reduction. This research sought to determine how commercial banks' organizational performance in Nairobi County are influenced by business process re-engineering practices. The descriptive design was well suited to the study. The method was useful for this study as it describes the characteristics of a large population.

### 3.3 Target Population

This study's unit of analysis is the commercial banks and the target population was the commercial banks in Nairobi City County. The target population in research is the exact population about which data is needed. According to Sekaran (2005), a population is a distinct set of individuals, services, events, and elements, households or group of things that are being studied.

The study focused on 43 County of Nairobi's commercial banks staff working in the management department. The study targeted 1020 staffs from the three levels of management from the banks.

**Table 3.1: Target Population**

<b>Level</b>	<b>Target population</b>	<b>Percentage</b>
Upper level management	221	21.67
Middle management level	317	31.10
Lower management level	482	47.23
<b>Totals</b>	<b>1020</b>	<b>100</b>

**Table 3.1: Target Population**

Source: Researcher (2019)

### 3.4 Sample Size and Sampling Technique

Creswell and Clark (2007) defined sample design as the strategy or architecture used to choose study participants. On the other hand, sampling technique is the systematic method used to select limited number of participants from a certain specified population. The sample drawn is used in making conclusions about the whole population.

A stratified sampling technique was used in this study. This sampling method measures the general population parameters with outstanding precision and makes sure that a representative sample is obtained (Kothari, 2004). According to Kothari (2004) stratified method also makes sure that the sample size of each band, which is represented in various departments, is proportional to the population size of the band.

Morgan and Krejcie's method was employed in getting the research's sample size. When a population has a specific size, then the best method to determine the sample size is Morgan and Krejcie's method. On the other a sample size of a fixed target population is determined through Krejcie and Morgan (1970) formula.

**Table 3.2: Sample Size**

<b>Category</b>	<b>Target population</b>	<b>Sample N/1020*n</b>
Upper management level	221	60
Middle management level	317	87
Lower management level	482	131
<b>Totals</b>	<b>1020</b>	<b>278</b>

**Table 3.2: Sample Size**

Source: Researcher (2019)

The sample size was concluded to be 278 staffs from the total number of 1020 staffs targeted through the Krejcie and Morgan's method. A normal distribution curve was given by data of there is a large sample size for the study as indicated by the Central limit theorem (Churchill & Gilbert, 2001).

### **3.5 Data Collection Instrument**

Primary information was utilized and structured questionnaires were employed in collecting the information. Questionnaires were dropped and picked later. The questionnaires promoted uniformity on the way they were asked. As indicated by Brotherton (2008), reaction consistency to questionnaires was considered in the utilization of structured questionnaires while unstructured questionnaires were open for the respondents to give reactions which the researcher had to infer using his/her own words.

### **3.6 Pilot Testing**

The pilot test was undertaken with the aim to test the validity of the questionnaires. Trained assistants were used to help in the pilot study. Brotherton (2008) posits that the major goal of a pilot study is to perceive any potential inadequacies, exclusions and blunders in the questionnaires and dispense with them earlier than it's far utilized to accumulate the real facts

Pilot testing was carried out where 10 respondents which is 10% of the sample size was utilized for pilot study from Nairobi County commercial banks. As indicated by Cooper and Schindler (2003), the pre-test gathering can extend from 10 to 100

subjects; however, it doesn't require to be chosen statistically. The respondents were chosen on the basis of convenience since measurable conditions are not mandatory for the pre-test, (Cooper & Schindler, 2003).

### **3.7 Validity and Reliability of the Research Instrument**

#### **3.7.1 Validity of the Research Instrument**

The questionnaires validity is used to ascertain the major purpose of conducting the plot study. The questionnaires validity was attained by using both content validity and face study validity. Content validity was found through consulting and discussing with the administrator on what to add and adjust to the research instruments. Content validity was used by the researcher to find out if the research questions were well responded to by the instruments.

