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INFLUENCE OF STRATEGIC PLANNING ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA; A CASE OF KENYA COMMERCIAL BANK

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ABSTRACT

The general goal of this study was to look at impact of strategic anticipating money related execution of business banks in Kenya; an instance of Kenya business bank. This investigation was guided by key target which was; to decide if strategic arranging impacts learning and development of Commercial bank of Kenya. The contemplate was an instance of Kenya Business Bank, and it particularly focused on the strategic arranging of its managing an account division. From this objective, it was hypothesized that there is no significant relationship between competitive advantage and strategic business planning. The results of this study showed a positive statistically significant influence as competitive advantage explained on strategic business planning. The results of this study showed a positive statistically significant influence as business environment explained lesson strategic business planning. The research was not exhaustive and the researcher recommended the following areas for further research. Challenges of implementation of strategic planning practices. From the research it was evident that employees were not fully involved in strategic planning, so there may be challenges when implementing the strategy. Further research should therefore be done to find out how strategic planning is implemented and the challenges that banks face when implementing the strategy.

key words:- *Strategic Planning, Financial Performance, Kenya Commercial Bank*

INTRODUCTION

Strategic planning, as depicted by a few researchers (Chandler, 2002; Steiner, 2009) is the assurance of the fundamental, long haul points and targets of a venture and the reception of game-plans and portion of assets vital for accomplishing those points. It is therefore viewed as a state of mind and a procedure worried about the future results of current choices, how these results are to be expert, how achievement is to be estimated and assessed, and interfaces short, transitional, and long-run designs. As indicated by Kargar and Parnell (2006), strategic planning has stayed dynamic action inside the strategic planning process and is most basic during change and new situations. For example, an examination by O'Regan and Ghobadian (2007) uncover that 81% of organizations worldwide announced doing strategic planning and in the Unified States (US) for instance, 89% practice it.

Associations don't exist in a vacuum. Every association sets in a specific domain to which it is inseparably connected (Nabil and Nugent, 2009).In as much as business banks are influenced by the strategic planning issues. There are few examinations relating on strategic anticipating association and minimal out there has been made reference to on strategic planning issues on Kenya business bank of Kenya and particularly Kenya business bank of Kenya. This study therefore endeavored to fill the hole by analyzing impact of strategic anticipating budgetary execution of business banks in Kenya; An instance of Kenya business Bank

Objective of the Study

The general objective of the study was to examine influence of strategic planning on financial performance of commercial banks in Kenya; A case of Kenya commercial Bank. The study specific objective was to determine ifstrategic arranging impacts on learning and growth of commercial bank of Kenya.

LITERATURE REVIEW

Systems Theory (Ludwig Von Bertalanffy, 1928)

Systems theory was originally proposed by Hungarian biologist Ludwig Von Bertalanffy in 1928 (Kast&Rosenzweig, 1972; Scott, 1981; Olum, 2004). The foundation of systems theory is that all the components of an organization are interrelated, and that changing one variable might affect many others, or if one sub-system fails, the whole system is put in jeopardy.

Chaos Theory (Lorenz, 1963)

Chaos theory was pioneered by Lorenz (1963) in his study of the dynamics of turbulence in flow in liquids. The interest in chaotic systems is the underlying patterns of structure and order even when they are in chaotic state and that chaotic systems are capable of sudden and dramatic changes. Similarly, Stacey (1995:480) puts it that “nonlinearity and positive feedback loops are fundamental properties of organization’s life as it interacts with other firms and other actors in the environment such as consumers, government bodies and financial institutions. Due to the uncertainty and dynamism in which organization operate in, it is argued that, generally businesses perform better when they have a “fit” and deploy assets in a manner appropriate to the environment, debate continuous on how organizations can achieve this fit (Hannan and Freeman(1984).

Contingency Theory (Galbraith, 1973)

Galbraith (1973) states that in contingency theory, there is no one best way to organize and any one way of organizing is not equally effective. Chandler (1962) studied four large corporations and proposed that organizations would naturally evolve to meet the needs of their strategies. Implicit in Chandler’s ideas is that organizations act rationally, sequentially, and in a linear manner to changes in the environment and that effectiveness was a function of management's ability to adapt to environmental changes. Contingency theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation. The term "contingency" was coined by Lawrence and Lorsch (1967) who argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in organizations.

Resource-based View Theory(Wernerfelt, 1984)

Initiated in the mid-1980s by (Wernerfelt, 1984; Rumelt, 1984; Barney, 1986), the Resource Based View (RBV) central premise is that firms compete on the basis of their resources and capabilities. The resource-based view assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Secondly, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms and are difficult to accumulate and imitate (Barney, 1991; Peteraf& Bergen, 2003).

