

**INFLUENCE OF STRATEGIC PLANNING AND HUMAN CAPITAL
PARTICIPATION ON THE PERFORMANCE OF COMMERCIAL BANKS IN
KENYA**

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DECLARATION

This Thesis Project is my original work and has not been presented for a degree in any other University, or any other award.

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DEDICATION

To my family members and friends

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DEFINITION OF TERMS

- Strategy** Strategy refers to the pattern of organizational moves and managerial techniques or approaches used to attain organization objectives and to pursue the organization's mission.
- Strategic Planning** Strategic planning is a process that refers to a framework for the creation of direction in a manner that moves an organization away from guesswork and toward intelligent selection. The framework end result is a destination of choice, not chance.
- Human Capital** Human capital refers to one of the production elements which can generate added-values through inputting it. It is an asset that is derived solely from the individual and collective minds, creativity, and energy of a firm's employees. It also refers to technical training and knowledge buildup for employees.
- Human Capital Participation** Human capital participation refers to the practice Where employees are involved in goal setting, problem solving, or decision making by permitting greater autonomy and control over their work and workplace.

Human Capital Involvement

Human capital involvement refers to the creation of an environment in which people have an impact on decisions and actions that affect their jobs. It is a management and leadership philosophy about how people are most enabled to contribute to continuous improvement and the ongoing success of their work organization.

Leadership and Management Participation

Leadership and management

participation refers to the practice where leaders establish direction, align people with that direction, and then motivate and inspire them. It also refers to the role of leadership of facilitation of change and provision of useful feedback to employees and teams to help them identify problems and opportunities.

Organization Performance

Performance refers to the extent to which organization's goals and objectives are achieved efficiently and effectively. It is measured by both financial and non-financial performance indicators.

ABBREVIATION AND ACRONYMS

AKI	Association of Kenya Insurance
AMFI	Association of Microfinance Institutions
AMFIs	Association of Microfinance
CP	Corporate Performance
DTM	Deposit Taking Microfinance
ERSWEC	Economic Recovery Strategy Paper for wealth creation
FI	Financial Institution
HC	Human Capital
HCM	Human Capital Management
HCM	Human Capital Management
HCP	Human Capital Participation
HCWP	High Commitment Work Practices
HPWP	High Performance Work Practices
HRM	Human Resources Management
KBA	Kenya Bankers Association
KBA	Kenya Bankers Association
LDC	Less Developed Countries
MFI	Micro-finance Institution
N.D	No date
NGO	Non- governmental Organization
NSE	Nairobi Security Exchange

OECD	Organization for Economic Co-Operation and Development
OECD	Organization for Economic Co-operation and Development
ROA	Return on Assets
ROI	Return on Investment
RQ	Research Question
SEM	Structural Equation Modeling
SP	Strategic Planning

ABSTRACT

Numerous extant studies linking strategic planning and organizational performance abound, but non- focused on the effect of human capital participation in such a relationship. Moreover, none of the studies focused on the Kenya's banking industry context. Thus a study towards determining the nature of relationship among the three constructs in Kenyan banks was thoughtful. The purpose of this study was to examine the influence of strategic planning and human capital participation on organization performance in Kenya's commercial banks. The study was guided by the following specific objectives: Establish the relationship between strategy formulation and performance of Kenya's commercial banks, establish the relationship between strategy implementation and performance of Kenya's commercial banks, to ascertain the effects of control systems on performance of Kenya's commercial banks, to investigate the effects of leadership and management participation and involvement in the strategic planning process on performance of commercial banks in Kenya, and to investigate the effects of employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya. In this study descriptive research design, was used as the framework for analysis of data. The population of the study comprised of all 43 commercial banks in Kenya. Stratified random sampling technique was used because Kenyan banks are in different stages of development and exhibit high level of diversity in aspects such as ownership and leadership. The researcher used a questionnaire as a primary data collection instrument. Data for this study was quantitative hence descriptive statistics and inferential statistics were employed in data analysis. To establish the relationships between variables the researcher used Pearson's Product Moment Correlation Coefficient (r), and multiple linear regressions. Performance of the banks is done through the use of both financial and non-financial measures with the inclusion of the employees in strategy evaluation and has indicated improvement in the banks' profitability. Currently, the management's efforts in controlling the strategic implementation strategy have resulted to the banks' assets growth, growth of the bank's market shares and launch of new products. Above 90% of the banks' performance can be explained by the influence of the strategic planning and human capital participation in strategic planning. These variables have shown strong positive correlation with the performance of the banks. Thus, increasing either of the variables will result to a corresponding increase of the banks' performance. However management and leadership participation and involvement was found to have very minimal influence on the strategic planning process. The study recommends a need to implement a system of corporate governance for banks, in the form of a template on which banks should base the development of their own control systems. The banking supervisors should provide guidance to banks on sound strategic planning and proactive practices that should be in place. The researcher recommends further studies to be undertaken focusing on influence of management and leadership participation and involvement in strategic planning process and their influence in the performance of the banks to validate these findings.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategic planning has been around for centuries in the form of military strategy. However, in terms of strategic planning for business, it can probably be traced back to the 1920s when Harvard Business School developed the Harvard Policy Model, one of the first strategic planning methodologies for commercial businesses (Sharifi, Taleghani, and Largani, 2010). Strategic planning suffered a downturn in popularity and influence since the early 1980s. However, during the 1990s, strategic planning regained some of the reputation that it had previously lost and today there is a new interest in strategic planning as a means of monitoring a rapidly changing environment and taking effective decisions and action based upon that monitoring (Sharifi et al., 2010).

Strategic planning (SP) is an effective way of improving corporate performance (CP) (Tapinals, Dyson, & Meadows, 2005) this at least, has been the general perception in strategic management literature to date. A closer look at the empirical literature on the subject reveals a more diverse picture (Schmidt, 2005). The results are not equivocal; some studies show that there is a positive relationship between strategic planning and corporate performance (Hopkins & Hopkins, 1997; Endlich, 2001; Korosec, 2006; Arasa, 2008), others show that the relationship is inconclusive (Shrader 1993; Jimoh, 2003; Awino, 2007); while others show that the relationship is negative (Harrison, Kelly and French, 2004; Schmidt, 2010).

A situation like this is undesirable for academia and for practice: when research results differ for no apparent reason, it hinders the fruitful development of the research field to the disadvantage of both researchers and practitioners (Schmidt, 2010). Rectifying the situation requires a thorough re-examination of the previous research, an all – encompassing review that will clarify the actual state of the relationship (Jimoh, 2003). At the core of academic debate about whether strategic planning should be practiced, the main argument is around whether it is appropriate to formalize the activities involved in strategy making. Tabinas *et al.* (2005) found that formalized strategic procedures have limited the ability of managers to think strategically. Tabinas *et al.* (2005) suggest that the association of strategic planning with the highly prescriptive approach of strategic management is unfortunate, since these concepts are not necessarily opposite and can co-exist at different levels of strategy making. Therefore, a great number of models and frameworks have been suggested in order to improve the efficiency and effectiveness of strategy development (Tabinos *et al.*, 2005).

In complex global environment, unpredictable changes, time and uncertainty play an important role. Such changes have removed many organizations from the competition area and predictions about the future have failed (Sharifi *et al.*, 2010). Sharifi *et al.* (2010) suggest that in the strategic planning process, time and uncertainty have an important role too. Today organizations try to identify, strengthen and improve their capabilities for adapting and completing their knowledge and skills to cope with this turbulent environment. While in such a complex and competitive environment where there are saturated and compact markets, lacking strategic planning, place organizations

in a poor competitive situation and eventually confront them to failure (Sharifi *et al.*, 2010). They say that an effective strategic planning helps the organization to gain competitive advantage compared to other competitors.

Nowadays organizations are so complex that without detailed planning, they cannot survive. Strategic planning requires information about future opportunities and threats and it is prediction of the way of facing against those opportunities and threats (Sharifi *et al.*, 2010). The dynamism and turbulence of environment and uncertainty caused by environmental changes adds on the indisputable necessity of strategic planning.

The absence of a systematically validated solution for the inconsistent planning-performance findings has been a problem. In light of the importance many researchers and executives attach to strategic planning, this problem appears to the researcher to be of particular importance for the study.

Human capital has long been argued as a critical resource in most firms (Clarke, Seng, & Whiting, 2010). Clarke *et al.* suggests that human capital attributes (including education, experience, and skills) and, in particular, the characteristics of top management affect firm outcomes. Siegel and Shrader (2007) suggest that human capital is likely to be particularly important in the context of technological entrepreneurship. A significant percentage of the value of technology-based new ventures is likely to be determined by the quality of the company's employees, especially the top management team. Furthermore, research has shown that employees

with more human capital (more education and experience) help firms implement new technologies more effectively (Siegel and Shrader 2007). Participation is the process of allowing superiors' influence to be shared with individuals at lower levels (Adnan, Abdullah, & Ahmad, n.d). Employee participation aims to get employee involved in goal setting, problem solving, or decision making by permitting greater autonomy and control over their work and workplace. It also gives a signal to the employee that their management, place high level of trust on them (Adnan et al., n.d). Employee participation reduces negative behavioral outcomes such as turnover and absenteeism; and increases organizational effectiveness such as employee productivity and profitability (Adnan et al., n.d).

In their study of longitudinal analysis of relationships between planning and performance in small firms (Huselid, 1995 and Hayton 2004) suggest that the strategic management model may still imply a strong causal relationship between the planning process and organizational performance but now recognizes the moderating influence of factors such as group dynamics, individual orientations and, human capital participation. This current study intends to investigate the effect of human capital participation in the relationship.

1.1.1 Performance of Commercial Banks in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, and the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). In Kenya, the Banking Sector is composed of the Central

Bank of Kenya, as the regulatory authority and the regulated; Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As at 31st December 2012, the banking sector consisted of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and one mortgage finance company-MFC), 5 representative offices of foreign banks, 8 Deposit- Taking Microfinance Institutions (DTMs), 2 Credit Reference Bureaus (CRBs) and 112 Forex Bureaus. Out of the 44 banking institutions, 31 were locally owned while 13 are foreign owned. The 8 DTMs, 2 CRBs and 112 Forex bureaus are privately owned. The foreign owned financial institutions comprise of 9 locally incorporated foreign banks and 4 branches of foreign incorporated banks.

Performance of the banking sector is rated strong as institutions achieve satisfactory financial conditions and improved operations results despite high market competition a majority of these institutions scramble for a significant market share CBK (2012). New products have been introduced in the market as a result of rising competition. The system remained well capitalized. Shareholders' funds, deposits and assets increased by 35.2 percent, 27.7 percent and 31.9, respectively (CBK, 2012).

Local Banks are facing competition from foreign banks that are entering the market such as the West African Banks and local non-financial institutions. Commercial banks will have to modify their services and products to satisfy the needs of the customers, beat competition and also grow their market share (Gitonga, 2012). To survive in the competitive environment the banks must move from being order takers to being

customer oriented sales organizations continually searching for more products and markets.

According to Anderson (2011) strategic planning is explicitly concerned with performance, arguing that managers have discretion in choosing and implementing strategies to match environmental demands in ways that enhance organizational performance. Anderson (2011) perspective argues that in high performing organizations, structure follows strategy. Olise, Anionwu, Ijeoma, & Ukenna, (2010) found that human capital entails the processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee's satisfaction and performance, and eventually on a firm's performance. Gitonga (2012) posits that human capital- the most dynamic asset of a company should be well managed to give a company a distinctive competitive edge. For Kenya's commercial banks leaders to be effective, they will have to create a conducive working environment that is capable of attracting, and retaining the right talent that in turn helps the organizations achieve their strategic goals (Gitonga, 2012). It is hypothesized that for banking executives to succeed under the current competitive environment they should endeavor to improve their strategic planning process and human capital participation in the process. However, there is very limited data in the Kenyan banking sector that shows a clear relationship of the three variables of SP, HCP, and organization performance.

1.2 Statement of the Problem

Despite rigorous efforts to develop strategic plans and leverage on human capital, most banks do not link this exercise to organization performance (Anderson, 2011). The banking sector is currently facing stiff competition from non-traditional competitors such as the Microfinance Institutions, Savings and Credit Cooperative Organizations (SACCOs) and non-bank financial institutions such as telecommunication companies in terms of products and services offered (Gitonga, 2012). Increased volatility of the business environment makes systematic strategic planning more difficult. Rapid change requires strategies that are flexible and creative yet in the vast majority of companies, strategic planning is a calendar-driven ritual which assumes that the future will be more or less like the present (Anderson, 2011).

From the previous studies reviewed, the concept of strategic planning appears to have great validity in predicting organization performance. Some findings indicate that there is strong relationship between strategic planning and corporate performance (Hopkins & Hopkins, 1997; Endlich, 2001; Korosec, 2006; Meshack, 2007; Arasa, 2008; Michele, 2008). However, some studies show that the relationship is inconclusive (Shrader 1993; Mintzberg 1994; Jimoh, 2003; Awino, 2007). While others indicate that, there is no direct or significant relationship (Harrison, Kelly and French, 2004; Schmidt, 2010). Given the mixed findings on the relationship between strategic planning and corporate performance it is not clear whether or not strategic planning influences performance and therefore, there is need for further research to conclusively determine the link between

strategic planning, human capital participation and organization performance in the Kenyan context.

Studies on strategic planning and human capital participation, in the banking industry are few and those that have attempted to link human capital management practice to performance were done in different environments and thus the results cannot be generalized to Kenya. For instance, a study by Olise et al. (2010) sought to gain a better understanding of the theoretical and empirical relationship between human capital development practices and some dimensions of organizational effectiveness of Nigerian Banks. The only studies available on Human Capital Practice in Kenya are those of Musyoka (2008), Arasa (2008), and Nafula (2005). However, the present study shifts its focus on variables, and industry. Musyoka (2008) was based on establishing the practice of Human Capital Management at the National Social Security Fund (NSSF) and, Arasa focused on the Insurance Industry. Further, the present study differs from that of Nafula (2005) on the focus as the study was done on sugar companies in Kenya.

As mentioned earlier, previous studies concentrated on the relationship between strategic planning and organization performance and did not test the effect of human capital participation, and those that have attempted to link human capital management practice to performance were done in different environments from Kenya and thus the results cannot be generalized to Kenya thus a knowledge gap. This study attempts to address that gap. The study was therefore, an attempt to answer the question: How does

strategic planning and human capital participation influence performance of commercial banks in, Kenya?

1.3 Objectives of the Study

1.3.1 General objective

The main objective of the study was to investigate the influence of strategic planning and human capital participation on the performance of commercial banks in, Kenya.

1.3.2 Specific objectives

- i) Establish the relationship between strategy formulation and performance of commercial banks in Kenya.
- ii) Establish the relationship between strategy implementation and performance of commercial banks in Kenya.
- iii) To ascertain the effects of control systems on performance of commercial banks in Kenya.
- iv) To investigate the effects of leadership and management participation and involvement in the strategic planning process on performance of commercial banks in Kenya.
- v) To investigate the effects of employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya.

1.4 Research Questions

- i. What is the relationship between strategy formulation and performance of commercial banks in Kenya?
- ii. How does strategy implementation influence performance of commercial banks in Kenya?
- iii. What is the effect of control systems on performance of commercial banks in Kenya?
- iv. What is the effect of leadership and management participation and involvement on performance of commercial banks in Kenya?
- v. What is the effect of employee participation and involvement on performance of commercial banks in Kenya?

1.5 Significance of the Study

This study is significant to the following parties:

1.5.1 Strategic leaders

They have the overall responsibilities for firms and whose decisions affect organization outcomes. They are going to find the recommendations of this study useful, in the creation of a sense of purpose and direction which guides strategy formulation and implementation within their respective firms.

1.5.2 Regulatory authorities

The study findings were also to assist the regulatory authorities in the formulation of banking sectors' policies. For instance, if strategic planning and human capital participation promotes a bank's better performance, then they would encourage its adoption in the banking industry.

1.5.3 Other researchers

The researchers and academic community could use the findings of this study as a stepping stone for further studies on strategic planning and human capital participation to the financial institutions.

1.6 Scope of the study

The study focused on strategic planning and human capital participation and its perceived effects on organization performance. The study was confined into the Kenya's commercial banking sector. All the 43 banks operating in Kenya, licensed and regulated by CBK by the end of 2012 were targeted. A five year period data (2008-2012) was captured for purposes of this study.

1.7 Limitations of the study

The performance measurement is very complicated because of the various constituencies served by the banks with their differing expectations. The researcher addressed these challenges through the use of universally accepted performance

measures in the banking industry such as profitability, return on assets, and return on equity.

Primary and secondary data was used in this study. Secondary data has problems of applications as it was collected for different purposes to overcome this limitation the study singled out only reliable documents such as banks' audited accounts. Primary data was collected using a self administered questionnaire which had both open ended and closed questions. Some respondents might have found it difficult to participate due to their busy schedules. To overcome and minimize this limitation the researcher had to make several follow-ups; finally, the study was limited by the amount of data that was collected from the field where data from the banks that are not listed at the Nairobi Securities Exchange was difficult to obtain given the fact that banks keep their information at very high confidential level but the research went ahead despite the challenge where data for banks that are not listed were obtained from their website while for some banks could not be obtained completely.

1.8 Organization of the study

This thesis is structured as follows: the foregoing chapter one presents the background of the study, statement of the problem, research objectives and questions that the study sought to address. Additionally, it provides the justification and significance of the study. The chapter concludes with the scope, limitations and organization of the study. Chapter two presents reviewed literature that articulates the concept of strategic planning, its link to performance and the concept of human capital participation and its

perceived influence in such a relationship, the research findings and gaps and a conceptual framework. Chapter three deals with methodology, research design, philosophical orientation, empirical model, ethical issues, data collection instruments, and data analysis and presentation; while chapter five deals with, summary of the findings, conclusions and recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature related to the proposed study was reviewed in this section. The chapter covers theoretical review, empirical review, research gaps, summary of reviewed literature and the conceptual framework that guided the data collection, analyses and presentation.

2.2 Theoretical review

2.2.1 Human Capital Theory

Human Capital theory was proposed by Schultz (1961) and developed extensively by Becker (1964). The human capital theory emphasizes that companies decide on the amount of human capital investment they will make by comparing it with the potential future benefits, for instance, improvements in production controls (Jia & Lei, 2007). Human capital in this context refers to technical training and knowledge build-up for employees. Olise, Anionwu, Ijeoma, & Ukenna, (2010) found that the concept and perspective of human capital theory stem from the fact that there is no substitute for knowledge and learning, creativity and innovation, competencies and capabilities; and that they need to be relentlessly pursued and focused on the firm's environmental context and competitive logic. Yamkovenko (2008) posit human capital as the knowledge and skills people acquire during education and training and this capital is a result of deliberate investment that yields returns.

Fitz-Enz (2000) defines human capital as traits one brings to the job: intelligence, fulfilling work energy, positive attitude, reliability and commitment, ability to learn, imagination, and creativity. This latter definition brings more factors into equation—commitment, attitude, reliability, and imagination. These factors are critical to success in today's environment. Jia and Lei (2007) suggest that investments are especially focused on training employees' on specialized skills and avoiding these to be used by other companies. Human capital referred to in this theory must possess the dual properties of asset of specialized skills and non-transferability.

Shrader and Siegel (2007) posit that theory of human capital also provides support for the view that managerial characteristics such as experience should influence strategic choice and firm performance among technology-based new ventures. That is, human capital theory suggests that an experienced entrepreneurial team should be more productive than a less experienced team, since experience is a valuable asset that has been shown to increase worker productivity and the economic value of the firm, as well as managerial compensation. Experience also allows managers to make more informed strategic choices.

According to Holton III, and Yamkovenko, (2008) human capital theory suggest that investment in people results in economic benefits for individuals and society as a whole. The investment in an individual can be made in terms of health, nutrition, education, and any other development that results in long-term benefits. It is important to clarify that the investor in this particular case is the individual who decides whether to invest

his or her time, money, and other resources into some activity that will benefit his or her human capital. Holton III, and Yamkovenko, (2008) indicate that in resource-based view of the firm and strategic human capital, two entities can actually invest in human capital; the individual who decides whether to participate in some type of training and informal education and the company who decides whether to make similar types of investment.