Two ways was used in determining of the validity content. The researcher reached out randomly to Nairobi County commercial banks staff. The researcher also had a discussion on the instrument's item with the supervisor. The item that was intended to be measured as indicated in the questionnaire was indicated by a tick appropriately. The changes to be made were advised by the supervisor. Below is the average content validity Index (CVI) formula that was used ;

$$\text{Content Validity Index} = \frac{\text{Number of items declared valid}}{\text{Total number of items}}$$

#### **3.7.2 Reliability of the Research Instrument**

The reiteration of the study results was the main reason as to why used reliability. Above 0.7 or exact 0.7 co-efficient (Cronbach alpha) is the construct composite reliability, which the study considers adequate for all the constructs (Rousson, Gasser

& Seifer, 2002). The research instrument's reliability was tested through the Cronbach Alpha. Reliability testing was determined through giving the questionnaires twice to staff in 7 days so as to undertake the Test-rest. Reliability testing was done using 26 staff from the department who were randomly picked. Score above 0.700 is acceptable as reliable data and those below 0.700 are considered unacceptable.

### **3.8 Data Analysis and Presentation**

Data analysis includes various activities which are performed with the reason for outlining the gathered information and uniting them in such a way, to the point that they answer the research questions (Sekaran, 2005). The quantitative information gathered was analysed utilizing descriptive statistics with the help of Statistical Package for Social Sciences (SPSS) version 21. The results were presented utilizing tables, frequencies and rates.

Multiple linear regressions model was used to show the correlation between leadership change, customer focus, information technology and innovation and organizational performance of commercial banks in Nairobi City County Kenya

The illustrations of the regression model;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Y= Organizational performance

$\beta_0$  = Constant

X<sub>1</sub>= Leadership Change

X<sub>2</sub>= Customer Focus

X<sub>3</sub>= Information Technology

X<sub>4</sub>= innovation

$\beta_1 - \beta_4$  are the regression co-efficient or change introduced in Y by each independent variable.

$\varepsilon$  is the random error term accounting for all other variables that influence organizational performance but not captured in the model.

### **3.9 Ethical Considerations**

The researcher observed research ethics throughout the study. Volunteering in participation was also ensured. Observation of privacy and confidentiality was also ensured. The respondents were assured by the researcher that the purpose of the data is for academic use only and no personal information was provided.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION**

#### **4.1 Introduction**

In this fourth chapter the analysis, presentation and discussion of the findings is shown. The goal of the research was to establish how organizational performance of Nairobi County commercial banks is influenced by business process re-engineering practices. The data was analyzed on the grounds of study objectives and presented using varying classes.

#### **4.2 Response Rate**

278 questionnaires were administered out of which 247 were completely answered and returned recording a response rate of 88.8%. Therefore the instruments were regarded as responsive and formed the basis for data analysis. Mugenda (2008) explains that response rate of 50% is deemed adequate, 60% is good, and 70% is excellent. Similarly, Babbie (2010) states that a response rate of 70% is very good. The high response rate was due to the procedures of data collection where the researcher first notified the sampled responses prior to collecting the data, used questionnaires that were distributed by the researcher and also through the follow up calls that were made to ensure the respondents did not forget to fill the questionnaires.

#### **4.3 Reliability Analysis**

For each objective, a Cronbach's alpha test was determined. This is to measure the internal consistency of the research items. A co-efficient of over 0.7 implies the

sufficient reliability of the research instruments. While a Co-efficient of below 0.7 implies the inconsistency of the research items.

**Table 4.1 Cronbach's Alpha**

<b>Variables</b>	<b>Cronbach's Alpha</b>
Leadership Change	.856
Customer Focus	.846
Information Technology	.794
Innovation	.813
Organizational performance	.932

**Source: Author, 2019**

From the analysis cronbach's Alpha fell between .794 and .932 which is within the acceptable levels. Therefore the tool data was reliable.

#### **4.4 Demographic Information**

This section sought to establish information on the respondent's demographic characteristics. Specifically, the researcher focused on participant highest academic qualification levels, years worked in the institution and job category.

