Influence of Strategic Management Practices on Organizational Performance of Commercial Banks in Mombasa County

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Abstract

This study sought to examine the influence of strategic management practice on organizational performance of commercial banks in Mombasa County. The study specific objectives were: to examine the effect of strategic competitive practice on organizational performance of commercial banks in Mombasa County; to examine the effect of strategic corporate governance practice on organizational performance of commercial banks in Mombasa County; to examine the effect of strategic planning practice on organizational performance of commercial banks in Mombasa County and to examine the effect of strategic change management on organizational performance of commercial banks in Mombasa County. To strengthen the conceptual framework, the researcher used the following theories: competitive advantage theory, resource dependency and organizational growth theories. The study used a diagrammatic representation of the relationship between the independent variables and the dependent variable. The target population was 70 employees of commercial banks in Mombasa County. The sample size was 60 employees of commercial banks in Mombasa County. A modified Likert scale questionnaire was developed divided into three parts. A pilot study was carried out to refine the instrument. The quality and consistency of the study were further be assessed using Cronbach's alpha. Data analysis was performed on a computer using Statistical Package for Social Science (SPSS Version 23) for Windows. Analysis was done using frequency counts, percentages, means and standard deviation, regression, correlation and the information generated will be presented in form of graphs, charts and tables. The study findings rejected all the null hypotheses and established that there was a significant effect of strategic competitive practices, corporate governance, strategic planning practices and change management practices have effects on organizational performance of commercial banks in Mombasa County. Further, the study findings established that there was a positive correlation between the independent variables and the dependent variable. The study concluded that strategic competitive practices have an effect on organizational performance of commercial banks in Mombasa County; that commercial banks have developed unique selling points that enhances increase in number of customers and increase in profitability; that corporate governance has an effect on organizational performance of commercial banks in Mombasa County; that commercial banks are regulated by the central bank of Kenya which helps to improve corporate governance; that strategic planning practice has an effect on organizational performance of commercial banks in Mombasa County; that change management practice has an effect on organizational performance of commercial banks in Mombasa County. The use of technology has helped to reduce operational costs and increase profitability. The study recommended that commercial banks should embrace their unique selling points and build them in a way that it will make them competitive in the market; that commercial banks should continuously be open and accountable to the public and shareholders; that commercial banks should focus more on the customer’s needs and develop products that are customer oriented and that commercial banks should embrace technology to help reduce costs and increase efficiency.

Key words: Strategic Competitive Practices, Strategic Corporate Practices, Strategic Planning Practices, Strategic Change Management.

1. Introduction

Strategic management practice is an important practice as it gives a strong influence towards firms’ success. The importance of strategic management in a firm can be answered by looking at the relationship between strategic management and organizational performance. Strategic management does give positive influence, especially in its profitability to the large firms (David, 2017). In Japan, Japanese contractors have successfully out-thought construction firms in many markets in various parts of the world because of the attention they give to business strategy (Hasegawa, 2017). US banks show higher return on equity for banks which had both a strategic commitment to planning and provided regular strategic management training. Firms with good performance such as The Body Shop, Sony and Merck effectively exploit visionary strategies. Strategic management is now becoming more widely used by many large organizations that are allocating substantial resources to the task (Price et al., 2016) and generally strategic management practices can improve efficiency in various organizations. The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients’ taste and changing of
technology. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. Having a good strategy is one of the important factors that enable the organizations to survive and go further.

According to Bryson, et al., (2016), strategic management can be perceived as a structured process that engages all levels of an organization with the ultimate intention to map out a mission that defines the organization, illuminate a shared vision of the organization’s trajectory and in particular, involve the structure of long term goals and objectives which encompasses financial growth and stakeholder appreciation while maintaining moral and ethical considerations in the decision-making process. Wheelen and Hunger (2016) looks at strategic management as a set of managerial decisions and actions that determines the long-term performance of a firm. Literature shows that from 1980 onwards, the field of strategic management has progressed and transitioned from its primary domain in business into other disciplines. The ultimate goal however is a clear direction and increased performance within the organization.

As stated by Nag et al., (2015), this includes the major intended and emergent initiative taken by senior management in utilizing organizational resources to enhance performance, while mitigating the pressures of the external environment. This brings to the fore-front the correlation between strategic management and strategy. As Johnson, Scholes and Whittington (2013) elaborate, strategy gives an organization the direction and visual scope that yields benefit both in operational efficiencies and financial targets and sustains the charted mission and vision of the organization within a challenging environment. Importance of strategic management in the banking industry is validated by its requirement for better performance. Technology, communication, and market advances are fundamentally changing the global perspectives of time, distance, and socioeconomic boundaries.