This theory is appropriate for this study because it shows that while it may be possible for individuals or organizations to focus more on their strengths (and avoid developing their weaknesses) improvement efforts should also be re-directed towards areas of organizational weaknesses through human capital development as real gains are found in getting better at their weakest human capital driver, which also improves human capital participation in organization's strategic planning.

2.2.2 The Red Queen Theory

Introduced by the biologist Van Valen (1973), the Red Queen effect is based on the conversation between the Red Queen and Alice in Lewis Carroll's "Through the Looking Glass". In that story, Alice realizes that although she is running as fast as she can, she is not getting anywhere, relative to her surroundings. The Red Queen responds: "Here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that (Derfus, Maggitti, Grimm, & Smith, 2008). Van Valen used this analogy to describe the

continuous and escalating activity and development of participants trying to maintain relative fitness in a dynamic system by use of strategic planning (Derfus et al.).

The quest to explain performance differences among competing firms is a fundamental issue in strategic management. A number of answers to this complex question have been offered. According to the industry structure viewpoint, positioning firms in industries where they can take advantage of favorable competitive forces, such as barriers to entry or mobility (Derfus et al., 2008), enhances performance.

Evolutionary and ecology theories focusing on Red Queen competition portray how entities dynamically interact and co-evolve with one another. Applied to a business context, the Red Queen can be seen as a contest in which each firm's performance depends on the firm's matching or exceeding the actions of rivals. In these contests, performance increases gained by one firm as a result of innovative actions tend to lead to a performance decrease in other firms (Derfus et al., 2008).

The only way rival firms in such competitive races can maintain their performance relative to others is by taking actions of their own. Each firm is forced by the others in an industry to participate in continuous and escalating actions and development that are such that all the firms end up racing as fast as they can just to stand still relative to competitors (Derfus et al.). This self-escalating co-evolving system of Red Queen competition has been empirically shown to affect founding rates, failure rates, and competitiveness (Derfus et al., 2008). Indeed, Derfus et al. found that the Red Queen

effect is the most powerful mechanism driving economic development in capitalistic society.

Heylighen (1993) asserts that, every improvement in one species will lead to a selective advantage for that species. However, since in general different species are co-evolving, improvement in one species implies that it will get a competitive advantage on the other species, and thus be able to capture a larger share of the resources available to all (Heylighen, 1993). This means that fitness increase in one evolutionary system will tend to lead to fitness decrease in another system.

Though we recognize that, Red Queen theory also posits long-term consequences of action exchanges, such as greater fitness for all competing firms. The only way that firms involved in a competition can maintain their fitness relative to the others is by in turn improving their design. The resource-based view emphasizes limiting the behavior of rivals by suggesting that firms acquire or develop unique, valuable, and rare resources that are difficult for rivals to replicate (Barney, 1991).

This theory is appropriate for this study because it shows that firm's success is due to joint resources and capabilities which an enterprise owns and which makes it different from its competitors (Derfus et al., 2008). Among such resources and capabilities, this study centered on human capital and its perceived participation benefit in strategic planning process and its crucial attributes of knowledge, skill, know-how, and talent.

These resources and capabilities were perceived to constitute a source of competitive advantage.

2.2.3 The Transaction Cost Economy Theory

Transaction Cost Economy Theory (TCE), introduced by Williamson (1971) to offer a methodology through which to analyze how the governance of economic organization affects economic value (Williamson & Tadelis 2010). The transaction cost economy theory presumes that companies choose to employ personnel in the most efficient way. When employing personnel, companies can either recruit new staff from outside or promote existing staff (Lei & Jia, 2007). These approaches to employment will incur various costs. For example, the former approach incurs hiring costs and the latter one triggers training costs and management costs. Between these two alternatives, companies choose the most efficient way or combination by comparing all relevant costs. Human capital within the context of this theory must possess the dual properties of asset specificity and asset uncertainty (Lei & Jia, 2007).

The analysis of individual managers, especially those employed by entrepreneurial firms, can also be related to the transaction cost economy theory of human capital (Shrader and Siegel 2007). Shrader and Siegel (2007) posit that this theory begins with the realization that wage differentials are due to differences in productivity. Labor economists used this theory to reach a fundamental conclusion: labor is heterogeneous and an individual's human capital consists of his/her productive skills and technical knowledge and any other skills that might be useful to the firm (i.e., the full set of

characteristics that may enhance his or her salary).

A study by Olise et al. (2010) showed that the level of productivity rose with a change from fixed salary to performance-related incentives; similar results were also shown by Paarsch & Shearer (1996) where they found a significant pattern of high productivity in a performance-driven payroll framework. The studies performed by Banker, Lee, and Potter (1996) and Fernie and Metcalf (1999) also found the same results where performance was higher in employees for organization with productivity-driven enticement. These studies also indicated a steep positive correlation between performance and incentives of office workers.

The empirical evidence on incentive-lead high performance of workers is rather strong. The higher perks and benefits for directors may logically lead to higher performance and motivation. As a general rule, attractive incentive schemes will motivate the employees to perform better which eventually would lead to higher productivity. This theory is appropriate for this study because it shows that an employee's or manager's compensation can be viewed as a return to investment in human capital development which in turn leads to improved human capital participation in organization's strategic planning.

2.2.4 Resource-Based Theory or View (RBV)

Introduced by Penrose (1959) the resource-based view emphasizes limiting the behavior of rivals by suggesting that firms acquire or develop unique, valuable, and rare

resources that are difficult for rivals to replicate (Dorfus et al., 2008). The resource-based view of the firm theory advocates that core skills central to a company's competitive advantages must be acquired from internal development within the company itself and that general technology can be acquired from outsourcing (Lei & Jia, 2007). The core skills are characterized by properties such as value, rareness, not being imitable and immobility (Lei & Jia, 2007). Talents capable of core skills are the human capital deserving attention and investments from companies. Resource-based view transpires that organizational personnel's are the most worthwhile asset of an organization and it is hard for the competitors to replicate such human resource (Siddiqui, 2012). He posits that human capital consists of scarce and worthwhile resource that will lead the organization to achieve the competitive edge.

Johnson and Richard (2001) state that a strategic approach to human capital management seeks to provide competitive advantage proactively through its human capital. Resources confer enduring competitive advantage to a firm to the extent that they remain scarce or hard to duplicate, have no direct substitutes and enable companies to pursue opportunities (Johnson & Richard, 2001). The resource-based view posits that human and organizational resources, more than physical, technical or financial resources, can provide a firm with sustained competitive advantage because they are particularly difficult to emulate (Johnson and Richard, 2001). They assert that, consequently, human resource management should ideally work to enhance the firm's competitive position by creating superior human capital skills, experience and knowledge that contribute to firm economic value.

Derfus et al., (2008) noted that in order for human capital to contribute to sustainable competitive advantage, it must create value, remain hard to imitate, and appear rare. The resource-based view underlying premise is that firms differ in fundamental ways because each firm possesses a “unique” bundle of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm’s competitive advantage; (Derfus et al).

The RBV also contains some political and integrative elements, especially with regard to the acquisition and implementation of non-substitutable resources. Namely, a firm can execute political strategies to raise the production costs of competitors by means of which resource supply is restricted. These strategies come in three main forms: monopolizing the resource through which supply to competitors is denied, differentiation through which a firm gains a unique reputation, and the use of the political process to influence legislation that restricts the use of the resource by competitors. Especially the latter strategy focuses on the power businesses might have in society, as the interaction between governmental action and business practices has become more intertwined over the last years. This interaction influences the number and the extent of various levels of regulation. Through this influential process, firms do realize the pressures from society they need to adhere to, but at the same time also focus on the power position they have within their competitive field (McWilliams, van, Fleet & Cory, 2002).

Overall, the RBV theory of the firm is often regarded as a plausible theory for a broad variety of business activities. From the resource based view/ theory, human capital can serve as a catalyst for change, providing a critical missing link for creating and sustaining a competitive advantage for organizations operating in an increasingly competitive, knowledge intensive, global economy.

The value obtainable from large number of diverse employees who work together is quite high, and therefore given the mix it is impossible for competitors to imitate. In the context of this theory, it is evident that the resources that a firm has will play a big role in the strategic implementation process. This theory is appropriate for this study because it shows that the key to resource based approach to strategic planning is the understanding of the relationship between resources, capabilities, and competitive advantage. This is because no matter how good the strategies are, without the necessary resources to enable the implementation, they remain in the planning phase. Therefore, an organization with a diversity of well talented human capital should be more competitive.

2.3 Empirical Review

2.3.1 Strategic Planning and Organization Performance

2.3.1.1 Strategy Formulation and Organization performance

Central to the continued survival of any organization is the ability to formulate and execute an effective strategy despite the limitations of organizational resources and the constraints of the external environment. Private-sector firms must plan to face

challenges from competitors, rulings of regulatory bodies, shifts in the commercial context including changes in interest rates and economic activity, and shortages of personnel and supplies (Roce and Cray, 2010). The planning phase (formulation) fashions out the organizations' strategies for realizing organization mission, objectives and goals as well as developing a monitoring system that would continuously determine the extent of plan implementation and the degree to which the goals are attained. A dynamic approach to strategy formulation can only be implemented successfully if it is supported by a sound management structure and by employees who work towards the achievement of overall goals (Raps, 2005).

According to Abadi E., Abadi A., & Soltani (2012), strategy formulation includes analyzing organization external environment, providing combined chart of organization internal and external factors, developing a vision and mission, establishing objectives, generating alternative strategies, and choosing particular strategies to pursue accomplishment. The formulation stage begins with the establishment of the vision and mission. Clear vision and mission leads people in the organization to the same direction (Abadi et al.). By its very process and methods, strategy formulation encourages consensus building and team work among staff. It promotes widespread understanding of organization mission, objectives, goals, strategies and its position in the industry among all stakeholders. These features are essential to effectiveness and efficiency and therefore success, it is therefore not surprising that organisations that adopt inclusive strategy formulation are expected to perform better than those that do not. This a priori

expectation is what this study was out to verify using the Kenyan experience in the banking industry.

2.3.1.2 Implementation and organization performance

The strategic action phase implements the plan. Thus, strategic management is both a philosophy and a process or technique by which an organization determines its long-term objectives and how to realize them as well as taking actions to implement strategies so determined in order to continually adjust itself to changes in its environment and to continuously realize its objectives (Jimoh, 2003).

Šuklev and Debarliev (2012) found that firm performance is not so much a result of a company's strategy, but of its capacity to implement that strategy effectively. In their research of Strategic planning effectiveness comparative analysis of the Macedonian context (Šuklev and Debarliev, 2012) revealed that performance differences within strategic groups are positively correlated with the capability for strategic implementation differences within strategic groups.

Qi (2005) points out some other factors that are desirable prerequisites for a strategy to be successfully implemented. These include; adequate communication and the ability to calculate performance (feedback system). These concern strategy implementation at the corporate level and can also be applied to analyze functional strategy implementation, such as marketing.

Raps (2004) posit that a well-formulated strategy can only generate a sustainable added value for the company if it is implemented successfully. When implementing strategy, the most important facet is top management's commitment to the strategic direction itself (Raps, 2004). In fact, this commitment is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees (Raps, 2004). He posits that to implement the strategy successfully, senior executives must not assume that lower-level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas.

According to Abadi et al. (2012), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, and management of conflict, organization structure, managing resistance to change, and organizational culture (Abadi et al.).

Johnson and Richard (2001) states that, banks are currently exploring new ways to organize work. Thus, banking currently offers a highly competitive environment that allows room to exercise differing business strategies. Because of its service orientation, human capital management rises to prominence as a significant factor in strategy implementation; as the employees are the product (Johnson & Richard, 2001). They

argue that effective use of HR practices should have a greater impact on performance beyond the simple existence of HR practices.

2.3.1.3 Control Systems and organization performance

Sharifi, Talehani & Largani (2011) posit that to determine how much the goals are achieved, implemented strategies should be monitored and controlled. Strategy evaluation includes review of main principles of organization's strategy, comparison of expected results with actual results, taking corrective actions to ensure the accuracy of performance and operations based on plans (Sharifi et al.). Sharifi et al. asserts that there are four criteria for strategy evaluation; procedure stability, compatibility with environmental factors, feasibility and, having a competitive advantage.

According to Raps (2005) an essential question for managers is how to assess performance during and after the implementation. This assessment or control function is a key aspect of the implementation processes. In order to provide top management with reasonable assurance that strategic initiatives can be executed and are, indeed, being implemented as intended, a control system is required to develop and provide the necessary information (Raps, 2005). He posits that such a control system focuses on critical issues. For example, one of the most critical points within strategy implementation processes is time restrictions. The problem is that many executives underestimate the amount of time needed and don't have a clearly focused view of the complexities involved when implementing strategies.

Abadi et al. (2012), provided criteria against which effectiveness of controls can be assessed. Control can be judged effective if the entity's operations objectives are being achieved; published financial statements are being prepared, reliable and applicable laws and regulations are being complied with. While control is a process, its effectiveness is a state or condition of the process at a point in time. Accordingly, the effective functioning of components of internal control provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of organizational performance. From the empirical studies above, controlling is a process of monitoring performance and taking action to ensure desired results. This study therefore, aimed to find out whether the control functions, as a key aspect of strategic planning in Kenya's commercial banks could explain variations in their performance.

2.3.2 Human Capital and Organization Performance

2.3.2.1 Employee and Task Involvement/ Participation and organization performance

Adnan, Abdullah, and Ahmad (n.d) posits that participation is a process of allowing superiors' influence to be shared with individuals at lower levels. Employee participation practice aims to get employee involved in goal setting, problem solving, or decision making by permitting greater autonomy and control over their work and workplace. It also gives a signal to the employee that their management place high level of trust on them (Adnan, Abdullah, and Ahmad, n.d). The researchers found that employee participation reduces negative behavioral outcomes such as turnover and

absenteeism; and increases organizational effectiveness such as employee productivity and profitability.

Endlich (2001) asserts that having a clear mission and vision in place that is supported by employees is a critical strategic building block of a learning environment. Endlich (2001) found that organization mission is the starting point of the strategic plan. It forms the foundation from which all other strategic plan elements emanate. A mission statement identifies the basic concept of the organization. It provides a focal point for identifying an organization's purpose, the reason for its existence (Endlich, 2001). When the mission and vision are widely shared and understood by employees, actions will result that are aligned with the organization's goals and mission. Such information empowers employees and develops innovative organizations (Endlich, 2001).

Endlich (2001) suggest that employees should be encouraged to take risks, deal with uncertainty, and to be innovative. The researcher found that, such an environment requires a shared leadership style. Siddiqui, (2012) posits that the basic feature of human capital management is how the organization treats its employees as the most valuable resource. Furthermore by utilizing the workforce efficiently the organization can attain the competitive edge. Human capital management is a link between workforce and organizational planning (Siddiqui, 2012)

Korosec (2006) found that many stages exist in the strategic planning process such as the identification of stakeholders, clarification of mandates, evaluation of

strengths and weaknesses, assessment of threats and opportunities, and the development of goals, objectives, strategies, and implementation plans, which may be better addressed by the employees because they are directly impacted by these issues. Employees who are empowered to think creatively or to embrace innovative solutions are more likely to buy into a new strategic plan, especially if they are rewarded for their contributions or can see the benefits for themselves as a result of this process (Adnan, Abdullah, and Ahmad, n.d). Korosec (2006) found that organizations that promote bottom-up models of planning may find new ideas and issues that percolate up from departments.

Adnan et al. asserts that employees tend to produce more creative works when they perceive themselves to have options on how to perform their tasks and that firms may encourage employees' involvement and participation in order to inspire and get them engaged in creative thinking and innovation.

According to Stiles and Kulvisaechana, (n.d.), the accumulation of exceptionally talented individuals is not enough for the organization. There must also be a desire on the part of individuals to invest their skills and expertise in the organization and their position. In other words, individuals must commit or engage with the organization if effective utilization of human capital is to happen.

Employee participation practice aims to get employee involved in goal setting, problem solving, or decision making by permitting greater autonomy and control over

their work and workplace. This study therefore, sought to find out if Kenya's commercial banks' business strategies designed to achieve organizational objectives were likely or not likely to succeed when human capital is not involved in both strategy formulation and implementation and whether organizations must create a conducive, environment for integrating human capital management with business strategy since the human capital supplies the energies for driving organization strategies.

2.3.2.2 Leadership Involvement and Support in the Strategic Planning Process

Endlich (2001) indicate that good leaders establish direction, align people with that direction, and then motivate and inspire them. The role of leaders in organizations is to set the necessary conditions for the organization to develop an effective learning capability. Leaders should be seen as coaches who facilitate change and provide useful feedback to employees and teams to help identify problems and opportunities. Such leadership also means involving employees in decision making (Endlich, 2001).

In theory, although strategic planning is supposed to include a cross-section of management stakeholders (including those at the highest and lowest levels), it also needs a strong sponsor if it is expected to be taken seriously (Koresec, 2006). One traditional point of support for strategic planning has been senior management. Siddiqui, (2012) posits that workers especially managers with their knowledge bring creative and innovative ideas that in turn increase worth of the organization. The value is added in the intangible resources such as patents, reputation of an organization and also to the competence of employees. This added value will increase the organizational

productivity and also improve the performances of employees.

Employee dedication and loyalty especially at management levels is very important in today's active, dynamic and continuously changing environment whereas this aspect is very significant in order to ensure survival in a turbulent environment (Siddiqui, 2012). Korosec (2006) found that senior managers are likely to support strategic planning at the organizational level because it allows them to comprehensively review the actions of their organizations and see macro-level trends and issues. The involvement of subordinate managers (including department heads) as well; has always been important to organization-wide planning efforts.

From the empirical review it could be hypothesized that if lower-level managers are allowed or encouraged to contribute important information about their units (e.g., including a realistic assessment of threats to and weaknesses of the department), they may be more willing to cooperate with subsequent implementation efforts. Indeed, the lack of involvement from lower managers such as departmental heads may be related with implementation failures.

2.4 Organization Performance

Firms go into business to prosper and that the level of prosperity is measured in terms of business performance. Corporate or organization performance relate to the efficiency and effectiveness of the firm (Machuki, 2011). Machuki (2011) found that organization effectiveness is a measure of how successful organizations achieve their missions

through their core strategies. Organization effectiveness studies are concerned with unique capabilities that organizations develop to assure that success. Efficiency is the cost per unit of output, describing the relationship between the goods and services produced by a program or activity (outputs) and the resources used to produce them (inputs) (Waweru, 2008). Business firms are compared in terms of profits, sales, market share, productivity, debt ratios, and stock prices among others (Machuki, 2011).

Firms have developed more robust performance measures and incentives to enable them adapt more effectively to rapid environmental changes. Such measures focus on customers' product, service performance, suppliers' lowering of ordering costs, employees' conducive working environments, and increasing shareholder' stock price and profits (Manyuru 2005).

It is contended that real respect for business does not emanate from business profitability alone, but rather from an aggregate of many elements. These include but not limited to; exemplary customer service, employee retention, innovation, environmental management, professional conduct, courage, leadership in employee care, integrity and social responsibility.

2.4.1 Financial Performance

Financial performance is at the core of the organizational effectiveness domain. Such performance measures are considered necessary, but not sufficient to define overall effectiveness (Manyuru, 2005).

Accounting-based standards such as Profits, Total organization assets, Revenue growth, Operation efficiency, return on assets (ROA), return on sales (ROS) and return on equity (ROE) measure financial success (Tian and Zeitun, 2007). These indicators usually tap current profitability.

2.4.2 Non- Financial Performance- Business performance and Organization effectiveness.

Business performance measures market-related items such as market share, growth, diversification, and product development (Tian and Zeitun, 2007). There are two dimensions here; those indicators related to growth/share in existing business for example sales growth and market share) and those indicators related to the future positioning of the firm for example new product development, staff retention, and diversification.

Organizational effectiveness measures are closely related to stakeholders (other than shareholders). Examples of such measures are employee satisfaction, employee participation, quality and social responsibility. There are two dimensions here; those indicators related to quality for example product quality, employee satisfaction, overall quality) and those indicators related to social responsibility for example environmental and community responsibility.