##### **4.4.1 Highest Level of Academic Qualification of Respondents**

Academic qualification of an individual is associated with ability to respond to various issues and how to solve them. In view of this the study so ascertain respondents' ability to respond to research questions by requesting them to state their highest level of academic qualification.

**Table 4.2: Level of education**

<b>Education level</b>	<b>Frequency</b>	<b>Percentage</b>
College Diploma	35	14.2
Undergraduate Degree	99	40.1
Master Degree	86	34.8
Others	27	10.9

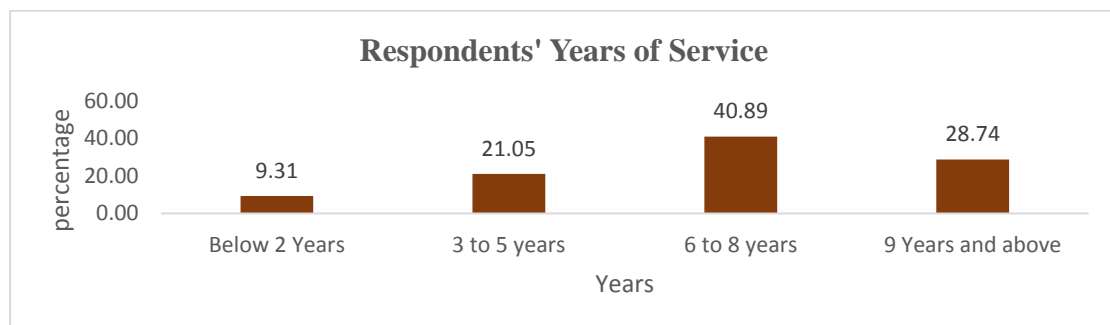
Total	247	100.0
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**Source: Author, 2019**

Table 4.2 shows that majority of the staffs participated in this study had an undergraduate degree, 34.8% of the respondents were master’s degree holders and 14.2% of the staffs indicated that they were holders of Certificate/Diploma while 10.9% of the participants revealed they had other academic qualifications. The implication of this is that the respondents had the right academic qualification to respond to the questions that the study sought.

#### **4.4.2 Number of years worked in the organization**

Employee service period is highly related with knowledge of employees on operations in a firm. Therefore, to gauge the quality of information that respondents were likely to provide to the study questions, the respondents were required to specify the number of years they worked in their organizations. The study findings are as analyzed in Figure 4.2.



**Figure 4.2 Number of years worked in the Bank**

**Source: Author, 2019**

Figure 4.2 reveals that most of the participants had worked in the bank for a period of 6 to 8 years representing 37.2% followed by those who had with the bank for a period of 9 and above years at 28.7%. The study findings established that 11.7% of the

participants were employees of the firm for a period of less than two years while 22.3% had worked for the bank for a period of 3 to 5 years. This means that the highest percentage of the respondents had worked with in their organization banks thus were in position to understand business process re-engineering practices on banks performance.

#### 4.2.5 Respondents' Management Level

Further the researcher sought to establish the management level for the staffs participated in this study. Results are analyzed in table 4.6

**Table 4.3: Management Level**

<b>Management Level</b>	<b>Frequency</b>	<b>Percentage</b>
Top management	47	19.0
Middle management	78	31.6
Low management	122	49.4
<b>Total</b>	<b>247</b>	<b>100.0</b>

**Source: Author, 2019**

All the management levels were well represented in the study and therefore these respondents were the most suitable to provide the information that the study sought. Majority (49.4%) of the respondents were in lower management, 31.6% were in a middle management while 19.0% were in the low management.

#### 4.5 Business Process Re-Engineering Practices

The aimed to determine how performance of firms of Nairobi County commercial banks is influenced by business process re-engineering practices. Using a Likert scale the respondents rated the following statement related to leadership change customer focus information technology and innovation as shown in table 4.4.