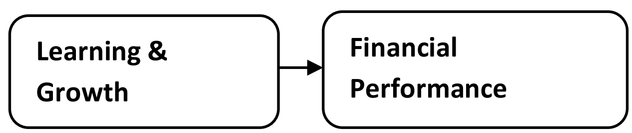
Sustainability Theory (Rosenbaum, 1993)

Sustainability theory means a capacity to maintain some entity, outcome or process over time. In general, sustainability refers to the property of being sustainable. This theory is applicable to the operations of companies as their sustainability may improve their survival rate. According to Rosenbaum (1993) sustainability means using methods, systems and materials that won't deplete resources or harm natural cycles.

The 3 Cs Strategic Triangle Model (Lampell, 2005)

Mintzberg, Ahlstrand and Lampell (2005) define strategy from five perspectives, namely a plan that provides roadmap to achieve goals; a ploy refers to how resources are used to attain objectives; a pattern of decisions and actions that drive an on organization forward; a firm position in the market and its perspective of the future. Building on this, Ohmae (1982) believes that successful business strategy does not result from rigorous analysis but from a particular state of mind of the strategist with a sense of mission that fuels creativity.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Source: Author (2018)

RESEARCH FINDINGS AND DISCUSSION

Learning and growth

Table 1: Learning and growth

STATEMENT	MEAN	STD. DEVIATION
1. Firm employees up to date with educational Competency	4.36	.999
2. Firm employees are up to date with technical competency acquired through training	4.34	.971

3. Our firm is up to date with information on market changes?	4.36	.973
4. Level of technology use has increased significantly in our firm	4.54	.857
5.Strategic planning is a useful tool in improving learning in our firm	4.37	1.009
6.Other aspects of learning practices by your firm	4.26	.881

Summary of the findings

The main purpose of the study was to the influence of strategic business planning on learning and growth. The study confirmed the reviewed literature that there was a statistically significant relationship between learning and growth and financial profitability and that this influence was differentiated. Learning and growth was confirmed to have the highest effect.

The objective of the research was to examine the extent to which learning and growth influenced strategic business planning. From this objective, it was hypothesized that there was no significant relationship between learning and growth and strategic business planning. The results of this study showed a positive statistically significant influence as learning and growth explained 82.5% of strategic business planning. It was notable that the relationship was not as strong as expected.

Conclusions

From the researcher objectives and the research questions the underlying objectives of the study were achieved. Strategic business planning will be largely improved if learning and growth. The major elements considered in strategic planning process are also considered particularly by the big banks compared to the banks that have been elevated from microfinance class.

From the finding of the study the research made the following conclusion; The study established that utmost all banks in Nairobi were involved in strategic planning. The major elements considered in strategic formulation process were also considered particularly by the big banks compared to the banks that hadbeen elevated from microfinance class.

Recommendations for Policy and Practice

On the basis of the findings of the study, the following recommendations were important to facilitate improvement of performance in the banking sector in relation strategic planning practices. All the managers employed by the bank should not be allowed to work in the same station for more than three years. Managers should be rotated within the organization to ensure that they become familiar with other duties and responsibilities as these would lead to overall improvement of performance. Also would lead to improvement in the implementation of strategy. All the stakeholders in the bank need to be involved in all the stages of strategic management process. This would allow the worker to identify themselves with the process and practice and will facilitate performance of the banks in Nairobi. Also it will create autonomy within the employees, reduce conflict, help in performance appraisal and reduce resignation of employees.

A specialized team should be formed to conduct SWOT analysis. The team that is qualified to conduct the analysis should be selected by top management to aid in the process. A consultant is best suited to carry out swot analysis as they are not biased against any party. Due to the complex nature of strategic planning qualified staff need to be employee though expensive for the practice to produce results the alternative would be to hire the service of a consultant through the process of out sourcing.

All important factors need to be considered in measuring of the performance of the organization not merely profitability employees and profitability. The bank should develop a strategy on how to overcome its weakness. The employee should be involved in the whole process and be educated about the process. To ensure result broad objectives should be structured to specific objectives and communicated to all members of the staff.

Recommendations for Further Research

The research was not exhaustive and the researcher recommended the following areas for further research. Challenges of implementation of strategic planning practices. From the research it was evident that employees were not fully involved in strategic planning, so there may be challenges when implementing the strategy. Further research should therefore be done to find out how strategic planning was implemented and the challenges that banks faced when implementing the strategy.

Comparative analysis to cover all financial institutions in Nairobi. A comparative analysis to cover all financial institutions would be of great help to willing investors, customers, employees of financial institutions and the government. This would give information for competitive advantage, public image, performance both financial and non-financial. These would help all stakeholders in making the correct decisions, increase healthy competition and create more awareness.

An assessment of the impact of strategic management in enhancing customer retention in the bank. It is also evident from the study that all the banks are competing for customers and values their customers so the banks keep on reinventing themselves over and over again.

Further study to assess how strategic management enhances customer retention would assist these organizations in their marketing, research and development strategies

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