The performance measurement is very complicated because of the various constituencies served by the banks with their differing expectations. To address these

challenges the researcher used the universally accepted performance measures in the banking industry such as profitability, return on assets, and return on equity. These indicators usually tap on current profitability. On non- financial performance considerations, the researcher used those indicators related to growth such as market share and those indicators related to the future positioning of the firm such as new product launch; and finally, on organizational effectiveness measures the researcher used dimensions such as employee participation and staff turn-over.

2.5 Summary of Literature and Research Gaps

The table below shows a summary of studies done on strategic planning, human capital participation and organization performance and gaps in knowledge that this study will attempt to address.

Table 2.1: Summary of Literature and knowledge gaps

Empirical Study	Focus/Objectives	Findings	Gaps in knowledge to be addressed by the study	Current Study Attempt
Ayodele & Jimoh (2003)	Strategic management and the performance of the Nigerian banking industry	Mixed Results-strategic management worked in some banks but made no significant impacts on others	The study limited itself to only two dimensions- strategic management and performance	Establish the influence of human capital participation on the relationship between strategic planning and performance.
O'Shannassy & Hunter (2007)	Contemporary strategic management practice in Australia	The research identified strong support for the practice of formal strategy with 83 per cent of participants confirming that everyone in the senior management team actively participates in strategy formulation.	The study limited itself on the participation of the managerial team in the strategic management practice	Is there value on the participation of both management and non-management staff in strategic planning process
Harrison, Kelly and French, (2004)	The role of strategic planning in the performance of professional firms	Mixed results- No significant relationship between strategic planning and performance is identified in some firms, while significant relationship emerges in others	This study limited itself to external fit by considering only environmental dimensions such as competitors orientations, and market orientation	This study attempted to address the gap through inclusion of firm level moderating variables.

Schmidt (2010)	Strategic Planning and Corporate performance	The findings suggest that there is very weak relationship between SP and corporate performance	The study limited itself on quantitative performance measures	This study attempts to address this gap by selecting both quantitative and qualitative performance measures.
Awino (2007)	Effect of selected strategy variables on corporate performance	Mixed results	The study limited itself to only two dimensions- strategic planning and performance.	The current study attempted to address this gap by introducing internal fit (human capital participation) in the relationship.

Table 2.2 Summary of empirical studies

Study	Focus	Findings
Arasa (2008)	Strategic Planning, employee participation and firm performance in Kenya's Insurance industry	There is significant positive difference in financial performance among firms with strategic orientations.
Endlich N. A. (2001)	An Investigation of the Nexus Between Strategic Planning and Organizational Learning	Simply stated, and based solely on the current research, the nexus between strategic planning and organizational learning is a fluid, dynamic interplay and relationship within an organization that at times is an explicit, implicit, and sometimes even accidental process that uses an organization's strategic plan to: develop an informed workforce; store, transfer, and retrieve knowledge and data
Korosec, R. L., (2006).	Is Department-Based Strategic Planning More Effective than Organization-Wide Strategic Planning?: Empirical Evidence from Senior Managers	It suggests that although some aspects of strategic planning are perceived similar at both levels, differences exist in relation to perceived levels of (a) conflict and cooperation, (b) innovation and empowerment, (c) support for the planning effort, and (d) change created through strategic planning.
Meyer & Carol(2008)	High and low road approaches to the management of human resources: an examination of the relationship between business strategy, human resource management and high performance work practices	Using data collected from a sample of 179 large Australian workplaces the results support the Contingency approach in that High Road organizations are more likely to adopt HPWP and the Universal approach in that both High and Low Road organizations derive equal benefit from the implementation of HPWP

E. Hopkins and A. Hopkins (1997)	Strategic planning-financial performance relationships in banks: a causal examination	There is significant positive relationship in financial performance among firms practicing strategic planning.
Frank & DiBernardino, (2012)	"The missing link: measuring and managing financial performance of the human capital investment."	Traditional HR metrics must evolve into human capital analytics to demonstrate added value and better inform strategic decisions.
Kuria (2011)	Customer relationship management practices and competitiveness of commercial banks in Kenya	Positive relationship between the two variables exist
O'Shannassy, T. & Hunter, P. (2007).	Contemporary strategic management practice in Australia: "back to the future" in the 2000s	The survey data have provided support for the views that a state of "back to the future" exists, whereby most executives exhibit a preference for the use the traditional 1960s style "planning" techniques and a strong reliance on cost reduction, applied as a primary means of obtaining a competitive advantage
Qi (2005)	Strategy implementation: the impact of demographic characteristics on the level of support received by middle managers	The findings suggest that (a) the majority of the middle managers surveyed were not satisfied with the level of support received for strategy implementation, (b) the demographic characteristics of middle managers affect the level of support provided by top managers
Raps (2004)	Implementing strategy: tap into the power of four key factors to deliver success	It's worth the effort. An efficient strategy implementation has an enormous impact on a company's success. The four key success factors can serve as your guide-culture, organization, people, and control systems
Lei, Y., & Jia, J. (2007)	Human capital investment for firm: an analysis	Investment in human capital training remains profitable for firms. The Findings emphasize that human capital should be designed according to specific firm strategic targets.
Siegel, D. S. & Shrader R. (2007).	Assessing the relationship between human capital and firm performance: evidence from technology-based new ventures	The study found that managers with more knowledge and experience have a comparative advantage in helping firms successfully adapt to new technologies and industries.

Siddiqui, F. (2012).	Human Capital Management: An Emerging Human Resource Management Practice	Human capital by all means is positively related to the organizational productivity and do improve the organizational outcomes
Debarliev, S. & Šuklev, B. (2012).	Strategic planning Effectiveness: Comparative Analysis of the Macedonian Context.	The empirical analysis conducted in Macedonian company's shows that strategic planning can generally contribute to organizational effectiveness. The comparative analysis of strategic planning effectiveness in the emerging and developing countries indicates the probable reasons for potential differences in strategic planning effectiveness in different countries.
Taleghani, Sharifi, & Largani(2011)	Industrial Strategic Planning and its Effects in Performance Improvement of Industrial Enterprises and Economical Development	Organizations using the principles of strategic planning are by far in better condition in marketing, profitably and beneficiation
Wargin, Chaharbaghi, & Feurer (1995)	Analysis of strategy formulation and implementation at Hewlett-Packard	Effective strategy implementation has a direct correlation with the strategy formulation process.
Waweru (2008)	Competitive strategy implementation and its effect on performance in large private sector firms in Kenya	There exists a positive relationship between effective strategy implementation and firm performance.
Ukenna, Ijeoma, Anionwu, and Olise(2010)	Effect of Investment in Human Capital Development on Organisational Performance: Empirical Examination of the Perception of Small Business Owners in Nigeria	A key finding of this study is that, training and skill are stronger predictors of human capital effectiveness over and above knowledge and education.

Soltani, K. N. Abadi, and E.N. Abadi (2012)	Strategic Planning Model Formulation Based on Balanced Score Card: A Case Study	The status of different organizational perspectives is identified individually. Top managers and policy-makers of the organizations will have a more precisely view toward any perspective of organization. Any of the organizational perspective may be analyzed individually and conveniently and made decisions about any perspective separately.
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2.6 Conceptual Framework

According to the literature reviewed several variables affect the relationship between SP, HCP and organization performance. These variables and their inter-relationship are captured in a schematic diagram which forms the conceptual framework for this study.

The framework is represented in Figure 2.1 below.

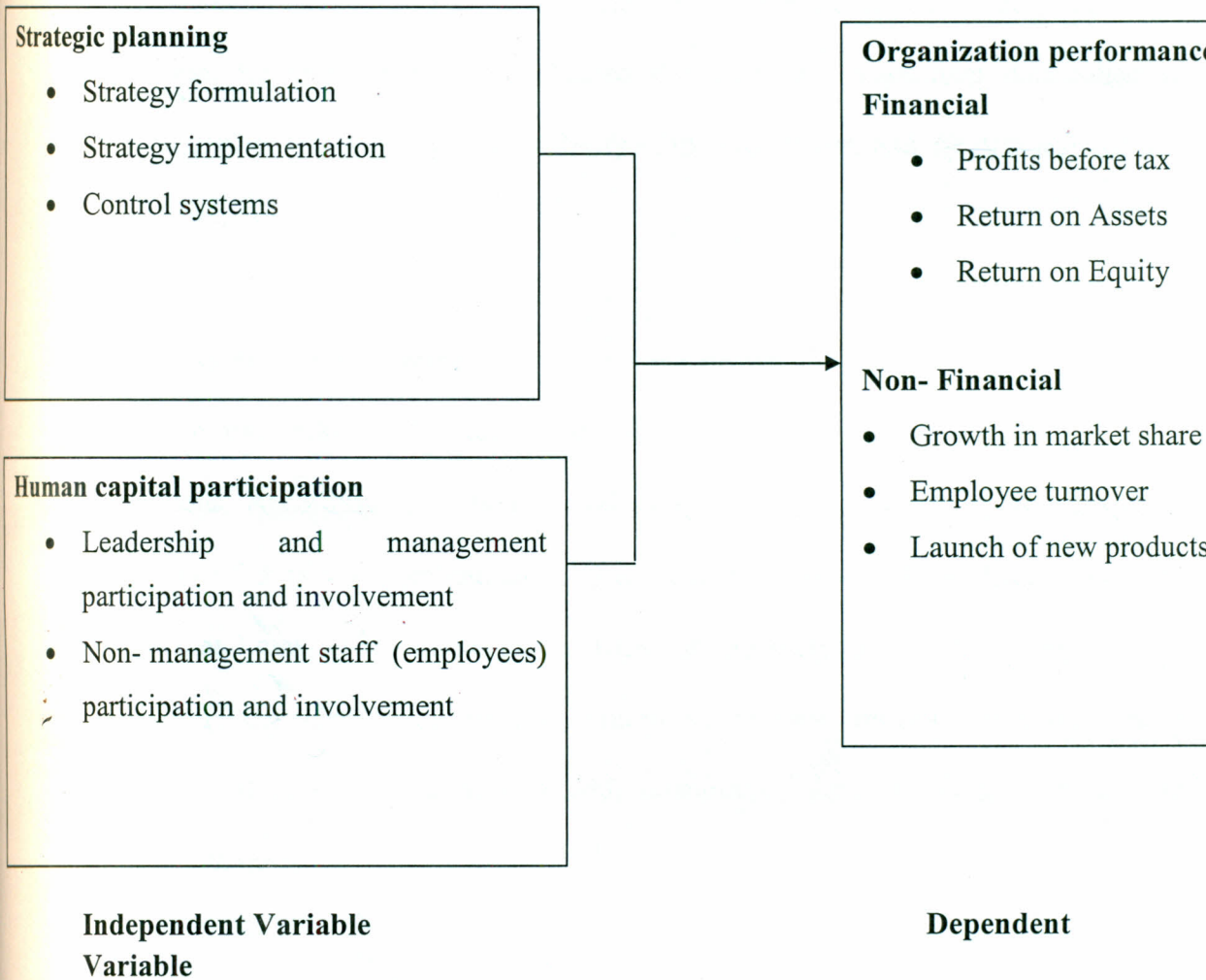


Figure 2.1 Conceptual Framework

(Source: Author, 2014)

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in undertaking the study. The section covers the research design and research methodology used to test the variables. In particular, issues related to research design, philosophical orientation, empirical model, operationalization and measurement of variables, ethical issues, the target population, the type of data to be collected, data collection instrument, data collection procedure, pilot test, validity and reliability of the instrument, and the data analysis and presentation are discussed.

3.2 Philosophical Orientation

There are two main philosophical orientations: phenomenological and positivistic orientations. According to (Schindler and Cooper, 2008), positivist approach involve collection of data via questionnaires, classification of types of incidents, producing analyses, and making recommendations based on the analysis. A positivist approach is one that is considered objective, structured by the researcher's views that test a hypothesis. It is usually associated with quantitative data collection methods and statistical analysis.

Lester (1999) asserts that Phenomenological research is concerned with the study of experience from the perspective of the individual, taken- granted assumptions and usual way of perceiving. These approaches are based in a paradigm of personal knowledge

and subjectivity, and emphasize the importance of personal perspective and interpretation.

This study adopted a positivist approach which involves data collection, data analysis and recommendations as it is considered more objective and is associated with quantitative data collection methods and statistical analysis.

3.3 Research Design

Mugenda and Mugenda, (2003) describes research design as a plan that describes how, when and where data are to be collected and analyzed. The focus of this study was to establish the relationships between variables of interest and not the causal effects. It is important to note that just because variables are related, does not necessarily mean that one directly causes the other (Arasa, 2008). The study therefore, adopted a descriptive research design, which according to Mugenda and Mugenda (2003) is appropriate, where the study seeks to describe the characteristics of certain groups or to estimate the proportion of people who have certain characteristics. The design was also appropriate since the units to be investigated were many.

3.4 Operationalization and Measurement of Variables

Table 3.1 Definition and measurements of variables

KEY VARIABLES	OPERATIONALIZATION	MEASUREMENTS	QUESTIONNAIRE ITEM
Strategic Planning	Strategy formulation The extent to which top level management, general employees and consultants assists in strategy formulation The extent to which the Strategy formulation influences performance	Five point-Likert type scale/Range	Part C (1-6)
	Determining internal strengths and weaknesses Establishing the factors considered in the formulation of strategies The extent to which strategic planning is based on SWOT analysis, financial performance, review of previous plans, human capital requirements or emerging issues	Five point-Likert type scale/Range	Part C (1-6)
	Establishing long-term objectives The extent to which the firm's short and long term business plans are defined	Five point-Likert type scale /Range	Part C (1-6)
	Generating alternative strategies Role of corporate culture Inclusiveness in strategy formulation stages Influence of corporate culture on strategy	Five point-Likert type scale /Range	Part C (1-6)

	<p>formulation Selecting particular strategies to pursue The extent to which understanding of mission and objectives assists in strategy formulation.</p>		
	<p>Strategy implementation The extent to which the firm: Develop annual objectives, Device policies, Develop key result areas, Motivate employees and Allocation of resources How are the formulated strategies executed</p>	Five point-Likert type scale /Range	<p>Part C(b) 1-4</p> <p>Part C (c) 1-2</p>
	<p>Strategy evaluation (control systems) monitors the results of implementation activities. Measuring and monitoring control systems' effectiveness to the organization performance Taking corrective actions when necessary. The extent to which the firm sets and executes control systems</p>	Five point-Likert type scale/Rnge	Part C (c) 1-2
Human Capital Participation	<p>Leadership involvement. The extent to which leadership and management were actively involved in visualizing the vision for their organization and formulating strategic plan and monitoring the execution of the plans.</p>	Five point-Likert type scale / Range	Part D
	<p>Non -management staff involvement. Human capital involvement in setting organization, departmental, regional, and individual staff targets,</p>	Five point-Likert type scale / Range	

	The extent to which staff drawn from various functions, cadres are involved in strategic planning process.		
Organization performance	Financial performance. <ul style="list-style-type: none"> • Profits before tax • Return on Assets • Return on Equity 	Range/ Five point-Likert type scale /Secondary data	Part F
	Non- financial performance. <ul style="list-style-type: none"> • Growth in market share • Employee turnover • New product launch 	Range/ Five point-Likert type scale /Secondary data	Part F

Source: Researcher (2014)

The 5- point Likert type scale dominated the measurement of most variables in the study. Machuki (2011) noted that Likert scale is used nearly in all scholarly and business research. He asserts that in wide variety of circumstances, among them: when the value sought is belief, opinion or effect; when the value sought cannot be asked or answered definitively and with precision; and when the value sought is considered to be of such a sensitive nature that respondents would not answer except categorically in large ranges. The data collected and measured in this particular study was expected to exhibit most of these features and therefore, the Likert type scale was largely used.

However, despite their common usage, that Likert type scales have inherent limitations Sekaran (2003). He submitted that the responses elicited through use of typical likert type items are not static but actually dynamic, quantitative, and continuous responses that are captured poorly by existing likert items. Further Likert type scales do not sufficiently address or account for cases of respondents who have sufficient knowledge about the subject of the study, but who do not have response towards it and those who are insufficiently knowledgeable about the subject of the study to be able to form a response (Machuki, 2011). Therefore, these limitations are inherent in the conclusions drawn out in this study.

3.5 Target Population

The target population were all 43 commercial bank in Kenya. A population is an entire group of individuals, events or objects having common observable characteristics that conform to a given specification (Mugenda and Mugenda, 2003).

According to Levine and Stephan (2010) the population is the full set of cases from which a sample is taken. The Kenyan banks are also in different stages of development and exhibit high level of diversity in aspects such as ownership and leadership. To address these differences and obtain a relevant result which is representative the researcher carried out a survey in all the tiers from all the 43 commercial banks that were dully registered with Central Bank of Kenya by close of 2013.

3.6 Sampling Design

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Levine and Stephan, 2010). Kenya's' commercial banks are grouped into four tiers according to their capital base, with capital base of 150 billion and above (tier one), 50 – 150 billion (tier two), 15 – 50billion (tier 3) and below 15billion (tier four) as listed in appendix (V). The sampling was then done according to different bank tiers which was necessary to prevent bias as a result of the effect of different capital invested. This was also necessary to help compare like for like and to facilitate reasonable comparison. The sample of the study was drawn from all bank tiers where, one senior, one middle level manager and one junior manager working in the 43 commercial banks that were dully registered with Central Bank of Kenya by close of 2013 was selected. This resulted to a sample size of one hundred and twenty nine respondents which were equally distributed from each bank tiers.

The researcher used stratified random sampling technique to categorise employees in every organisation into a meaningful strata (level of management); the stratification chosen were based on the position held in the organization (top management, middle level managers, and junior managers). Simple random sampling method was used to select a top manager, a middle level manager, and a junior manager within their respective strata (level of management). Such a method of identifying respondents for a study has been used in previous researches with little bias reported (Sekaran, 2003).

3.7 Data Collection and Instrumentation

Both Primary and secondary data were used in the study. Primary data was collected using a self administered questionnaire which had both open ended and closed questions. The questionnaire was especially useful as it collected data systematically by obtaining answers on key issues and opinions that need to be explored in a research (Sekaran, 2003). The questionnaire which was organized on the basis of specific objectives was researcher developed.

The questionnaire was divided into five parts. Part one of the questionnaire gathered bio-data of the respondents, part two-institutional information, part three- strategic planning and organization performance, part four- human capital participation and organization performance, while part five obtained information on organizational performance. The one off data collection proved difficult due to tight work schedules on the side of the respondents, the researcher therefore, used drop and pick method. The researcher used two months in the collection of the data.

In addition, secondary data relating to the banks published financial statements in national newspapers, records in Nairobi securities for the listed banks, bank websites, central bank economic reviews and published banking surveys that could shed light on relevant performance indicators such as profitability, market share, assets employed, return on assets, return on equity and other important business disclosures were collected. The secondary data were used to cross validate the collected primary data.

3.8 Pilot Test

Sekaran (2003) indicated that a pilot test is conducted to detect weaknesses in the design and instrumentation and to provide proxy data for selection of a probability sample. A pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. A pilot study was undertaken to at least 13 managers who were randomly selected and did not participate in the ultimate study. The rule of thumb is that 10% of the sample constitutes the pilot test (Picciano, 2004). The pilot test respondents were within the recommendation.

3.9 Reliability and Validity

Validity and reliability are two statistical properties used to evaluate the quality of research instruments (Mugenda and Mugenda, 2003). Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study (Mugenda and Mugenda, 2003). For the purpose of this study where the data collection instrument was the questionnaire, the study limited itself in evaluating the

ability of it to measure what it is supposed to measure through accessing its content validity.

Content validity of a measuring instrument is the extent to which it provides adequate coverage of the investigative questions guiding the study (Schindler and Cooper, 2008). It is the extent to which different items in the assessment measure the trait or phenomenon they were meant to (Schindler and Cooper, 2008). High level of content validity indicates that test items accurately reflect the trait being measured. Content validity of the instrument was done by requesting experts to review it and ascertain its face validity. These tests were important in order to get consistent result from one measurement to another.