**Table 4.4: Business Process Re-Engineering Practices**

<b>Business Process Re-Engineering Practices</b>	<b>Mean</b>	<b>Std. deviation</b>
<b>Leadership Change</b>		
The bank leaders have a worldview of information and running of the bank	4.239	0.794
Effective leadership demands for the maximization of strength and mitigating weaknesses	3.823	0.349
The bank leaders have necessary skills to manage the bank to the next level	4.286	0.132
Ethics aids leaders in balancing truth and loyalty in the organization	4.175	0.868
The bank managers have excellent communication skills	4.159	0.404
The managers understand the vision of an organization	3.695	0.548
<b>Aggregate</b>	<b>4.06</b>	<b>0.52</b>
<b>Customer focus</b>		
The institution identifies all its customers	4.092	0.112
The bank addresses customer complaints immediately	3.725	0.600
The communication channel in the bank with its customers increases its service delivery	3.741	0.592
The institution puts its customer satisfaction first	4.026	0.695
The institution researches each customer thoroughly to serve them better	4.230	0.483
<b>Aggregate</b>	<b>3.30</b>	<b>0.41</b>
<b>Information Technology</b>		
New technology is introduced gradually in the organization	3.734	0.874
The adoption of m-commerce has been slow in the organization	1.933	0.717
The diffusion and the speed of penetration increases with increased benefit in the organization.	3.658	0.131
Adoption of technology cuts costs of operation and increases on returns in the organization	3.926	0.775
There is technology transfer in the organization	3.693	0.360
The organization has a working technology strategy selection plan	4.319	0.581
<b>Aggregate</b>	<b>3.54</b>	<b>0.57</b>
<b>Innovation</b>		
The bank products and services are available across the branches	4.023	0.218
The maintenance of product innovation in the institution is done regularly	4.395	0.716
The implementation of products innovation programs in the bank has taken effect across its branches	3.703	0.257

The bank process innovation varies significantly across the country	4.111	0.176
Product innovations include both new products and new uses for existing products	4.045	0.068
Data on innovations is developed mainly within the bank	3.666	0.640
<b>Aggregate</b>	<b>3.99</b>	<b>0.35</b>

**Source: Author, 2019**

Findings in Table 4.7 revealed that bank leaders had a worldview of information and for Effective leadership demands for the maximization of strength and mitigating weaknesses (M=3.823, SD=0.349). The result also revealed that most bank leaders have necessary skills to manage the bank to the next level (M=4.286, SD=0.132) and it was noted that most bank managers have excellent communication skills and understand the vision of the bank. Lastly it was noted that ethics aids leaders in balancing truth and loyalty in the organization. The findings concurred to that of Madanchian (2016) who noted that leadership is capable of developing an effective organization, ensure that transformational leadership and organizational performance are well understood and how they relate as significant factors in the process.

On customer focus, the study revealed that most banks identified all its customers and were addressing customer's complaint immediately (M=3.725, SD=0.600). The communication channel in the bank with its customers increases its service delivery (M=3.741, SD=0.592). Lastly, it was established that bank institution researches each customer thoroughly to serve them better (M=4.230, SD=0.483) and puts the customers' satisfaction first. The findings are in line with Mogadishu *et al.*, (2018) who established customer satisfaction as a crucial in all banking institutions.

According to Wachira (2013) the banks had adopted customer independent, customer assisted and customer transparent technologies which led to high profits and a better

performance from the banks. Similarly these study revealed that new technology were been introduced gradually in the bank (M=3.735, SD=0.874) and adoption of m-commerce has been fast in the bank. In most banks there was a technology transfer and the adoption of technology had reduced the costs of operation and increased on returns in the banks (M=3.926, SD=0.775). Most banks had a working technology strategy selection plan. The diffusion and the speed of penetration increases with increased benefit in the organization.

Further, it was identified that bank products and services were available across the branches (M=3.926, SD=0.775). The maintenance of product innovation in the banks is done regularly and data on innovations is developed mainly within the bank. The implementation of products innovation programs in the bank has taken effect across its branches. The bank process innovation varies significantly across the country (M=4.111, SD=0.176). The findings agreed with Collince (2014) who outlined that through innovation, the staff members are trailed and imparted with relevant skills required to carry out their daily operations.

#### **4.6 Organizational Performance**

To establish the performance of banks, the respondents were requested to rate the following statement using a Likert scale. The mean and standard deviations are calculated as below.

**Table 4.5 Organizational Performance**

<b>Organizational Performance</b>	<b>Mean</b>	<b>Std. deviation</b>
The bank is efficient in performing its mandate	4.356	0.863
The bank is effective in-service delivery	3.714	0.105
The bank has retained its customers for years	4.487	0.286
The institution clientele is good	3.957	0.464
The bank has been innovative and develops new products for its customers	3.649	0.826
<b>Aggregate</b>	<b>4.03</b>	<b>0.51</b>

**Source: Author, 2019**

The results revealed that the commercial banks were efficient in performing their mandate and in service delivery (M=3.714, SD=0.105). The bank had remained with its customers for many years, the clientele of the organization was good bank had been innovative and developed new products for its clients (M=3.649, SD=0.826). This concurs to Triandis (2015) who noted that organization performance is defined using three main areas which are finance performance, product market performance, and shareholdings returns.

#### **4.7 Regression Analysis**

The study conducted a multiple regression analysis to test the impact among the study predictor variables made possible through the use of SPSS by coding, entering and computing the measurements of the multiple regressions. The summary of the model is as shown in Table 4.7.

**Table 4.6 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.848114	0.719298	0.714658	1.22801

**Source: Author, 2019**

The model had an average adjusted coefficient of determination ( $R^2$ ) of 0.715 which showed independent variables focused on this study that is; leadership change, customer focus, information technology and innovation. The ANOVA technique was used to test the model significance, the study results are as tabulated in Table 4.10.

**Table 4.7 ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	946.743	4	236.6858	155.0307	.000
	Residual	369.462	242	1.526702		
	Total	1316.205	246			

**Source: Author, 2019**

The ANOVA statistics showed a valid regression model at ( $F = 155.031$ ,  $P < 0.05$ ). this implies that the independent variables are good predictors of performance of commercial banks. Moreover, the research employed the coefficient table to assess the model of the study among the independent and dependent variables. The results are as tabulated in Table 4.11.

**Table 4.8 Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.315	0.999		3.318	.001
Leadership Change	0.562	0.187	0.506	3.005	.002
1 Customer Focus	0.493	0.156	0.437	3.160	.001
Information Technology	0.408	0.139	0.376	2.935	.003
Innovation	0.327	0.100	0.309	3.270	.001

**Source: Author, 2019**

The generated output as per the SPSS is as presented in Table 4.11 above, thus the equation is as shown below:

$$Y = 3.315 + 0.562X_1 + 0.493X_2 + 0.408X_3 + 0.327X_4 + \beta$$

As shown from the regression model, a change in leadership keeping all other factors constant would positively change commercial bank performance by a factor of 0.562. Regression results also revealed that leadership change has significance and positive influence on commercial bank performance as indicated by  $\beta_1=0.562$ ,  $p=0.002$ . The implication is that an increased change leadership would lead to an increase of commercial bank performance by  $\beta_1=0.562$ . Customer focus has a significance influence on commercial bank performance as indicated by  $\beta_1=0.493$ ,  $p=0.001$  while a change in information technology while holding all the other factors constant would affect commercial bank performance by a factor of 0.408. This implies that the more the new technologies are adopted by a bank, the better the performance of the bank. Further it was revealed that an increase change in innovation holding all the other factors constant would positively change commercial bank performance by a factor of

0.327. Innovation has a significance influence on commercial bank performance as indicated by  $\beta_1=0.327$ ,  $p=0.001$ . These findings were in line with Gichuki (2014) who concluded that new innovations affected performance of Total Kenya Limited at great extent.