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda, 2003). The internal consistency of data is determined from scores obtained from a single test administered by the researcher to a sample of subjects and the score obtained in one item is correlated with scores obtained from other items in the instrument (Mugenda and Mugenda, 2003). The researcher used the most common internal consistency technique known as Cronbach's alpha (α). Cronbach's alpha is a general form of the Kuder-Richardson (K-R) 20 formulas used to access internal consistency of an instrument based on split-half reliabilities of data from all possible halves of the instrument. It reduces time required to compute a reliability coefficient in other methods (Mugenda and Mugenda, 2003).

Cronbach's alpha which is a measure of the internal consistency of the questionnaire items indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut-off of reliability. Nunnally (1978) found that the coefficient alpha provides a good estimate of reliability. Alpha value ranges from 0 to 1.00. A larger value indicates that items are tapping a common domain, hence high consistency (Schindler and Cooper, 2008). Alpha values between 0.80 and 1.00 are considered reliable, values of between 0.70 and 0.80 are acceptable while values of below 0.50 are considered less reliable and therefore unacceptable (Cronbach, 1951).

Cronbach's alpha was used to determine the internal reliability of the questionnaire used in this study. The Values range between 0 and 1.0; while 1.0 indicates perfect reliability, the value of 0.70 is deemed to be the lower level of acceptability (Nunnally, 1978). The reliability statistic for each of the identified factors is presented in Table 3.2 below

Table 3.2 Reliability Statistics

Variable	Cronbach alpha
Strategy formulation	0.901
Strategy implementation	0.801
Control systems	0.856
Human capital participation	0.702
Management and leadership participation	0.700
Financial performance	0.729
Non-financial performance	0.807
Overall performance	0.917
All variables	0.955

It is evident from Table 3.2 above that Cronbach alpha for each of the identified factors is well above the lower limit of acceptability of 0.70 with coefficient for all items indicating a very high reliability 0.955. The results indicate that the questionnaire used in this study has a higher level of reliability.

3.10 Data analysis and Presentation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Kenya's commercial banks are grouped into four tiers according to their capital base, with capital base of 150 billion and over (tier one), 50 – 150 billion (tier two), 15 – 50 billion (tier 3) and below 15 billion (tier four) as listed in appendix (V). The analysis was done according to different bank tiers which was necessary to prevent bias as a result of the effect of different capital investment. This was also necessary to help compare like for like and to facilitate reasonable comparison. Data was analysed using both descriptive and inferential statistics. These measures were used to describe the characteristics of data collected. The purpose of descriptive statistics is to enable the researcher to meaningfully describe a distribution of scores or measurements using a few indices or statistics (Mugenda and Mugenda 2003). To establish the nature and magnitude of the relationships between variables, the researcher used inferential statistics. Inferential statistics deal with inferences about population based on results obtained from the samples (Mugenda and Mugenda 2003). The appropriate inferential statistics included Pearson's Product- Moment Correlation Coefficient (r), and multiple regression analysis, which were carried out using SPSS

software.

Pearson's Product- Moment Correlation coefficient (r) was used since the variables that the researcher studied measured at ratio or interval scales and were continuous. The "r" symbolizes the estimate of strength of linear association and its direction between interval and ratio variables; based on the sampling data and varies over a range of +1 to -1 (Schindler and Cooper, 2008). The prefix (+1, -1) indicates the direction of the relationship (positive or inverse), while the number represents the strength of the relationship (the closer to 1, the stronger the relationship; 0 means no relationship where in this study, any r – value that was between 0 – 0.3 symbolized no correlation and any "r" value that was between 0.31 – 0.69 symbolized weak correlation while any "r" value that was 0.7 and above symbolized strong correlation as given by Schindler and Cooper, (2008). The bigger the coefficient (absolute values), the stronger the association between the two variables; if the correlation coefficient is positive, it means that there is a positive relationship between the two variables and vice-versa (Schindler and Cooper, 2008). The expression of the equation is indicated below:

Pearson's Product Moment- Correlation Coefficient (r)

$$r = \frac{\sum (X - X^1)(Y - Y^1)}{(n - 1)s_x s_y}$$

Where

n = the number of pairs of cases

X = independent variable

Y = dependent variable

X^1 and Y^1 - Sample means

$s_x s_y$ = the standard deviations for X and Y

In bid to test the the extent of relationship between independent and dependent variables, the study conducted multiple linear regression tests. The variable the study was predicting is called the criterion variable and is referred to as Y. The variable the study was basing its predictions on is called the predictor variable and is referred to as X. When there is more than one predictor variable, the prediction method is called multiple regression (Stephan & Levine, 2010).

The expression of the equation is indicated below:

Regression analysis $y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + \varepsilon$

Where a = constant

X_1 = strategy formulation

X_2 = Strategy implementation

X_3 = control systems

X_4 = human capital participation and involvement

X_5 = management and leadership participation and involvement

ε = error term

a = constant

b_1 = slope

The first and second specific objectives association with the dependent variable were tested using descriptive statistics and Pearson's Product- Moment correlation coefficient

(r) and multiple regression analysis. While objective three, four, and five association with the dependent variable were tested using multiple regression analysis alone.

3.11 Ethical considerations

Mugenda and Mugenda (2003) observed that a researcher should be careful to avoid causing physical or psychological harm to respondents by asking embarrassing and irrelevant questions, threatening language or compelling people to say something that they do not believe in. Similarly, Wargin *et al.* (1995) argues that ethical considerations such as confidentiality, anonymity and avoidance of deception are very important issues in social research. For the purpose of this study, permission was first sought from relevant authorities and a letter granted to allow the researcher to carry out the research. Furthermore, the researcher explained the purpose of the study to the respondents and assured them of confidentiality of their responses and identities.

Table 3.3A summary of the tests of hypothesis and related research objectives

		Data analytical methods
Objective 1.	Establish the relationship between strategy formulation and performance of commercial banks in Kenya.	<p>1. Descriptive statistics</p> <p>2. Pearson's Product-Moment Correlation Coefficient (r)</p> $r = \frac{\sum (X - X^1)(Y - Y^1)}{(n-1)s_x s_y}$ <p>Where</p> <p>n = the number of pairs of cases</p> <p>X=Strategy Formulation</p> <p>Y= dependent variable (performance)</p> <p>$s_x s_y$= the standard deviations for x and y</p> <p>$X^1 Y^1$ = Mean for X and Y</p> <p>2. Regression analysis</p> $y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5 + \epsilon$ <p>Where</p> <p>x_1=strategy formulation</p> <p>x_2= strategy implementation</p> <p>x_3= Control systems</p> <p>x_4= Leadership and management participation and involvement</p> <p>x_5= human capital participation</p> <p>Y is the performance</p>
Objective 2.	Establish the relationship between strategy implementation and performance of commercial banks	<p>1. Descriptive statistics</p> <p>2. Pearson's Product-Moment Correlation Coefficient (r)</p> $r = \frac{\sum (X - X^1)(Y - Y^1)}{(n-1)s_x s_y}$

	in Kenya.	<p>Where</p> <p>n = the number of pairs of cases</p> <p>X = Strategy implementation</p> <p>Y = Organisation performance</p> <p>$s_x s_y$ = the standard deviations for x and y</p> <p>$\bar{X} \bar{Y}$ = Mean for X and Y</p> <p>Regression analysis</p> $y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + \varepsilon$ <p>Where</p> <p>x_1 = strategy formulation</p> <p>x_2 = strategy implementation</p> <p>x_3 = Control systems</p> <p>x_4 = Leadership and management participation and involvement</p> <p>x_5 = human capital participation</p> <p>Y is the performance</p>
Objective 3.	To ascertain the effects of control systems on performance of commercial banks in Kenya.	<p>1. Descriptive statistics</p> <p>2. Regression analysis</p> $y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + \varepsilon$

Objective 4.	To investigate the effects of leadership and management participation and involvement in the strategic planning process on performance of commercial banks in Kenya.	1.Descriptive statistics 2.Regression analysis $y=a+b_1x_1+b_2x_2+b_3x_3 + b_4 x_4+b_5x_5+\epsilon$
Objective 5.	To investigate the effects of human capital participation and involvement in the strategic planning process on performance of commercial banks in Kenya.	1.Descriptive statistics 2.Regression analysis $y= a+b_1x_1+b_2x_2+b_3x_3 + b_4 x_4+b_5x_5+\epsilon$

Source: Researcher, 2014

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the study from the data collected using questionnaires in appendix 3. The data was collected between the months of August to October 2014. The chapter presents the analysis as follows; presentation of the analysis of the response rate, presentation of the descriptive statistics and finally the presentation of the inferential statistics.

4.2 Response Rate

The researcher distributed 18, 27, 29 and 16 questionnaires to tier 1,2,3,4 banks, respectively. The total number of questionnaires that were received back and accepted as correctly filled were; tier 1, (18) tier 2, (27) tier 3 (29) and tier 4 (16) making a total of 90 out of the 129 respondents which translate to a response rate of 70 per cent. The results are tabulated in Table 4.1.

Table 4.1: Response Rate

	Tier 1	Tier 2	Tier 3	Tier 4	Total
Number of	6	9	12	16	43
Banks					
Questionnaires distributed	18	27	36	48	129
Questionnaires received back	18	27	29	16	90
Percentage	100%	100%	80%	33%	70%

According to Muli (2014) the appropriate response rate for those studies carried out at the organizational level, is between 35 – 40%. Therefore, the above response rates for tier 1, 2 and 3, banks meet this criterion hence was appropriate for this study.

4.3 Descriptive Statistics

The demographic and social-economic characteristics of the respondents in terms of the gender, position in the organization, years of service, nature of firm's business and business locations of respondent are presented in Table 4.1 and 4.2 and Figures 4.1, 4.2 and 4.3. The descriptive statistics in relation to the level of agreement or disagreement or neutrality is also presented here-below.

4.3.1 Demographic and socio-economic characteristics

The researcher was interested in finding out the characteristics of the respondents who participated in this study. The results are presented in the Table 4.2.

Table 4.2: Gender of Respondent

	Frequency	Percent
Male	49	54
Female	41	46
Total	90	100

Source: Survey data 2014

The analysis of responses indicated that approximately 54% of the respondents were male while 46% were females this could indicate that there was a balance between the two genders hence likelihood of obtaining balanced study findings.

4.3.2: Respondents Position in the organization

The researcher was interested in finding out the Positions of the respondents who participated in this study. The results are presented in the Figure 4.1.

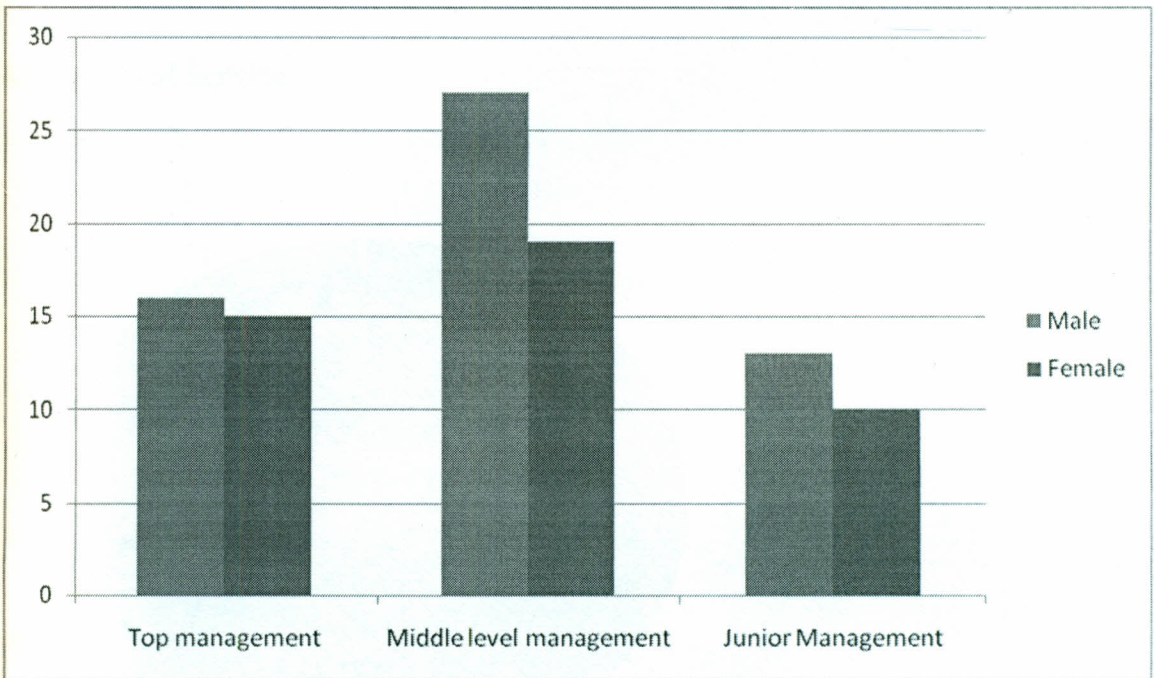


Figure 4.1: Respondents Position in organization

Source: Survey data 2014

The analysis of responses indicated that out of the total respondents, 31% were top management, 46% were middle level managers and 23% of them were supervisors. 16.67% of the respondents in top management were females, while 14% were males. 19% of those in middle level management were females while 27% were males. 10% of the supervisors were females while 13% were males. This indicates that middle managers were the majority respondents and therefore, there was a higher chance of good response from the point of understanding the banks systems.

4.3.3 Years of Service

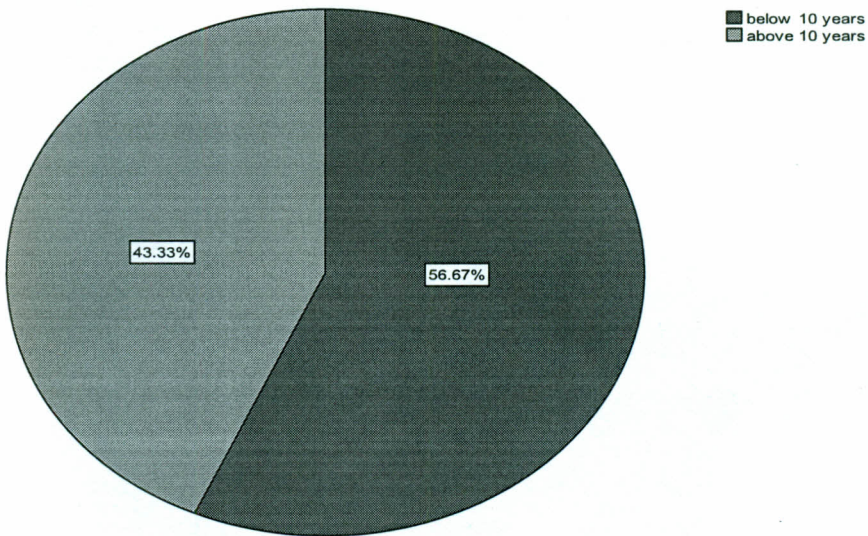


Figure 4.2: Years of service

Source: Survey data 2014

The analysis of responses indicated that 56% of the respondents had been in service for less than 10 years, while 43% were in service for more than 10 years. This implies a balanced response rate which could result to appropriate responses.

4.3.4: Institutional information

The researcher was interested in finding out the nature of institutions which participated in this study. The results are presented in the Figure 4.3.

4.3.5: Nature of Firm's Business

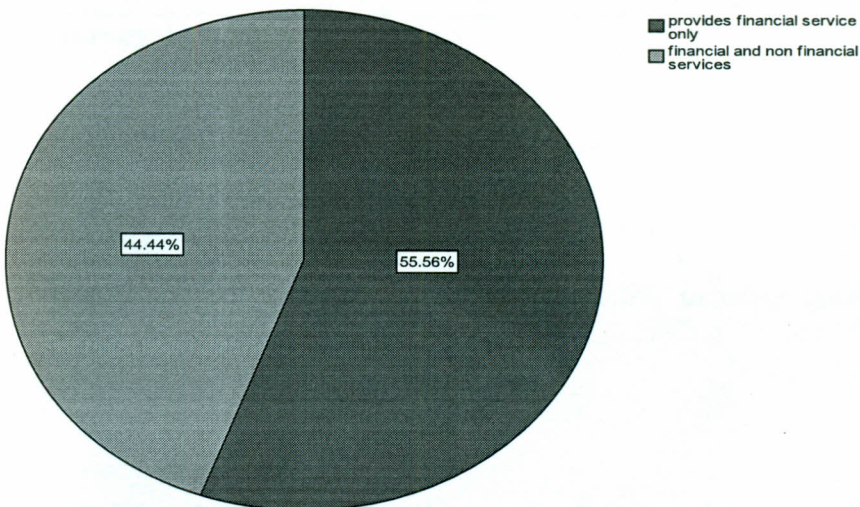


Figure 4.3: Nature of the firm's business

Source: Survey data 2014

The analysis of responses indicated that 56% of the firms were providing financial services only, while 44% provided both financial and non-financial services which include but not limited to custodial services.

4.3.6 Location

Table 4.3: Location

Location	Percentage
Majority of countries	3
Located only in major cities in Kenya	27.8
Located only in a single town or city in Kenya	23.3
Both in Kenya and East Africa	28.9
Other locations	16.6

Source: Survey data 2014

The analysis of responses indicated that most respondents (28.9%) mentioned Kenya and East Africa as location of their firms. 27.8% said that their firms are located in major cities, 23.3% in a single town or city, 16.6% in other locations and 3% in majority of countries in the world.

4.4 Strategy formulation and organization performance

The researcher was interested in finding out the who formulates strategies in the banks, whether views of low cadre staff was considered and what factors were considered when formulating strategies The descriptive statistics analyzing the data and the results are shown in the tables and figures here under.

Table 4.4: Responses on who formulates strategies in the banks

	Percentage	Mean	Standard deviation
Top Management	80	4.2	1.4
All Employees	13	2.11	1.423
Consultants	7	1.9	2.32
Total	100	2.74	1.661

Source: Survey data 2014

Table 4.4 shows that the respondents agreed with 80% and a mean score of 4.2, that the top management of the firms are the strategy formulators in majority of the banks surveyed. The result therefore, indicates that the strategy formulation is to a large extent a top management function in majority of the banks. The standard deviation of 1.4 shows that there is a high concentration of the data around the mean which indicates a very small variation from the mean of the respondents' feedback which could mean that they have no varied opinion over this issue. There is a strong indication that there is less involvement of all employees in the strategy formulation with a relatively low percentage of 13% and a mean of 2.11.

The study results concur with O'Shannassy & Hunter (2007) who identified strong support for the practice of formal strategy with 83 per cent of participants confirming that everyone in the senior management team actively participates in strategy formulation. The study therefore concurs with these findings.

4.4.1: Views of other Cadre of Staff

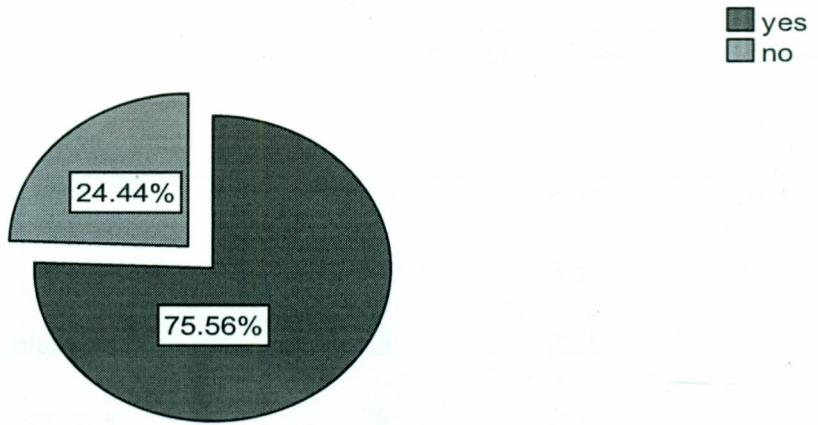


Figure 4.4: Responses on whether views of other cadre of staffs are considered in strategy formulation

Source: Survey data 2014

The analysis of responses indicated that out of the total respondents interviewed 75.56% indicated that the views of other cadre of staff are considered in the formulation of strategies, while 24.44% said that they are not. From the study results it is clear that majority of the banks in all tiers did recognize the importance of human capital involvement in strategic planning process.

This study result concurs with (Adnan, Abdullah, and Ahmad, n.d) who found that that firms may encourage employees' involvement and participation in order to inspire and get them engaged in creative thinking and innovation.

4.4.2: Factors considered when formulating strategies in the banks

Table 4.5: Responses on factors considered when formulating strategies in the banks

	Percentage	Mean	Standard deviation
SWOT Analysis	80	4.13	0.987
Financial position	52	3.1	1.417
Review of previous plans	45	2.19	1.382
Human capital requirements	39	2.11	1.046
Emerging issues	74	3.65	1.21
Aggregate		3.036	

Source: Survey data 2014

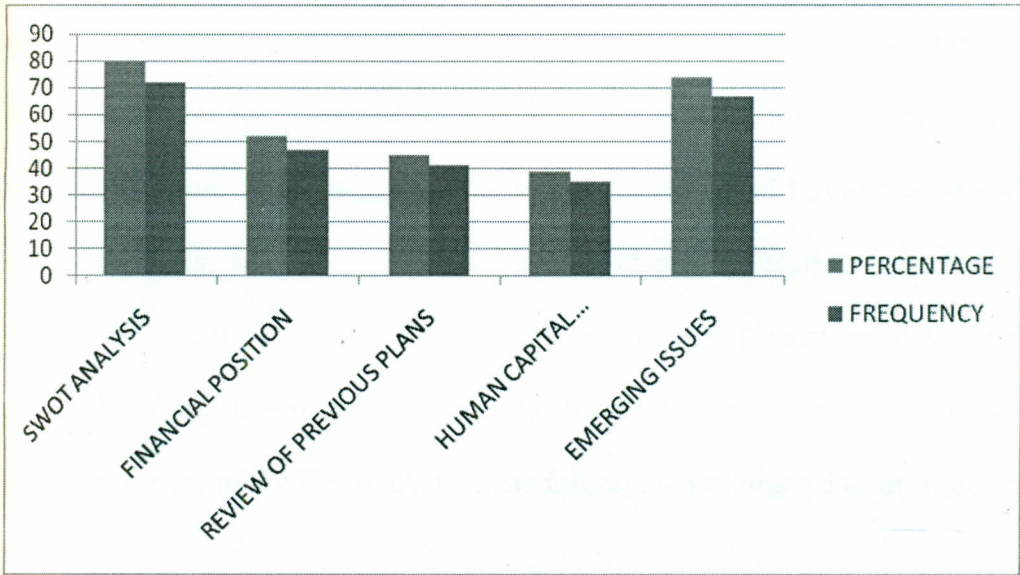


Figure 4.5: Responses on factors considered when formulating strategies in the banks

Source: Survey data 2014

The figure and table above show that, 80% (mean score of 4.13) of the participants preferred the use of SWOT analysis in formulating organization strategies; 52% (mean score of 3.1) indicated that the financial position should be considered, review of previous plans had 45% (mean score of 2.19), human capital requirements had 39% (mean score of 2.11) and emerging issues with 74% (mean score of 3.65) of the participants who indicated that these factors should be considered in the formulation of the organization strategies. SWOT analysis received the highest rating at 80% and a mean of 4.13 implying that it is the most preferred tool in the formulation of strategies in the majority of the banks surveyed.

Sharifi, Taleghani, and Largani, (2010) in their study titled industrial strategic planning and its effects in performance improvement found that organizations using the principles of strategic planning are by far in better condition in marketing, profitably and beneficiation. They suggested that with dynamism and turbulence of environment and uncertainty caused by environmental changes, strategic planning required information about future opportunities and threats and prediction of the way to face them. This study therefore, concurs with this finding as majority of the respondents preferred the use of SWOT analysis in the formulation of organization strategies.

4.4.3: Influence of Strategy formulation on organization performance

The study sought in objective one to determine the influence of strategy formulation and performance of commercial banks in Kenya. The respondents were required to rate their level of agreement or disagreement with the statements on whether current corporate culture ensures consensus building and teamwork during strategy formulation, whether top management ensures inclusiveness in all strategy formulation stages, and whether approach employed in strategy formulation promotes widespread understanding of the organization mission and objectives from a scale of 1 to 5 where strongly disagree is 1 while 5 is strongly agree. The results in percentages, mean and standard deviation are shown in the Table 4.6 .

Table 4.6: Strategy Formulation and Performance of Commercial banks in Kenya

Statement	Responses in scale of 1 - 5					Mean	Standard Deviation
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
Current Corporate Culture ensures Consensus building and Teamwork during Strategy Formulation	0	3	33.5	40	23.5	3.82	1.326
Top management ensures inclusiveness in all strategy formulation stages	0	16	25.8	29	29.2	2.38	1.87
Approaches employed in strategy formulation promotes widespread understanding of the organization mission and objectives	0	3	35.5	32.5	29	3.1	1.21
Aggregate Scores						3.864	1.2606

Source: Survey data 2014

According to these results in Table 4.6 above 40% and a mean of 3.82 agree that current corporate culture ensures that the strategy formulation process and methods encourages consensus building and team work in the banks surveyed. There is also less

indication that banks' top management ensures inclusiveness in all formulation stages including the establishment of organization vision and mission as a relatively low percentage of 29.0% and a mean of 2.38. However, the respondents have shown differing variation in their responses with the approach employed by the banks' that strategy formulation process promotes widespread understanding of the organization mission and objectives with a relatively high percentage of 35.5% and mean of 3.1 showing the neutrality in their responses.

The findings indicate that the current corporate culture in the banks ensures that the strategy formulation process and methods encourages consensus building and team work among employees. This study concurs with the Raps, (2005) who found that a dynamic approach to strategy formulation can only be implemented successfully if it is supported by a sound management structure and by employees who work towards the achievement of overall goals.

4.4.4: Influence of strategic planning to organization performance

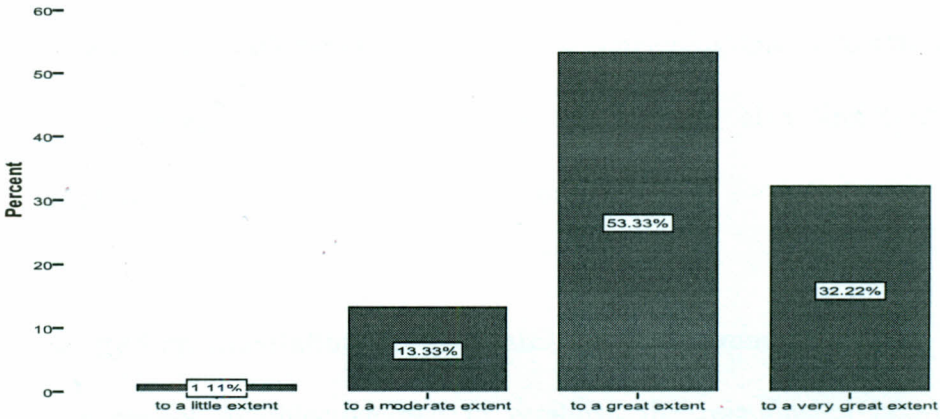


Figure 4.6: Extent to which strategic planning has influenced performance

Source: Survey data 2014

The analysis of responses indicated that out of the 90 respondents 53.33% indicated that strategic planning influences performance in their organizations' to a great extent, 32.22% to a very great extent, 13.33 % to moderate extent and 1.11% to a little extent. From the study results it is clear that majority of banks in all tiers under study recognize strategic planning as an essential component of performance. This study results therefore, concurs with (Arasa, 2008; Hopkins and Hopkins, 1997) findings that there is a perceived significant positive relationship in financial performance among firms practicing strategic planning.

The study results also concur with (Debarliev, and Šuklev, 2012) in their research on strategic planning effectiveness a comparative analysis of the Macedonian context,

where strategic planning is seen to generally contribute to organizational effectiveness. The study however, contradicts that of Schmidt (2010), whose findings suggested that there is very weak relationship between strategic planning and corporate performance and that of Harrison, Kelly and French, (2004) who also found no significant relationship between strategic planning and performance in some firms.

4.5: Strategy Implementation and Organization Performance

The study sought in objective two to establish the relationship between strategy implementation and performance of commercial banks in Kenya. The respondents were required to identify the process of strategy implementation and below are the figures and tables showing their responses.

4.5.1 Responses on whether each Bank has Annual Objectives

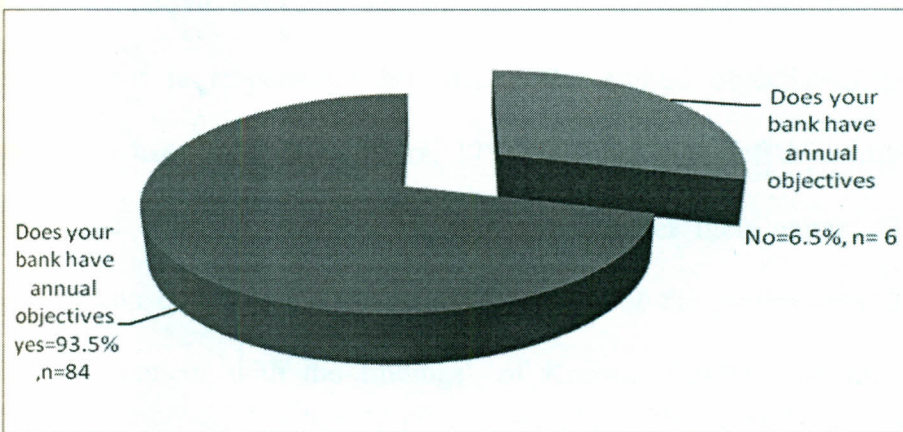


Figure 4.7: Responses on whether each Bank has Annual Objectives

Source: Survey data 2014

Among the banks that were surveyed, majority (93.5%, n=84) have annual objectives and only 6.5% (n=6) of the firms indicated not having them in place. This study therefore, concurs with Jimoh, (2003) who indicated that strategic planning is both a philosophy and a process or technique by which an organisation determines its short and long-term objectives and how to realize them.

Table 4.7: Responses on who sets Banks' Annual Objectives'

Level	Frequency	Percent
Board of directors	23	25
Top Management	38	42
Heads of department	15	17
Participation of all employees	14	16
Total	90	100

Source: Survey data 2014

Table 4.7 above indicates that, in most of the companies (42%, n=38), the top management is responsible for setting the annual objectives;(25% n=23) of the companies use board of directors, 17% uses the heads of departments in setting the company's annual objectives and those which set their annual objectives through participation of all employees were only 16% of the participants. This study results therefore, concur with the findings of Korosec (2006) who indicated that senior managers are likely to support strategic planning at the organizational level because it allows them to comprehensively review the actions of their organizations and see macro-level trends and issues.

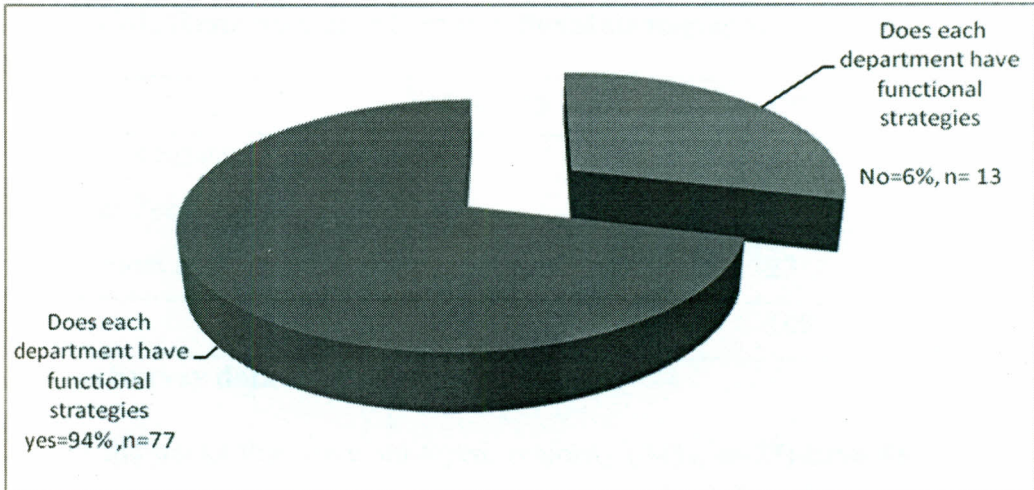


Figure 4.8: Responses on whether each department has functional strategies

Among the banks that were surveyed for the study, majority (94%, $n=77$) have functional strategies set for each department and only (6%, $n=6$) indicated of not having them in place.

Korosec (2006) in his study as to whether department-based strategic planning is more effective than organization-wide planning suggested that although some aspects of strategic planning are perceived similar at both corporate and functional levels, differences exist in relation to innovation and the feeling of empowerment at functional level which leads to support for the planning effort. This study therefore, concurs with these findings as majority of the respondents (94%) indicated that they have functional strategies.

Table 4.7.1: Responses on where functional strategies are derived

Source	Frequency	Percent
Company's Strategic Plans	64	71
Customer Feedbacks	5	6
Management Meetings	21	23
Total	90	100

Source: Survey data 2014

Among the banks that were surveyed, majority (94%, n=77) have functional strategies set for each department which are in most cases derived from the company's strategic plans as indicated by 71% (n=64) of the participants; 23% (n=21) of the banks had their functional strategies set through the management meetings and only 6% (n=5) had their functional strategies set from customer feedbacks. This study result concurs with (Abadi. E., Abadi. A., &Soltani, 2012), who indicated that strategy implementation involve establishment of corporate objectives and choosing particular functional strategies from them, for departments to pursue accomplishment.

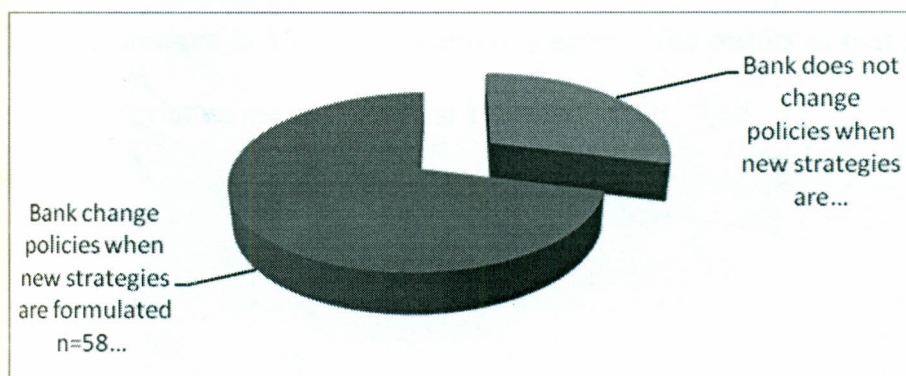


Figure 4.9: Responses on whether banks Change Policies when new Strategies are formulated

Source: Survey data 2014

The figure above indicate that majority (64%, n=58) of the companies change their company policies whenever new strategies are formulated and (36%, n=32) indicated not having to change the same upon formulation of new strategies. This study result concurs with (Raps, 2005) who indicated that strategy can only be implemented successfully if it is supported by a sound management structure, policies and by employees who work towards the achievement of overall goals.

4.5.2: Influence of Strategy Implementation on performance of Commercial Banks

The respondents were required to rate their level of agreement or disagreement with the statements on whether current corporate culture support implementation of strategic plans, whether company executives are at the forefront in providing leadership to ensure strategy implementation, whether procedures followed are in support of the strategy implementation, whether reward policy support strategy implementation and whether resources provided support strategy implementation from a scale of 1 to 5 where strongly disagree is 1 while 5 is strongly agree.. The results in percentages, mean and standard deviation are shown in the Table 4.8.

Table 4.8: Strategy implementation and performance of commercial banks in Kenya

		Responses in scale of 1 - 5						
Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
Current corporate culture supports strategy implementation		0	3	33	40	24	4.82	1.326
CEO is in the forefront in providing Leadership to ensure Strategy Implementation		0	2	22	32	44	4.38	1.57
Procedures followed are supportive of Strategy Implementation		0	6	13	30	51	3.41	1.121
Reward Policy and Strategy Implementation		0	1	12	34	52	3.61	0.987
Resources Allocation and Strategy Implementation		0	10	23	38	29	3.1	1.23
							3.864	1.2468
Aggregate Scores								

Source: Survey data 2014

The findings from the table 4.8 above show that reward policy being supportive of the implementation of strategic plans received the highest rating at 52 %, a high mean of 3.6 and a standard deviation of 0.987. The result indicate that the standard deviation is closer to zero and there is a high mean, meaning the banks' reward policy were supportive of the implementation of strategic plans. Respondents also strongly agree

with a percentage of 51% and a relatively high mean of 3.41 that the procedures followed by their company are supportive of the strategy implementation. The respondents generally, agree with a percentage of 44% and relatively high mean of 4.38 that firm's CEOs were in the forefront in providing leadership to ensure strategy implementation.

The findings seem to be in agreement a study by Olise et al. (2010) which showed that the level of productivity rose with a change from fixed salary to performance-related incentives; similar results were also shown by Paarsch and Shearer (1996) where they found a significant pattern of high productivity in a performance-driven payroll framework. The findings support the assertion that one of the key elements that require consideration during the implementation process is resource allocation (Abadi E., Abadi A., and Soltani, 2012). Finally, the study findings concur with Raps (2004) who found that for strategy implementation to succeed top managers have to show their dedication to the effort.

4.6 Control Systems and Organization Performance

The section presents the findings on the third objective of the study which sought to ascertain the effects of control systems on performance of commercial banks in Kenya. The respondents were required to rate their level of agreement or disagreement on whether the current control systems are effective, whether current control systems help the organization to take corrective action so that deviations from standards are minimized and whether the current feedback controls which include end of year

financial reports, annual audit reports, among other reports provide useful information for the firm in evaluating progress of the set strategies on a scale of 1 to 5 where Strongly disagree is 1 while 5 is strongly agree. The results in percentages, mean and standard deviation are presented in the Table 4.9.

Table 4.9: Control Systems and Organization Performance

Statement	Responses in scale of 1 - 5						Mean	Standard Deviation
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree			
Effectiveness of current control systems in achieving entity's operation objectives	3.2	3.2	19.4	38.7	35.5	3.41	1.319	
Current control systems help the organization to take corrective action	3.2	0	12.9	25.8	58.1	3.723	1.001	
Current feedback controls help the firm in evaluating progress of the set strategies	3.2	0	3.2	35.5	58.1	4.124	1.2	
Aggregate Scores						3.752	1.173	

Source: Survey data 2014

Table 4.9 above shows that the respondents strongly agreed with a percentage of 58.1%, a mean score of 3.723 and a standard deviation of 1.001 that the current control systems in the banks help them to take corrective action so that deviations from standards can be minimized.. The standard deviation of 1.001 shows that there is a high concentration of the data set around the mean which indicates a very low variation from the mean of the respondents' feedback which could mean that the respondents generally agree over this issue. The findings also show strong indications that current feedback controls which include end of year financial reports, annual audit reports, among other reports provide useful information for the banks in evaluating progress of the set strategies as 58.1% and a relatively high mean of 4.124 indicate. However, there is a relatively low agreement (35.5% and a mean of 3.41) on the effectiveness of current control systems in helping the banks achieve their operation objectives. There is a wide variation on the responses as indicated by the high standard deviation (1.319) and therefore, it implies that the respondents are neutral on the effectiveness of the current control systems within their banks.

The findings seem to be in agreement with the argument with Sharifi, Talehani & Largani (2011) who found that to determine how much the goals are being achieved, implemented strategies should be monitored and controlled. The findings support the assertion that strategy evaluation includes review and comparison of expected results with actual results, and taking corrective actions to ensure the accuracy of performance and operations based on plans (Sharifi et al., 2011)

4.6.1 Influence of Control Systems on Performance of Commercial Banks

This section looks at the influence of control systems on performance of commercial banks. Descriptive statistics was used to accomplish this and the results from the survey are shown in analyzes Table 4.9.1.