#### **4.8 Discussion of the Findings**

The study sample was 278 commercial bank staffs working in the management department from which the researcher was able to fill in and return 247 questionnaires which is a response rate of 88.8% from which conclusions can be drawn since it is satisfactory (Mugenda & Mugenda, 2008). The study revealed that most (40.1%) of the respondents held an undergraduate degree and most had been in service for the organizations for 6 to 8 years. The study revealed that business process re-engineering practices (leadership change, customer focus, information technology and innovation) has an impact on commercial banks' performance. The intercept of the research was 3.315 for all variables. The four independent variables explain a substantial 71.5% of commercial bank performance represented by R squared (0.715). This implied that the four independent variables contribute 71.5% of commercial bank performance while other random variations and factors not investigated contribute to a 28.5% increase in the performance of commercial banks.

The findings revealed that bank leaders had a worldview of information and for leadership to be successful it requires to maximize on its strengths and be able to manage its weaknesses. Lastly it was noted that ethics aids leaders in maintaining loyalty and truth in the organization. The findings concurred to that of Madanchian (2016) who noted that leadership is capable of developing an effective organization,

ensure that transformational leadership and organizational performance are well understood and how they relate as significant factors in the process. Prediction model indicated that change in leadership holding all the other factors constant would positively change commercial bank performance. The implication is that an employee's increased change leadership would lead to an increase of commercial bank performance.

Further, the regression model revealed that customer focus has a significance influence on commercial bank performance implying that an increase on customer focus leads to an increase on commercial bank performance. It was also noted that most banks identify all its customers and address customer's complaint immediately. The communication channel in the bank with its customers increases its service delivery. It was established that bank institution researches each customer thoroughly to serve them better and puts the customers' satisfaction first. The results concur with Mogadishu *et al.*, (2018) who established customer satisfaction as a crucial in all banking institutions

According to Wachira (2013) the banks has adopted customer independent, customer assisted and customer transparent technologies which led to high profits and a better performance from the banks. Similarly, these studies revealed that information technology change while keeping all other factors constant would affect commercial bank performance. This implies that the more new technology are adopted by a bank, the better the performance of the bank. Further, it was noted that most banks had introduced new technologies and adoption of M-commerce was growing fast in the bank. In most banks there was a technology transfer and the adoption of technology had reduced the costs of operation and increased on returns in the banks. Most banks

had a working technology strategy selection plan. The diffusion and the speed of penetration increases with increased benefit in the organization.

Prediction by regression model revealed that an increase change in innovation holding all the other factors constant would positively change commercial bank performance. Innovation had a significance influence on commercial bank performance. These findings were in line with Gichuki (2014) who concluded that new innovations affected performance of Total Kenya Limited at great extent. Further, it was identified that bank products and services were available across the branches. The maintenance of product innovation in the banks was done regularly and data on innovations is developed mainly within the bank. The implementation of products innovation programs in the bank has taken effect across its branches. The bank process innovation varies significantly across the country. The findings agreed with Collince (2014) who outlined that through innovation, the staff members are trailed and imparted with relevant skills required to carry out their daily operations.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This section covers a summary of the research results. In addition, it highlights the study conclusion, recommendations and suggestions for future research with regards to the connection between business process reengineering and commercial banks performance.

#### **5.2 Summary of Findings**

The study revealed that bank leaders had a worldview of information and for effective leadership it needs to maximize on its strengths and be able to handle its weaknesses. Bank leaders have necessary skills to manage the bank to the next level and bank managers have excellent communication skills and understand the vision of the bank. Prediction model indicated that change in leadership holding all the other factors constant would positively change commercial bank performance. The implication is that an employee's increased change leadership would lead to an increase of commercial bank performance.

Customer focus has a significance influence on commercial bank performance which implied that an increase on customer focus leads to an increase on commercial bank performance. It was also noted that most banks identify all its customers and address customer's complaint immediately. The communication channel in the bank with its customers increases its service delivery and bank institution researches each customer thoroughly to serve them better and puts the customers' satisfaction first.