Table 4.9.1: Influence of Control Systems on organization Performance

	Frequency	Percent
Little extent	1	1
Moderate extent	12	13
Great extent	48	53
A very great extent	29	32
Total	90	100

Source: Survey data 2014

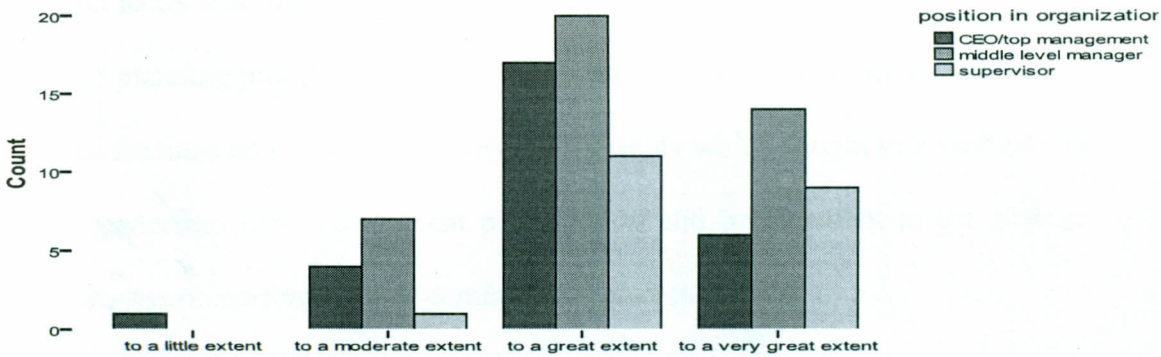


Figure 4.10: Extent to which control systems influences performance in organizations

Source: Survey data 2014

The analysis of responses from the table and figure above indicate that majority of the respondents surveyed (98%) were agreeing that control systems influences the

performance of commercial banks in Kenya, where 53% said control systems influenced performance to a great extent, 32% to a very great extent, while 14% said the influence was to a moderate and little extent. Raps (2005) found that assessment or control function is a key aspect of the implementation processes. This concurs with the present study which found that control systems influenced performance to great extent.

4.7 Human Capital Participation and Organization Performance

This section looks at the participation and involvement of the human capital and leadership in strategic planning process.

4.7.1 Leadership Participation and Involvement

This section looks at how leadership and management participation and involvement in the strategic planning process influences performance of commercial banks. The section presents the findings on the fourth objective of the study which sought to investigate the effects of leadership and management participation and involvement in the strategic planning process on performance of commercial banks in Kenya.

This section sought to find out who the key drivers of strategic planning are by comparing the role played by the; board, CEO, strategy department, and team drawn from across various departments and the results from the survey are shown in the analysis Table 4.10.

Table 4.10: Key Drivers of the Strategic Planning

	Frequency	Percent
Board	6	6.5
CEO/Management	67	74.2
Strategy department	3	3.2
Team from various departments	14	16.1
Total	90	100

Source: Survey data 2014.

According to the findings in the table, the key drivers of the strategic planning in the banks are the CEOs/Management as 74.2% (n=67) of the participants concurred. 6.5% (n=6) of the companies represented in the study uses the board as the key driver, 3.2% (n=3) use strategy department as the key driver and 16.1% (n=14) have a team drawn from across various departments as their key driver of the strategic planning. This study result concurs with (Koresec, 2006) who found that although strategic planning is supposed to include a cross-section of management stakeholders (including those at the highest and lowest levels), it also needs a strong sponsor if it is expected to be taken seriously.

4.7.2 Leadership Participation and Involvement in Strategic Planning Process

This section looks at whether leadership provides direction to employees through vision, imagination and ideas through-out the process of strategic planning, whether leadership supports a culture of transparency, objectivity and, encourages freedom of expression through-out the process of strategic planning; inspires employees to use their drive, initiative and creativity during the strategic planning process; builds and supports a culture of total involvement of staff in the strategic planning process and effectively communicates the new strategy, implementation plan, and control systems. The

respondents were required to rate their level of agreement or disagreement from a scale of 0 to 5 where Not at all is 0 while very large extent is 5.

Table 4.11: Leadership Participation and Involvement in Strategic Planning

Process

Statement	Responses in scale of 1 - 5						Mean	Standard Deviation
	Not at all	Very small extent	Small extent	Moderate extent	Large extent	A very large extent		
Leadership provides direction to employees throughout the process of strategic planning	6.4	0	0	6.5	45.2	41.9	3.86	1.045
Leadership supports a culture of transparency, objectivity and, encourages freedom of expression through-out the process of strategic planning	0	6.5	9.7	16	32.3	35.5	3.27	1.165
Leadership inspires employees to use their drive, initiative and creativity during the strategic planning process	0	6.5	9.7	19.2	32.3	32.3	2.67	0.915
Leadership builds and supports a Culture of total Involvement of Staff in the Strategic Planning Process	0	6.5	9.7	29	22.6	32.2	2.113	1.011
Leadership effectively communicates the new Strategy, Implementation plan, and Control Systems	0	3.2	3.2	6.5	32.3	54.8	4.133	1.039
Aggregate Scores							3.210	1.035

Source: Survey data 2014

Table 4.11 above shows that Leadership effectively communicates the new Strategy, implementation plan, and control systems as it received the highest rating at 54.8% and a mean of 4.133. There is also a strong indication that leadership provides direction to employees throughout the process of strategic planning as 41.9% and a mean of 3.86 strongly indicate. This study result concurs with Endlich (2001) who argued that good leaders establish direction, align people with that direction, and then motivate and inspire them.

4.8 Employee Participation and involvement and organization performance

This section looks at how employee participation and involvement in strategic planning process influences performance of commercial banks. The section presents the findings on the fifth objective of the study which sought to investigate the effects of employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya.

4.8 Responses as to whether Organization Structure allows Participation in Strategic Planning

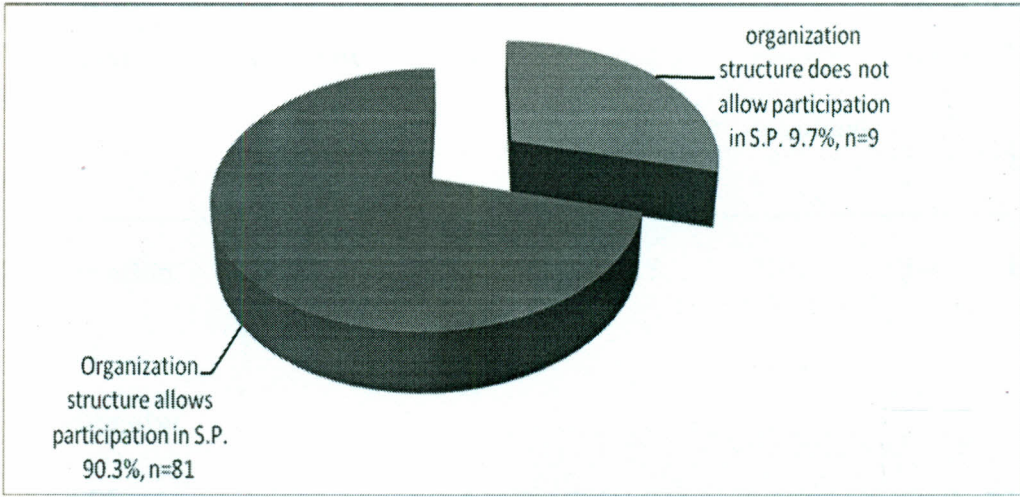


Figure 4.11: Organization Structure and Employee Participation and involvement in Strategic planning process

Source: Survey data 2014

The analysis of responses indicated that among the banks that were surveyed, majority (90.3%, n=81) have organization structures that allow their employees to participate in strategic planning and only (9.7%, n=9) indicated otherwise. This study result concurs with Anderson (2011) who argues that in high performing organizations, structure follows strategy.

Table 4.12: Responses on the level of Participation in making departmental decisions

Statement	Not involved	Involved	Fairly involved	Highly involved	Mean	Standard Deviation
Participation in making departmental decisions	3.2	25.8	32.3	38.7	3.4	0.987

Source: Survey data 2014

Table 4.12; above shows that the respondents agreed with a relatively high percentage of 38.7% and a mean score of 3.4 that they are highly involved in the process of making decisions pertaining to their department. The standard deviation of 0.987 which is closer to zero and the a high mean, indicates a high concentration of the data set around the mean which implies a very low variation from the mean of the respondents' feedback showing they generally agree over this issue. The study findings concurs with Korosec (2006) who found that department-based strategic planning could be more effective than organization wide strategic planning as it brings about a feeling of staff empowerment and encourages innovation.

4.8.1 Extent of participation and involvement in the strategic planning process

The respondents were asked to rate their level of agreement or disagreement with the statements on the extent of participation and involvement in the strategic planning process from a scale of 0 to 5 where Not at all is 0 while very large extent is 5. The results are given in Table 4.13.

Table 4.13: Employee Participation and involvement and organization performance

Statement	Responses in scale of 0 - 5						Mean	Standard Deviation
	Not at all	Very small extent	Small extent	Moderate extent	Large extent	A very large extent		
General Staff	9.7	25	35	16	9.7	3.2	2.98	0.987
Middle Management	0	3.3	3.3	6.6	32.2	54.6	3.12	1.002
Top Management	0	3.3	20	27.78	32.3	38.8	3.1	1.001
Board of directors	0	3 3.2	0	9.7	29	54.8	3.56	1.001
Consulting Firm	29	0	19	26	26	23	1.78	1.116
Aggregate Scores							3.0	1.0214

Source: Survey data 2014

The result from Table 4.13 above, show that the respondents agreed with a percentage of 54.8% and mean score of 3.56 that the board of directors is involved to a very large extent in the strategic planning process. The results also indicate that middle level managers are highly involved in the strategic planning process with 54.6% and mean of 3.12. There is also strong indication that top management are also involved to very large extent in the strategic planning process as a slightly percentage of 38.8% and mean of 3.1 indicate. However, the respondents have agreed that the general staff participation and involvement in the banks' strategic planning process is below average as 60% and a mean of 2.98 of the participants indicated their involvement to be of very small extent. The standard deviation of 0.987 which is closer to zero and the a relatively high mean, indicates a high concentration of the data set around the mean which implies a very low variation from the mean of the respondents' feedback showing they generally agree over this issue.

The study findings agree with Koresec (2006) argument that strategic planning is supposed to include a cross-section of management stakeholders (including those at the highest levels). Further the findings are in agreement with O'Shannassy and Hunter (2007) who in their study of contemporary strategic management practice in Australia found that everyone in the senior management team actively participates in strategic planning process.

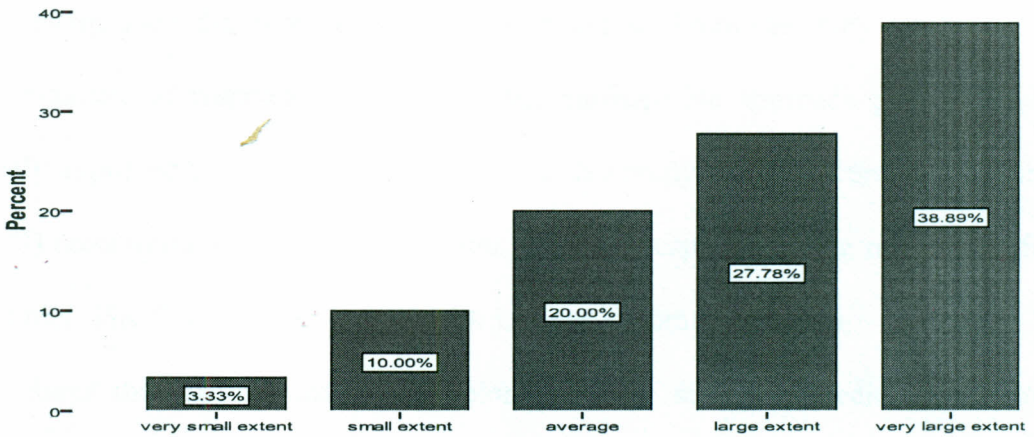


Figure 4.12: Extent to which top management are involved in strategic planning

Survey data 2014

The top managements have a very high involvement in strategic planning process as 87% of the participants illustrated.

Table 4.14: Responses on how Participative processes could be improved

Suggestion	Frequency
Involving all staff	41
Analyzing all information	41
Engaging executing team	43
Training staff	45
Shared targets	25

Source: Survey data 2014

The analysis of responses indicated that suggestions on how participative approach process could be improved where 45 of the respondents suggested that participative approach process can be improved by training the staff, 43 suggested that engaging

executing team, 41 cited involving all staff, 41 cited analyzing all information and 25 were of the view that there should be shared targets. From the study results it is clear that majority of respondents indicated that participative approach process could be greatly improved by training the staff and thus this study result concurs with Lei and Jia (2007) recommendations' that investment in human capital training remains profitable for firms. The findings also concur with Ukenna, Ijeoma, Anionwu, and Olise (2010) who found that training and skill development are stronger predictors of human capital effectiveness over and above knowledge and education.

4.9 Inferential data analysis: Pearson Product- Moment Correlation coefficient (r)

The study sought in objective one to establish the relationship between the strategy formulation and performance of commercial banks in Kenya. Pearson's Product-Moment Correlation coefficient (r) was used for this analysis where according to Schindler and Cooper (2008) if the correlation coefficient is positive, it means that there is a positive relationship between the two variables and vice-versa. For the purpose of this study any "r" – value that was between 0 – 0.3 symbolized no correlation and any "r" value that was between 0.31 – 0.69 symbolized weak correlation while any "r" value that was 0.7 and above symbolized strong correlation as given by Schindler and Cooper, (2008). To make inferences using correlation analysis the researcher established a level of significance or the confidence level of 0.1.

Table 4.15: Correlations Coefficients between Human Capital Participation in strategy formulation and Performance

	performance on-profit before tax	Who formulates strategies in your company
performance tier 1	1	*0.153
banks-profit before tax	Pearson Correlation ("r")	
	Sig. (2-tailed)	0.150
who formulates	*0.153	1
strategies in your	Pearson Correlation	
company	Sig. (2-tailed)	0.150

*. Correlation is not significant at the 0.1 level (2-tailed).

From the Table 4.15 above a Pearson's Product- Moment Correlation Coefficient (r) value of 0.153 was established, which is less than 0.3 symbolizing no correlation at a significance level of 0.1. This depicts a no significant correlation between human capital involvement in strategic planning and performance based on profit before tax for tier 1 banks.

This is in contrast with the findings of (Wargin, Chaharbaghi, and Feurer, 1995) who in their study of the analysis of strategy formulation at Hewlett-Packard suggested that effective corporate performance has a direct correlation with the human capital involvement in strategy formulation process.

4.10 Influence of Strategy implementation and performance of commercial banks in Kenya

Pearson's Product- Moment Correlation coefficient (r) test was also undertaken to determine the significance of the relationship between current corporate culture and strategy implementation and performance of the organizations.

Table 4.16: Correlations Coefficients between Current Corporate Culture and Strategy Implementation

	Performance on- profit before tax	To what extent do you agree with the statement-current corporate culture support implementation of your company's strategic plans
Performance tier 1 Pearson Correlation	1	.322*
banks-profit before tax ("r")		
Sig. (2-tailed)		.002
N	90	90
to what extent do you	Pearson Correlation	.322*
agree with the	Sig. (2-tailed)	.002
statement-current	N	90
corporate culture		90
support implementation		
of your company's		
strategic plans		

*. Correlation is significant at the 0.1 level (2-tailed).

Source: Survey data 2014

From the Table 4.16 above a Pearson's Product- Moment Correlation Coefficient (r) value of 0.322 was established, which is greater than 0.3 symbolizing positive correlation at 0.1 level of significance. This depicts that there is a significant correlation between corporate culture and strategy implementation based on profit before tax for tier 1 banks.

Raps (2004) came out with four key success factors that serve as a guide in the strategy implementation which included culture, organization, people, and control systems. This concurs with the present study which found that current corporate culture support implementation of company's strategic plans.

4.11 Inferential data analysis- Multiple Regressions Analysis

This section presents the findings on the five objectives of the study which sought to investigate the effects of human capital and leadership and management participation and involvement in the strategic planning process and how it influences performance of the commercial banks in Kenya. The researcher used multiple linear regression models to test the effect of the independent variables on the dependent variable. The researcher adopted 10% level of significance in testing for significances of the regression coefficients. This is because the field data collected is presumed to have higher level of errors. However, before testing the research questions the researcher carried out diagnostic tests to meet the basic regression assumptions. This was carried out in order to accurately estimate regression models as recommended by (Levine and Stephen, 2010)

4.11.1 Diagnostic Tests

Regression diagnostic test represents a set of procedures that seek to verify that research data have met the assumptions underlying regression model (Awino, 2007). This study therefore, carried out the test of normality, linearity, homogeneity of variance, and multicollinearity and the results are presented here below.

4.12 Linearity

The linear relationship of the independent variables on the dependent variables were tested using correlation coefficient as suggested by (Schindler and Cooper, 2008)

Table 4.17: Result of test of linearity

		Performanc e	Conclusio n
Strategy Formulation	Pearson	.322	Linear
	Correlatio n (“r”)		
	Sig. (2- tailed)	.002	
	N	90	
Strategy Implementatio n	Pearson	.319	linear
	Correlatio n (“r”)		
	Sig. (2- tailed)	.001	
	N	90	
Control systems	Pearson	.333	Linear
	Correlatio n (“r”)		
	Sig. (2- tailed)	.000	
	N	90	
Leadership Participation and involvement	Pearson	-0.323	Linear
	Correlatio n (“r”)		
	Sig. (2- tailed)	.000	
	N	90	
Human Capital participation and involvement	Pearson	.324	Linear
	Correlatio n (“r”)		
	Sig. (2- tailed)	0.000	
	N	90	

Source: Survey data 2014

The result from the table 4.17 above shows that the correlation coefficients for the five independent variables were statistically significant with the p values 0.05. This indicates

a linear relationship between each of the independent variables and the dependent variable.

4.13 Normality of variables

Normality is an assumption often made in the use of many inferential statistics. The violation of the assumption of normality often leads to inaccurate generalizations of the findings (Mugenda and Mugenda, 2003). The study estimated the deviation from standard normal curve using skewness as suggested by (Mugenda and Mugenda, 2003). The smaller the absolute value of coefficient of skewness, the smaller is the deviation from normality of that distribution (Mugenda and Mugenda, 2003).

The study also estimated the deviation from standard normal curve using Kurtosis. Kurtosis refers to the peakness or flatness of a curve. Kurtosis of standard normal curve lies between the two extremes (Mugenda and Mugenda, 2003). Levine and Stephen (2010) noted that for a variable to be normally distributed Skewness and Kurtosis values must lie between -1.0 and +1.0

Table 4.18: Results of normality diagnostic test

Variable	Descriptive	Values of statistics	Standard error	Conclusion
Strategy Formulation	skewness (sk)	0.267	0.174	Normally distributed
	Kurtosis (ku)	0.834	0.610	
Strategy Implementation	skewness (sk)	0.174	0.174	Normally distributed
	Kurtosis (ku)	-0.798	0.718	
Control systems	skewness (sk)	-0.037	0.174	Normally distributed
	Kurtosis (ku)	-0.765	0.561	
Leadership Participation and involvement	skewness (sk)	0.268	0.192	Normally distributed
	Kurtosis (ku)	-0.855	0.610	
Human Capital participation and involvement	skewness (sk)	-0.195	0.189	Normally distributed
	Kurtosis (ku)	-0.724	0.686	

Source: Survey data 2014

The results show that the variables were normally distributed with skewness and kurtosis values lying between -1.0 and +1.0. The values are Strategy Formulation (Skewness, 0.267, Kurtosis, 0.834), Strategy Implementation (Skewness, 0.174, Kurtosis,-0.798), Control systems (Skewness, -0.037, Kurtosis,-0.765), Leadership

Participation and involvement (Skewness, 0.268, Kurtosis, 0.855), Human Capital participation and involvement (Skewness, -0.195, Kurtosis -0.724)

4.14 Assumptions of Homogeneity

The assumption of homogeneity of variance is tested using Levene's test of equality of variances (Schindler and Cooper, 2008). Levene test (Levene 1960) is used to test if k samples have equal variances. Equal variances across samples are what are referred to as homogeneity of variances.

Table 4.19: Results of Homogeneity diagnostic test

	Based on median	Levene Statistic	Sig.	Conclusion
Profit before tax tier 1 banks		0.339	0.857	P =0.05 Thus equal variances
Return on equity tier one banks		0.167	0.653	P=0.05 (Thus equal variances

Source: Survey data 2014

The results from table 4.19 above shows that the Levene statistic for profit before tax is (0.339, p=0.857) where p=0.05 and for return for equity is (0.167, p=0.653) where p=0.05. According to Schindler and Cooper (2008) if p- value is greater than 0.05, the

variances are considered as equal hence the assumptions of homogeneity is satisfied and the regression model for the study is considered suitable for the data analysis.

4.15 Multicollinearity Test

According to Schindler and Cooper (2008), where two or more independent variables are highly correlated (multi-collinearity) they shall have damaging effects on multiple regression making it difficult to interpret the coefficients as an indicator of relative importance of predictor variables. The study used variable inflation factor (VIF) index which measures the effect of the other independent variables on a regression coefficient (Schindler and Cooper, 2008). According to Schindler and Cooper (2008) any large values (10.0 or more), and a tolerance of less than 0.10 indicates collinearity or multicollinearity.

Table 4.20: Results of Multicollinearity test

Variables	Collinearity Statistics	
	Tolerance	VIF
Strategy Formulation	0.354	2.143
Strategy Implementation	.0.563	2.111
Control systems	0.216	1.354
Leadership Participation and involvement	0.347	4.122
Human capital participation and involvement	0.819	1.996
Mean VIF	.4598	2.3452

Note: Dependent Variable- Performance

Source: Survey data 2014

The results from Table 4.20 show that the VIF for strategy formulation=2.143, Strategy implementation =2.111, control systems =1.354, Leadership participation and involvement, 4.122, and human capital participation and involvement, 1.996. The mean VIF for the variables is 2.3452. The results from the table also show that the variables have VIF that is less than 10 and tolerance value of more 0.1 thus indicating no possibility of multicollinearity.

Table 4.21: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on profits before tax for tier one banks.

Variables	$\hat{\beta}$	S.E	P-value	Beta	t-value
Constant	2.5995	0.4081	0.000	-	6.369
Employee participation	-2.525	0.488	0.000	-0.782	-5.176
Management participation	0.825	0.504	0.124	0.242	1.6939
Strategy formulation	1.723	0.602	0.013	1.491	4.171
Strategy implementation	0.794	0.215	0.002	0.457	6.453
Control systems	-2765	759	0.003	-0.539	-3.641
N		18			

Source: Survey data 2014

The results from the multiple regression model of the data for tier one banks show that management participation, is not significant (p-value=0.124) at 0.1 level of significance. This implies that performance based on profits before tax does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like employee participation and use of control systems. This suggests that performance based on profits before tax depend on strategy formulation, strategy implementation, employee participation and control systems which are the significant variables. This is in contrast with (Endlich, 2001; Koresec, 2006 and Siddiqui, 2012). According to Endlich (2001) good leaders establish direction, align people with that direction, and then motivate and inspire them. Koresec (2006) found out that although strategic planning is supposed to include a cross-section of management stakeholders (including those at the highest and lowest levels), it also needs a strong sponsor if it is expected to be taken seriously. He found out that senior managers may be likely to support strategic

planning at the organizational level because it allows them to comprehensively review the actions of their organizations and see macro-level trends and issues. While Siddiqui (2012) indicated that employee dedication and loyalty especially at management levels is very important in today's active, dynamic and continuously changing environment whereas this aspect is very significant in order to ensure survival in a turbulent environment.

O'Shannassy, and Hunter (2007), in their study of contemporary strategic management practice in Australia: "back to the future" in the 2000s found out that most executives exhibit a preference for the use of traditional 1960s style "planning" techniques and a strong reliance on cost reduction, applied as a primary means of obtaining a competitive advantage. This concurs with the findings of the present study that management participation in strategic planning is not significant.

The researcher sought to investigate whether Kenya's commercial banks' business strategies that are designed to achieve organizational objectives are likely or not likely to perform better when human capital is not involved in both strategy formulation and implementation. From the findings presented in table 4.21 above, the multiple regression model of the data for tier one banks show that employee participation, is significant ($P\text{-value}=0.000$) at 0.1 level of significance. This concurs with Adnan, Abdullah, and Ahmad, (n.d). who found that employees tend to produce more creative works when they perceive themselves to have options on how to perform their tasks and that firms that encourage employees' involvement and participation

inspires them to get fully engaged in creative thinking and innovation which helps in strategy formulation and implementation. The study sought to find out whether the control functions, as a key aspect of strategic planning in Kenya's commercial banks could explain variations in their performance.

From the findings presented in table 4.21 above, the multiple regression model of the data for tier one banks show that control systems, are significant at 0.1 level of significance. Sharifi, Talehani & Largani (2011) found that to determine how much the goals are being achieved, implemented strategies should be monitored and controlled. Raps (2005) as well support this finding by indicating that; an essential question for managers is how to assess/control performance during and after the implementation of strategy which is a key aspect of the implementation processes. The two studies (Sharifi, Talehani & Largani, 2011; and Raps, 2005) therefore, concur with the findings of this present study.

Table 4.22: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on assets for tier one banks.

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	5.091	1.363	0.002	-	7.736
Employee participation	0.714	0.163	0.001	-0.766	-4.384
Management participation	0.278	0.168	0.121	0.282	1.652
Strategy implementation	2.613	0.721	0.005	2.024	7.415
Strategy formulation	0.918	0.235	0.012	0.625	4.910
Control systems	0.105	0.254	0.686	0.071	0.413
N	18				

Source: Survey data 2014

The results from the multiple regression model of the data for tier one banks show that management participation is not significant at 10% level (p-values=0.121 and 0.686). This implies that performance based on return on assets does not depend on this variable when all are simultaneously included together with others. This concurs with Sharifi, Talehani & Largani (2011) who found that to determine how much the goals are being achieved, implemented strategies should be monitored and controlled.

Table 4.23: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on equity for tier one banks.

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	19.785	3.230	0.000	-	6.125
Employee participation	-0.900	0.386	0.035	-0.315	-2.332
Management participation	-0.118	0.399	0.772	0.039	-0.295
Control systems	3.4	0.601	0.000	0.749	5.657
N	18				

Source: Survey data 2014

The results from the multiple regression model of the data for tier one banks show that management participation, is not significant (p-value=0.772) at 0.1 level of significance. This implies that performance based on return on equity does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like employee participation and use of control systems. This suggests that performance based on return on equity depends on these significant variables. This is in contrast with Endlich (2001) who suggested that good leaders establish direction, align people with that direction, and then motivate and inspire them.

Table 4.24: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on profits before tax for tier two banks.

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	5649	2153	0.20	-	2.623
Employee participation	1063	270	0.001	0.592	3.939
Management participation	419	208	0.063	0.343	2.016
Control systems	-1734	583	0.010	-0.530	-2.974
N		27			

Source: Survey data 2014

The results from the multiple regression model of the data for tier two banks show that employee participation and control systems are significant (p-value=0.001, and 0.010 respectively) at 0.1 level of significance; while management participation is not significant (p-value =0.063) at 0.1 level of significance. This suggests that performance based on profits before tax for tier two banks depend on these two significant variables. This study findings concurs with (Huselid, 1995 and Hayton 2004) in their study of longitudinal analysis of relationships between planning and performance in small firms suggested that the strategic management model may still imply a strong causal relationship between the planning process and organizational performance but also recognizes the moderating influence of factors such as group dynamics, individual orientations and, human capital participation.

This is also in contrast with Endlich (2001) who suggested that good leaders establish direction, align people with that direction, and then motivate and inspire them.

Table 4.25: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on assets for tier two banks.

Variables	$\hat{\beta}$	S.E	P-value	Beta	t-value
Constant	3.86	1.872	0.058	-	2.062
Employee participation	0.790	0.235	0.005	-0.583	3.366
Management participation	0.385	0.181	0.051	0.418	2.131
Control systems	-0.105	0.507	0.057	-0.426	-2.072
N		27			

Source: Survey data 2014

The results from the multiple regression model of the data for tier two banks show that two variables (management participation and control systems) are not significant (p-value=0.051, and 0.057 respectively) at 0.1 level of significance; however, employee participation is significant (p-value=0.005). This suggests that performance based on return on assets depends on this significant variables. The study sought to find out whether organizations must create a conducive environment for integrating human capital management with business strategy since the human capital supplies the energies

for driving organization strategies. From the findings presented in table 4.25 above human capital participation in the strategic planning for tier two banks is significant (p-value=0.005) at 0.1 level of significance.

This concurs with (Clarke, Seng, and Whiting, 2010) who suggested that human capital attributes (including education, experience, and skills) and their participative role in strategic planning affect firm outcomes.

The study however, contradicts Raps (2005) findings which indicated that; an essential question for managers is how to assess/control performance during and after the implementation which is a key aspect of the implementation processes. The study also contradicts Endlich (2001) who suggested that good leaders establish direction, align people with that direction, and then motivate and inspire them

Table 4.26: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on equity for tier two banks.

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	36.23	11.375	0.007	-	3.185
Employee participation	2.20	1.427	0.144	.346	1.547
Management participation	-0.817	1.098	0.469	-0.189	-0.744
Control systems	-3.427	3.081	0.285	3.081	-1.112
N		27			

Source: Survey data 2014

The results from the multiple regression model of the data for tier two banks show that all the variables (employee participation, management participation, and control

systems) are not significant (p-value=0.144, 0.469, and 0.285) respectively at 0.1 level of significance. This suggests that performance based on return on equity does not depend on these variables. This study result is in contrast with Siegel and Shrader 2007 who suggested that a significant percentage of the value of organizations is likely to be determined by the quality of the company's employees, especially the top management team and their participation.

Table 4.27: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on profits before tax for tier three banks

Variables	$\hat{\beta}$	S.E	P-value	Beta	t-value
Constant	1661	1389	0.25	-	1.195
Employee participation	454	174	0.016	0.500	2.611
Management participation	23	189	0.906	0.023	0.119
Control systems	-359	192	0.076	-0.316	-1.863
N		29			

Source: Survey data 2014

The results from the multiple regression model of the data for tier three banks show that management participation, is not significant (p-value=0.906) at 0.1 level of significance. This implies that performance based on profits before tax does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like employee participation and use of control systems. This suggests that performance based on profits before tax depends on these significant variables. In their study on Strategic Planning Model

Formulation Based on Balanced Score Card, Soltani, K. N. Abadi, and E.N. Abadi (2012) found that the status of different organizational perspectives is identified individually and top managers and policy-makers of the organizations will have a more precise view toward any perspective of organization. This study is therefore, in contrast with these findings

Table 4.28: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on assets for tier 3.

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	-9.1	4.95	0.079	-	-1.840
Employee participation	1.174	0.619	0.071	0.384	1.897
Management participation	0.126	0.673	0.853	0.038	0.188
Control systems	1.862	0.686	0.012	0.486	2.714
N	29				

Source: Survey data 2014

The results from the multiple regression model of the data for tier three banks show that employee and management participation, are not significant (p-value=0.071 and 0.853 respectively) at 0.1 level of significance. This implies that performance based on return on assets does not depend on these variables, when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like use of control systems. This is in contrast with (Abadi E., Abadi A., and Soltani, 2012), who found that both managers and employees should be involved in the

implementation decision and adequate communication between all parties is important for successful strategy implementation.

Table 4.29: Multiple regression estimates of the coefficients associated with the variables affecting the performance based on return on equity for tier three banks

Variables	\hat{B}	S.E	P-value	Beta	t-value
Constant	-84.73	41.231	0.052	-	-2.055
Employee participation	9.93	5.610	0.067	.377	1.925
Management participation	-0.02	5.610	1.000	0.000	0.000
Control systems	17.408	5.718	0.006	0.527	3.044
N		29			

Source: Survey data 2014

The results from the multiple regression model of the data for tier 3 banks show that employee and management participation, are not significant (p-value=0.067 and 1.000 respectively) at 0.1 level of significance. This implies that performance based on return on equity for tier 3 banks does not depend on these variables when all are simultaneously included together with others. This suggests that performance based on return on equity for tier three banks depends on control systems as it is the only significant variable.

The results from the multiple linear regression for tier three banks show that that management participation, is not significant on performance based on profits before tax, return on assets and return on equity (p-value=0.906, p-value=0.853, and p-value=1.000) respectively at 0.1 level of significance. This is in contrast with studies done by (Siegel & Shrader, 2007, Raps, 2005, Clarke, Seng, and Whiting, 2010, and Endlich, 2001) who all suggested that a significant percentage of the value of

organizations is likely to be determined by the top management team and their participation.

O'Shannassy, and Hunter (2007), in their study of contemporary strategic management practice in Australia: "back to the future" in the 2000s found out that most executives exhibit a preference for the use of traditional 1960s style "planning" techniques and a strong reliance on cost reduction, applied as a primary means of obtaining a competitive advantage. This concurs with the findings of the present study that management participation in strategic planning is not significant.

4.16 Organization performance Measures

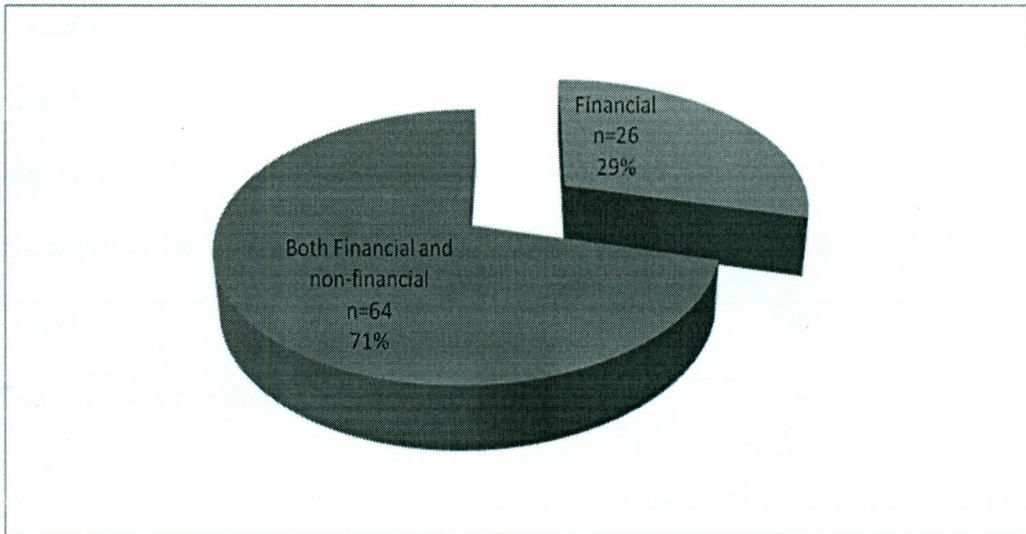


Figure 4.13: Measures of Performance employed by the banks

Source: Survey data 2014

The figure illustrates that, majority of the banks evaluate their performances through the use of both financial and non-financial measures. This is according to 71% (n=64) of

the participants who indicated that their companies used both measures to determine the performance. The least were the participants who indicated that their companies used only the financial measures to ascertain their company's performance making 29% (n=26) of the total participants. This study result concurs with Manyuru, (2005) who indicated that financial performance is at the core of the organizational effectiveness domain but is not sufficient to define overall effectiveness of an organization.

4.17 Responses on Kenya's commercial Banks' performance

Table 4.30: Profits generated by the bank has improved

	Frequency	Percent
Strongly disagree	3	3.2
Disagree	3	3.2
Neutral	6	6.5
Agree	29	32.3
Strongly agree	49	54.8
Total	90	100

Source: Survey data 2014

According to the findings in the table, the banks have had improvement in their profitability as indicated by 87% of the participants. Among those agreeing, 54.8% had strongly agreed while 32.3% had agreed. This study result therefore, concurs with CBK (2012) which indicated that performance of the banking sector is rated strong as institutions achieve satisfactory financial conditions.

Table 4.31: The bank asset growth has improved

	Frequency	Percent
Strongly disagree	0	0
Disagree	6	6.5
Neutral	20	22.5
Agree	32	35.5
Strongly agree	32	35.5
Total	90	100

Source: Survey data 2014

Table 4.31 shows that the banks' assets growth has improved as supported by 71% of the participants from whom 35.5% had a strongly agreed and those with a fair extent of agreement as well making 35.5%. This study result concurs with CBK (2012) report that Kenya's' commercial banks improved operations results despite high market competition.

Table 4.32: The bank has experienced reduced staff turnover

	Frequency	Percent
Strongly disagree	3	3
Disagree	12	13
Neutral	50	56
Agree	14	16
Strongly agree	11	12
Total	90	100

Source: Survey data 2014

The table 4.32 further shows that the reduction in employee turnover has not been significantly experienced in the banks as 56% of the participants were neutral on this and 13% were disagreeing. This study therefore, concurs with Gitonga, (2012) who found that for Kenya's commercial banks leaders to be effective, they will have to

create a conducive working environment that is capable of attracting, and retaining the right talent that in turn helps the organizations achieve their strategic goals.

Table 4.33: The bank Market Share has grown

	Frequency	Percent
Strongly disagree	3	3
Disagree	6	7
Neutral	32	36
Agree	26	29
Strongly agree	23	25
Total	90	100

Source: Survey data 2014

The table 4.33 above shows that, majority of the banks' market shares have grown as indicated by 54% of the participants. This study therefore, concurs with CBK (2012)) report that that Kenya's commercial banks remained well capitalized; Shareholders' funds, deposits and assets increased by 36 percent, 29 percent and 31, respectively despite facing competition from local non-financial institutions.

Table 4.34: The bank has launched new products

	Frequency	Percent
Strongly disagree	0	0
Disagree	3	3.2
Neutral	14	16.1
Agree	38	42
Strongly agree	35	38.7
Total	90	100

Source: Survey data 2014

The results from the table above indicate that, majority of the banks have been able to launch new products as indicated by 81% of the participants. This study results therefore, concur with Gitonga (2012) who found that Kenya's commercial banks will have to modify their services and products to satisfy the needs of the customers, beat competition and also grow their market share.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusions and recommendations that were made by the researcher based on the study findings. The study further illustrates the discussion of the findings where the results are compared with other research findings.

5.2 Summary of the Findings

The purpose of the study was to investigate the influence of strategic planning and human capital participation on the performance of commercial banks in Kenya. The study aimed at establishing the relationship between strategy formulation and performance of commercial banks in Kenya; to establish the relationship between strategy implementation and performance of commercial banks in Kenya; to ascertain the effects of control systems on performance of commercial banks in Kenya; to investigate the effects of leadership and management participation and involvement in the strategic planning process on performance of commercial banks in Kenya and to investigate the effects of employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya.

The study reviewed previous studies with view of establishing research gaps which the present study sought to bridge. This was done through evaluation of methodology employed in terms of research design choice, target population, sampling procedures, data collection instruments, data collection procedures, data analysis, findings, and

recommendations. The study benefited from review of literature for it guided the present study in the identification of research gaps.

The data was collected using a questionnaire where the researcher used drop and pick method. To ensure validity of data collection instruments expert opinion was sought and also a pilot study was carried out. The study employed descriptive research to describe the characteristics of variables, to establish the nature and magnitude of the relationship the study adopted Pearson Product- Moment Correlation Coefficient (r) and to test the association between variables the study adopted multiple regression analysis.

The findings reveal that majority of respondents were males who were mostly in middle level management and had been in service for less than 10 years. Among the banks which were used for the study majority of them were largely providing financial and non financial services. The findings also indicate that most respondents mentioned Kenya and East Africa as location of their firms and only 3% had operations globally.

The findings also reveal that top management in the banks are the key strategy formulators and that they are the key drivers of the strategic planning in the banks and only few respondents indicated involvement of all employees in strategy formulation; while another small percent employed the use of consultants for strategy formulation. However, the study revealed that 76% ($n=68$) of these banks regardless of the strategy formulators, put into consideration the views of other cadre of staff in their strategy formulation. The findings further reveal that majority of the respondents agreed that

strategic planning influences performance in their organizations' to a great extent. The study also found that majority of the banks preferred the use of SWOT analysis in formulating organization strategies and that banks' top management ensures inclusiveness in all formulation stages including the establishment of organization vision and mission.