The results showed that information technology change while keeping all other factors constant would affect commercial bank performance. Therefore, the more new technology are adopted by a bank, the better the performance. Further, it was noted that most banks had introduced new technologies and adoption of M-commerce was growing fast in the bank. In most banks there was a technology transfer and the adoption of technology had reduced the costs of operation and increased on returns in the banks. Most banks had a working technology strategy selection plan. The diffusion and the speed of penetration increases with increased benefit in the organization.

Prediction by regression model revealed that a unit increase in innovation keeping all other factors constant can positively change commercial bank performance. Innovation had a significance influence on commercial bank performance. Further, it was identified that bank products and services were available across the branches. The maintenance of product innovation in the banks was done regularly and data on innovations is developed mainly within the bank. The implementation of products innovation programs in the bank has taken effect across its branches. The bank process innovation varies significantly across the country.

### **5.3 Conclusions of the Study**

The study drew the conclusion that bank leaders have a worldview of information and for any effective leadership needs to maximize on its strengths and be able to handle its weaknesses. Bank leaders have necessary skills to manage the bank to the next level and most managers have excellent communication skills and understand the

vision of the bank. Change in leadership holding all the other factors constant would positively change commercial bank performance.

It also concludes that customer focus has a significance influence on commercial bank performance. Most banks identify all its customers and address customer's complaint immediately. The communication channel in the bank with its customers increases its service delivery and bank institution researches each customer thoroughly to serve them better and puts the customers' satisfaction first.

Further, the study concluded that information technology change while keeping all other factors constant can affect commercial bank performance. Most banks have introduced new technologies and adoption of M-commerce is growing fast in the bank. In most banks there was a technology transfer and the adoption of technology had reduced the costs of operation and increased on returns in the banks. Most banks has a working technology strategy selection plan. The diffusion and the speed of penetration increases with increased benefit in the organization.

A unit increase in innovation holding all the other factors constant would positively change commercial bank performance. Commercial bank products and services are available across the branches. The maintenance of product innovation in the banks was done regularly and data on innovations is developed mainly within the bank. The implementation of products innovation programs in the bank has taken effect across its branches. The bank process innovation varies significantly across the country.

#### **5.4 Recommendations for Study**

The study noted that leaders with the necessary skills for management move the bank to the next level. Therefore, this study recommends commercial banks to recruit qualifies leaders and train them with regards to the vision and mission of the firm. The

study concluded that customer focus has a significance influence on commercial bank performance. Therefore, recommendation is done to commercial banks management to be quickly responding to customer's complaint and firms ought to take the time to make available the services and goods that may ensure customer satisfaction. Further, all banks need to ensure they implement effective communication channels in all bank levels. This can easily be attained through a change in the bank's strategic approach.

The study recommends commercial banks to invest in information technology and educate their employees on how to use the technologies to reduce operation costs, increase operation speed and improve service and product quality. Investment on innovation was found to positively change commercial bank performance. Hence researcher recommended commercial bank management to promote innovations in their firms to achieve higher performance.

### **5.5 Suggestions for Further Study**

The study focused on how business process reengineering affects performance of organizations within the water sector in Kenya. Therefore, the study recommends that further studies should be carried out focusing on other variables not studied. The coefficient of determination in the model suggests that there are other factors that contribute to performance which should form future research.

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## **Appendix I: Letter of Introduction**

Dear Sir/Madam,

### **REF: REQUEST TO CARRY OUT DATA COLLECTION.**

I am a student at Kenyatta University pursuing a master degree in Business Administration. As a requirement in fulfilment of this degree, I'm carrying out a study on the 'influence of business process re-engineering practices on performance of commercial banks in Nairobi City County Kenya.

You have been chosen as you are well positioned to provide reliable information that will enable the study achieve its objectives. I intend to research on the above through the use of questionnaires.

Any assistance accorded to me in my noble cause will be appreciated. Information given shall be treated as confidential and will be used purely for the purpose of this research, and a final copy of the document shall be availed to you upon request. Your cooperation will be highly appreciated and thank you in anticipation.

Yours Faithfully,

Ann Muema

## Appendix II: Questionnaire

### Section: A: Demographic Information

1. Please indicate the highest level of education attained? (Tick as applicable)

- a) College Diploma [ ]
- b) Undergraduate [ ]
- c) Master [ ]
- d) Others (specify)

.....  
 .....

2. Indicate your period of service in this bank

- Below 2 years ( )      3 to 5 years ( )
- 6 to 8 years ( )      9 years and above ( )

3. Please indicate your job category.

- Top management ( )
- Middle management ( )
- Low management ( )

### Section: B. Business Process Re-Engineering Practices

Indicate your level of agreement with the following statements relating to business process re-engineering practices. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

<b>Leadership Change</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The bank leaders have a worldview of information and running of the bank					
Successful leadership requires capitalizing on strengths and managing around weaknesses					
The bank leaders have necessary skills to manage the bank to the next level					

Ethics aids leaders in balancing truth and loyalty in the organization					
The bank managers have excellent communication skills					
The managers understand the vision of an organization					

How else does leadership change affect performance of the organization?

.....

Indicate your level of agreement with the following statements relating to customer satisfaction. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

<b>Customer focus</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The institution identifies all its customers					
The bank addresses customer complaints immediately					
The communication channel in the bank with its customers increases its service delivery					
The institution puts its customer satisfaction first					
The institution researches each customer thoroughly to serve them better					

How else does new customer focus affect performance of the organization?

.....

Indicate your level of agreement with the following statements relating to information technology. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

<b>Information Technology</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
New technology is introduced gradually in the organization					
The adoption of m-commerce has been slow in the organization					

The diffusion and the speed of penetration increases with increased benefit in the organization.					
Adoption of technology cuts costs of operation and increases on returns in the organization					
There is technology transfer in the organization					
The organization has a working technology strategy selection plan					

Which new technology has the organization acquired?

.....

How else does new technology affect performance of the organization?

.....

Indicate your level of agreement with the following statements relating to innovation.

Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

<b>Innovation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The bank products and services are available across the branches					
The maintenance of product innovation in the institution is done regularly					
The implementation of products innovation programs in the bank has taken effect across its branches					
The bank process innovation varies significantly across the country					
Product innovations include both new products and new uses for existing products					
Data on innovations is developed mainly within the bank					

How else does innovation affect performance of the organization?

.....

Indicate your level of agreement with the following statements relating to performance. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

<b>Organizational Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The bank is efficient in performing its mandate					
The bank is effective in-service delivery					
The bank has retained its customers for years					
The institution clientele is good					
The bank has been innovative and develops new products for its customers					

### **Appendix III: Commercial Banks in Nairobi City County Kenya**

1. Citibank
2. Equity Bank
3. Standard Chartered Bank
4. Barclays Bank of Kenya
5. NIC Bank
6. Kenya Commercial Bank
7. National Bank of Kenya
8. Diamond Trust Bank
9. Co-operative Bank of Kenya
10. CFC Stanbic Bank
11. I&M Bank
12. Bank of India
13. Bank of Baroda
14. Family Bank
15. Prime Bank
16. Commercial Bank of Africa
17. Bank of Africa
18. Consolidated Bank
19. Chase Bank
20. Fina Bank
21. Eco Bank
22. HFCK
23. Habib A.G. Zurich

24. Victoria Commercial Bank
25. Credit Bank
26. Habib Bank (K) Ltd
27. Oriental Commercial Bank
28. Sidian Bank
29. Imperial Bank
30. ABC Bank
31. Development Bank of Kenya
32. Middle East Bank
33. Equatorial Commercial Bank
34. Trans-National Bank
35. Dubai Bank
36. Fidelity Commercial Bank
37. City Finance Bank
38. Paramount Universal Bank
39. Giro Commercial Bank
40. Guardian Bank
41. Southern Credit Bank
42. Gulf African Bank
43. First Community Bank

**Source: The Banking Survey by CBK 2018, pp. 191**