The study also revealed that the chief executive officers in the banks have been in the fore front in providing leadership to ensure strategy implementation as 96.8%, and a mean of 4.2 of the participants asserted; who also indicated that their bank's reward policies support implementation of strategic plans as well as the availability of the required resources for strategy implementation. The findings also indicate that majority of the banks that were used for the study had some functional strategies set for each department which are in most cases derived from the company's strategic plans and in most cases, the top management is responsible for setting the annual objectives of the banks. The study also revealed only few of the banks (16.1%) n=14 set their annual objectives in which they incorporate employees' participation.

The study found that control had a great extent of influence to the performance of banks. Majority of the respondents interviewed 53% and a mean of 4.1 said control systems influenced performance to a great extent. The study found that control systems in the banks help to take corrective action so that deviations from standards can be minimized. The findings also revealed that feedback controls which include end of year financial reports, annual audit reports, among other reports provided useful information

for the banks in evaluating progress of the set strategies as majority of the participants concurred.

From the study findings, majority of the banks evaluate their performances through the use of both financial and non-financial measures. The study findings also indicated that majority of the banks have had improvement in their profitability which has consequently resulted to the banks' assets growth and improvement. Further, findings indicated that majority of the banks' market shares have grown and that most of the banks have been able to launch new products in the market. The study further revealed that reduction in employee turnover has not been significantly experienced in the banks as majority of the respondents indicated.

The results from inferential data analysis through the use of correlation analyses indicated that there was no significant correlation between human capital participation and involvement in strategy planning(formulation phase) and performance based on profit before tax ($\rho = 0.153$, $p = 0.150$) at 0.1 significance level. This implies that performance based on profits before tax does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like strategy implementation, leadership participation and use of control systems. This suggests that performance based on profits before tax depends on these significant variables.

The results from inferential data analysis through the use of correlation analyses indicated that there was a significant relationship between extent to which current corporate structure supports implementation and performance based on profit before tax ($\rho = 0.322, p = 0.002$) at 0.1 significance level. This implies that performance based on profits before tax depends on this significant variable.

The results from inferential data analysis through the use of multiple regression for tier one and tier three banks show that management and leadership participation and involvement, is not significant at 10% level of significance ($p\text{-value} = 0.124$) and ($p\text{-value} = 0.906$) respectively. This implies that performance based on profits before tax does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like employee participation and use of control systems. This suggests that performance based on profits before tax depends on these significant variables.

The results from the multiple regression for tier one banks show that management participation and involvement is not significant at 10% level ($p\text{-values} = 0.121$). This implies that performance based on return on assets does not depend on this variable when all are simultaneously included together with others. This suggests that performance based on return on assets depends on control systems and employee participation as they are two significant variables.

The results from the multiple regression for tier one banks show that management participation, is not significant ($p\text{-value}=0.772$) at 0.1 level of significance. This implies that performance based on return on equity does not depend on this variable when all are simultaneously included together with others. Hence it ceases to be important in presence of other significant variables like employee participation and use of control systems. This suggests that performance based on return on equity depends on these significant variables (control systems, $p\text{-value}$ 0.000 and employee participation, $p\text{-value}$ 0.035).

The results from the multiple regression model of the data for tier two banks show that all the variables (control systems, employee and management participation), are significant ($p\text{-value}=0.001$, 0.063, and 0.010 respectively) at 0.1 level of significance. This suggests that performance based on profits before tax, return on assets and return on equity depend on these significant variables for tier two banks.

The results from the multiple regression estimates of the coefficients associated with the variables affecting the performance based on profit before tax, return on assets and return on equity for tier three banks show that management participation, is not significant ($p\text{-value}=0.906$), ($p\text{-value}=0.853$) and ($p\text{-value}=1.000$) respectively at 0.1 level of significance. This implies that performance based on profit before tax, return on assets and return on equity for tier three banks does not depend on this variable when all are simultaneously included together with others. This suggests that performance based on profit before tax, return on assets and return on equity for tier three banks depend on

control systems and employee participation and involvement as these are the significant variables.

5.3 Conclusions and Recommendations

This study was based on the premise that strategic planning is in effect, a thought process about the future of an organization and how to add value to it, and hence the study pursued the question; How does strategic planning and human capital participation influence performance of commercial banks in, Kenya? The empirical analysis conducted in the commercial banks in, Kenya shows that strategic planning can generally contribute to organizational performance.

Regarding the first objective of measuring the influence of strategic formulation on organizational performance the study results suggest that the top management of the firms are the strategy formulators in majority of the banks surveyed (80% and mean of 4.2). The analysis of responses also indicated that out of the total respondents interviewed 75.56% indicated that the views of other cadre of staff are considered in the formulation of strategies. This was found to be facilitated by the banks' top management which ensured inclusiveness in all formulation stages including the establishment of the organization vision and mission. This approach in strategy formulation process was found to promote widespread understanding of the organization mission and objectives to both employees in the top management as well to those in other levels in the organization which in turn greatly influenced the performance of the banks.

Regarding the second objective of measuring the influence of strategy implementation on organizational performance in the banking sector, the current corporate culture was found supportive to the implementation of strategic plans and the chief executives were in the fore front in providing leadership to ensure strategy implementation which was also supported by the banks' reward policies. The resources required for strategy implementation were also readily available in the banks that were researched and the procedures followed by banks were supportive of the strategy implementation. The study concludes that benchmarked and proactive strategies in the banking sectors are essential to maintaining sound and proper functioning and performance.

Regarding the third objective of measuring the influence of control systems on organizational performance in the banking sector; the control systems in the banks were found to influence to a greater extent the achievement of the banks' objectives. The control systems were also of great help in helping the banks to take corrective action so that deviations from standards could be minimized. The banks were found to have effective feedback controls which included end of year financial reports and annual audit reports. The controls were found useful in the provision of useful information for the banks in the evaluation of the progress of the set strategies thus increasing the banks' performance. The study therefore, concludes that efficient control systems are very crucial on organization performance in the banking sector.

Regarding the fourth objective, this focused on the effects of leadership and management participation and involvement in the strategic planning process on the

performance of commercial banks in Kenya. The results from the multiple regression models of the data for tier one and tier three banks based on profits before tax show that management participation is not significant. However, the results from the multiple regression models of the data for tier two banks show that all the variables (employee participation, management participation, and control systems) are significant. This is a case of mixed results as no significant relationship between management participation and performance is identified in some firms, while significant relationship emerges in others. This study therefore, concludes that management participation and involvement in strategic planning is context dependent.

Regarding the fifth objective, this focused on the effects of employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya. The results from the multiple regression models of the data based on profits before tax for tier one, two and three banks indicate a significant relationship between employee participation and involvement in the strategic planning process on performance of commercial banks in Kenya. The study therefore, concludes that commercial banks in Kenya do recognize the crucial role played by human capital management which is integrated with the business strategy since human capital is supplier of the energies for driving organization strategies.

The comparative analysis conducted in this study with the purpose of comparing the case of leadership and management participation and involvement and human capital participation and involvement in the strategic planning process on performance of

commercial banks in Kenya indicates probable reasons for the mixed results and could refer to several conclusions: institutional leadership environment could be encouraged to use external consultants in the development of the banks' strategic plans and ignoring the participation element in the strategic planning process which from reviewed literature brings about organizational effectiveness: the other probable conclusion could be that most banks require the general staff to focus their efforts on their core activities without disruptions brought out by the otherwise involving strategic planning.

The study also found that majority of the banks' performance is measured through the use of both financial and non-financial measures and there was no evidence that the banks have experienced reduced staff turnover but all banks' market share had increased with a different degree and that all banks had launched new products and this had led to improvement in the banks' profitability.

The study also found that above 90% of the banks' performance can be explained by the influence of the strategy planning and the human capital participation in the strategic planning process. These variables have a strong positive correlation with the performance of the banks. Thus, increasing either of the variables will result to a corresponding increase of the banks' performance.

This research has also shown that organization must pay attention to the actual reality that formal and open strategic planning will have positive consequence. This will also prepare and motivate all stakeholders in the organization especially during strategy

implementation and assist the organization to achieve effectively the common goals and objectives.

5.4 Recommendations

From the findings and conclusions, the study recommends that:

The study also recommends that banks chief executives should review their strategic roles and ensure their nexus with corporate performance is visible.

The banks' top management and other stakeholders should facilitate other cadre of staff participation and involvement for a proper strategy formulation so as to aid improvement in the banks' performance. That bank leadership should also create a conducive working environment that is capable of attracting, and retaining the right talent that in turn helps the organizations achieve their strategic goals. The study also recommends that banks should train and develop their human capital so that they gain the necessary skills for strategic planning and management.

The study also recommends that strategy implementation which is a function of current corporate culture, rewards policy, procedures followed and strategy itself must be aligned to performance objectives. That control systems which are a function of; corrective actions, effectiveness of current control systems, feedback controls which include end of year financial reports, annual audit reports, among other reports should provide useful information for the firm in evaluating progress of the set strategies and be linked to performance objectives. The banks should also increase their investments

in the installation of control systems as they seem to be very important from this study results.

The Central Bank as the commercial banks' supervisor, in conjunction with securities regulators and stock exchanges (NSE), should develop and announce a system of corporate governance for banks, in the form of a template on which banks should base the development of their own control systems. The study also recommends to the management of banks in all tiers to use the findings of this study to improve their strategic planning process.

5.5 Suggestion for Further Research

The study findings are based on limited sample which might have resulted in mixed results (significant and non-significant) findings on both human capital and management and leadership participation and involvement in strategic planning. Generalization of the study findings are, therefore, not without risk. The researcher therefore recommends further studies to be undertaken focusing on influence of human capital and management and leadership participation and involvement in strategic planning process by utilization of a larger sample to validate these findings.

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APPENDICES**APPENDIX I: INTRODUCTION LETTER**

To whom it may concern

Dear Madam/Sir,

INTRODUCTION LETTER

I am a student at the Kenyatta University (KU) carrying out a research project as part of the course requirement of doctor of philosophy degree in Business Administration. The study seeks to determine the influence of strategic planning and human capital participation on organizational performance in Kenya's commercial banks. I intend to carry out my research in 43 commercial banks that are dully registered with Central Bank of Kenya by 2010. The findings will be confidential, strictly for academic use and at no time will your name or the name of your company be mentioned anywhere in the report. Your honest participation will be highly appreciated.

Yours faithfully,

Wanjau Jackson Ngure

APPENDIX II: QUESTIONNAIRE

PART A: Respondent's Personal Details

1. Gender M[]F []

2.. Your position in the organization (Tick)

a) CEO/ top management []

b) Middle level manager []

c) Supervisor []

3. Years of service (Tick)

a) Below 10 years []

b) Above 10 years []

PART B: Institutional Information

1. Name of the organization (option)

2. How long has the firm been in existence? (Tick) as appropriate

a) Below 10 years []

b) Above 10 years []

3. What is the nature of the firm's business?

a) Provides financial service only []

b) Financial and non-financial services []

4. Where does the organization operate

a) All countries []

b) Located only in major cities []

- c) Located only in a single town/City []
- d) Has operations both in Kenya and East Africa []
- e) Any other location please specify

PART C: Strategic planning and organization performance

a) Formulation and organization performance

1. Who formulates strategies in your company?

- i. Top management []
- ii. All employees participate []
- iii. Consultants []

Others, please specify:

.....

2. If top management, are the views of other cadre of staff considered in the formulation of strategies?

Yes []

No []

3. What factors do you think should be considered when formulating organization strategies (tick any of the six key factors).

a) SWOT analysis [] b) Financial position [] c) review of previous plans []

d) Human capital requirements [] e) Emerging issues []

4. As one of the key steps in strategic planning to what extent do you agree with the following statement on the influence of formulation on organizations performance? Use a scale of 1-5 where: 1 (*strongly disagree*), 2 (*disagree*), 3 (*moderately agree*), 4 (*agree*) 5 (*strongly agree*)

Statements	1	2	3	4	5
The current corporate culture ensures that strategy formulation by its very process and methods encourages consensus building and teamwork.					
The top management ensure inclusiveness in all formulation stages including the establishment of the organization vision and mission					
The approach employed in your organization in the strategy formulation process promotes widespread understanding of the organization mission and objectives.					

6. To what extent has strategic planning influenced the performance of your firm?

No extent [] To a little extent [] To a moderate extent []
 To a great extent [] To a very great extent []

b) Implementation and organisation performance

1. Does your company have annual objectives?

Yes [] No []

If yes, how are they set?

i. By board of directors []

- ii. By top management []
- iii. By heads of departments []
- iv. Through participation of all employees []

Other, please specify

2.Does each department in your company have functional strategies?

Yes [] No []

If yes, where are they derived from?

- i. Company's strategic plans []
- ii. Customer feedback []
- iii. Management meetings []

Other, please specify.....

3. Do you change the company policies when new strategies are formulated?

Yes [] No []

4. To what extent do you agree with the following statement on the influence of Implementation on organizations performance? Use a scale of 1-5 where: 1 (*strongly disagree*), 2 (*disagree*), 3 (*moderately agree*), 4 (*agree*) 5 (*strongly agree*)

Statements	1	2	3	4	5
The current corporate culture support implementation of your company's strategic plans					
The CEO of your company has been in the forefront in providing leadership to ensure strategy implementation.					
The procedures followed by your company are supportive of the					

strategy implementation					
The reward policy of the firm support implementation of strategic plans					
Resources required for strategy implementation has been readily available.					

c) Control Systems and organisation performance

1. To what extent do you agree with the following statements on the influence of control on organisational performance? Use a scale of 1-5 where: 1 (*strongly disagree*), 2 (*disagree*), 3 (*moderately agree*), 4 (*agree*) 5 (*strongly agree*)

Statements	1	2	3	4	5
The current control systems can be judged effective as they have enabled the entity's operation objectives are being achieved					
The current control systems help the organization to take corrective action so that deviations from standards are minimized.					
The current feedback controls which include end of year financial reports, annual audit reports, among other reports provide useful information for the firm in evaluating progress of the set strategies.					

2. To what extent has control influenced the performance of your bank?

No extent [] To a little extent [] To a moderate extent [] To
a great extent [] To a very great extent []

PART D: human capital participation and organization performance

(a) Leadership Role and Involvement

1. Who is key driver of the strategic planning in the bank?

Board []

CEO/Management []

Strategy department []

Team drawn from across various departments []

2. Please rate the leadership role and involvement in the strategic planning process on a scale of 0 to 5, where 0,1,2,3,4,and 5 represent different levels of leadership contribution i.e. not at all, very small extent, small extent, average, large extent and, very large extent.

	AREA	0	1	2	3	4	5
i.	Provides direction to employees through vision, imagination and ideas through-out the process of strategic planning.						
ii.	Supports a culture of transparency, objectivity and, encourages freedom of expression through-out the process of strategic planning.						

iii.	Inspires employees to use their drive , initiative and creativity during the strategic planning process						
iv.	Builds and Supports a culture of total involvement of staff in the strategic planning process.						
v.	Effectively communicates the new strategy, implementation plan, and control systems.						

b) Employee Participation and involvement and organization performance

4. Does organization structure in place allow you to participate in S.P. in your department?

Yes No

5. What is your level of participation in the process of making decisions pertaining to your department?

a) Highly involved []

b) Fairly involved []

c) Involved []

d) Not involved []

6. Please indicate on a scale of 0 to 5 the extent to which the following are involved in the strategic planning process; where not at all, very small extent, small extent, average, large extent, very large extent are represented by scores 0, 1,2,3,4,& 5 respectively.

ITEM	AREA	0	1	2	3	4	5
	General staff						

	Middle management						
	Top management						
	Board of directors						
	Consulting Firm						

Please give suggestions, if any, on how participative approach processes in your department can be improved and collectively utilized.

- i.
- ii.

PART E: organization performance.

1 What measures of performance does your organization employ?

- a) Financial
- b) Non-financial
- c). Both Financial and non-financial

2. Please indicate on a scale of 0 to 5 the extent to which you agree with the following in respect to your firm's performance.

Where;

1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree

statement	1	2	3	4	5
Profits generated by your bank has improved					

The bank's asset growth has improved					
The bank has experienced reduced employee turnover					
The bank market share has grown					
The bank has launched new products					

PART F: Financial and Non-Financial Performance Data

Performance	Year 2012	Year 2011	Years 2010	Year 2009	YEAR 2008
Balance Sheet growth-total assets					
Net Loans and advances to customers					
Total customer deposits					
Net Profits					
Market share					

THANK YOU FOR YOUR PARTICIPATION

APPENDIX III: BUDGET

Task	Cost in Kshs
Proposal preparation	8,000
Pretesting research instrument	14,000
Transport	10,000
Computer services	10,000
Data collection and analysis	20,000
Project writing	30,000
Miscellaneous expenses	8,000
Total	100.000

APPENDIX IV: IMPLEMENTATION PLAN

	Y E A R 2015			
<u>Activity</u>	JAN.2015	APR. 2015	JUL-SEP. 2015	DEC.2015
Proposal Writing				
Proposal Defense				
Data Collection				
Data Analysis				
Report Writing				
Report Submission				

APPENDIX V: LIST OF COMMERCIAL BANKS

1. EQUITY
2. BARCLAYS
3. STANDARD CHARTERED
4. CFC STANBIC
5. CO-OPERATIVE BANK
6. KCB
7. CITIBANK
8. I&M BANK
9. DIAMOND TRUST BANK
10. BANK OF BARODA
11. NIC BANK
12. COMMERCIAL BANK OF AFRICA
13. CHASE BANK
14. BANK OF AFRICA
15. NATIONAL BANK OF KENYA
16. BANK OF INDIA
17. PRIME BANK
18. IMPERIAL BANK
19. FAMILY BANK
20. HOUSING FINANCE
21. ABC BANK
22. GULF AFRICA BANK
23. GT BANK KENYA
24. DEVELOPMENT BANK OF KENYA
25. ECOBANK
26. CONSOLIDATED BANK
27. EQUATORIAL COMMERCIAL BANK
28. VICTORIAL COMMERCIAL BANK
29. HABIB A.G ZURICH
30. HABIB BANK LTD
31. KREP BANK
32. GIRO COMMERCIAL BANK
33. JAMII BORA BANK
34. TRANS NATIONAL BANK
35. FIRST COMMUNITY BANK
36. GUARDIAN BANK
37. FIDELITY COMMERCIAL BANK
38. UBA KENYA BANK
39. DUBAI BANK
40. ORIENTAL COMMERCIAL BANK
41. CREDIT BANK
42. MIDDLE EAST BANK
43. PARAMOUNT UNIVERSAL BANK

APPENDIX VI: LIST OF COMMERCIAL BANKS PER TIER

Category(Tier)	Tier 1	Tier 2	Tier 3	Tier 4
Asset base	150B	50-150B	15-50B	Below 15B
1	EQUITY	CITIBANK	BANK OF INDIA	VICTORIAL COMMERCIAL BANK
2	BARCLAYS	I&M BANK	PRIME BANK	HABIB A.G ZURICH
3	STANDARD CHARTERED	DIAMOND TRUST BANK	IMPERIAL BANK	HABIB BANK LTD
4	CFC STANBIC	BANK OF BARODA	FAMILY BANK	KREP BANK
5	CO-OPERATIVE BANK	NIC BANK	HOUSING FINANCE	GIRO COMMERCIAL BANK
6	KCB	COMMERCIAL BANK OF AFRICA	ABC BANK	JAMII BORA BANK
7		CHASE BANK	GULF AFRICA BANK	TRANS NATIONAL (BANK YES/NO)
8		BANK OF AFRICA	GT BANK (FORMERLY FINA BANK)	FIRST COMMUNITY BANK
9		NATIONAL BANK OF KENYA	DEVELOPMENT BANK OF KENYA	GUARDIAN BANK
10			ECOBANK	FIDELITY COMMERCIAL BANK
11			CONSOLIDATED BANK	UBA KENYA BANK
12			EQUATORIAL COMMERCIAL BANK	DUBAI BANK
13				ORIENTAL COMMERCIAL BANK
14				CREDIT BANK
15				MIDDLE EAST BANK
16				PARAMOUNT UNIVERSAL BANK