Strategic Management is a concept that concerns making decisions and taking corrective actions to achieve long-term targets and goals of an organization (Bakar et al., 2011). It is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives (Pearce & Robinson, 2014). The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-years strategies irrelevant (Afande, 2015). Strategies should therefore be put in place to cushion the businesses from the uncertainty that comes along with an unpredictable environment.

1.1 Strategic Management Practice

Strategy management practice in every organization is guided by the strategy formulation, implementation, evaluation and control (Wheelen & Hunger, 2016). Strategy formulation is important for any organization as it effectively develops long term plans for the efficient management of the external or internal environmental opportunities and strengths in the wake of the corporate strength and weaknesses (Wheelen & Hunger, 2016).

Strategic competitiveness is achieved when a firm successfully formulates and implements a value creating strategy (Hitt, Ireland & Hoskisson, 2016). A farm gains competitive advantage when it implements a strategy that creates a superior value for its customers and its competitors are unable to duplicate or find too costly to imitate. Organizations must also understand that no competitive advantage is permanent and therefore must keep reinventing themselves. Ireland et al., (2013) states that the environment in which a company operates determine their competitiveness. External environment which includes the industry in which the farm competes as well as those against whom it competes affects the competition actions and the strategic responses the firm take to outperform competitors and earn above average results. The general condition of the farm, the industry and the competitors influence the farm’s competitive actions and responses.

Competitive advantage denotes a firm’s ability to achieve market superiority (Evans & Lindsay, 2015). This concept is the core of strategic management, as every organization search for a vantage point that could deliver the competitive edge against its rivals. While one way of gaining competitive advantage over rivals has been identified as achieving a better cost advantage, another way to competitive advantage is product differentiation (Porter, 2015). Product differentiation by itself was of little value unless the difference so achieved attracts and captures the imagination of customers. The needs and wants of the customer must be entrenched in design to production to delivery and use (Evans & Lindsay, 2015).

1.2 Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (PWC, 2012).

The sector comprised 43 commercial banks, 1 mortgage finance, 6 microfinance institutions, 5 offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector’s interests. KBA serves a forum to address issues affecting members. A significant recent development in the banking sector has been the licensing of agent banking. As at the end of 2011, eight commercial banks had 9,748 licensed and active agents who facilitated.
There are 43 licensed commercial banks. Out of these, 40 commercial banks are Private where 27 are local financial institution and 13 have foreign ownership and 3 are public financial institutions. (Central Bank of Kenya, 2016) Commercial banks are an important part of the Kenya financial landscape they also offer a wide variety of services, customer deposits, lending they also provide market-making activities in municipal, government and corporate bonds. Banks provide consulting and advisory services to customers as well as safekeeping and trust. Kenya’s commercial banks like any other organization are open systems operating in a turbulent environment. Their continued survival depends on the ability to secure a “fit” with the environment (Central Bank of Kenya, 2016). The commercial banks in Kenya are liable to many forms of risk which have triggered occasional systemic crises. These include liquidity risk where many depositors may request withdrawals in excess of available funds), credit risk (the chance that those who owe money to the bank will not repay it), and interest rate risk (the possibility that the bank will become unprofitable, if rising interest rates force it to pay relatively more on its deposits than it receives on its loan (Central Bank of Kenya, 2017).

2. Research Problem

Commercial banks in Kenya face challenges due to the dynamism of the environment in which they operate. Some of the challenges include declining interest margins, global financial crisis, increasing levels of inflation, exchange rate volatility, increased competition from banks and non-banks, technological changes, product improvement, and new regulations. Despite these challenges faced by the commercial banks, generally, the Kenyan banking industry is more stable currently than it has ever been. The sector has improved not just in size but also in terms of product offerings and service quality. (CBK 2016).

Strategic management practices are an epitome of any organization successful performance. It is evident and can be visibly comprehended in blue chips banks like Equity Bank Limited and Kenya Commercial Bank among Tier 1 commercial banks that have managed to report profits during its last financial year results of 2017. This notwithstanding the immense change in the external environment; during the last financial year 2017 banks have been wavering in a storm of uncertainty in external environment. This has seen the collapse of three potent banks that is Chase Bank, Dubai Bank and Imperial Bank.

Organizations today operate in fairly competitive environment which makes it necessary for them to put in place strategies that enhance their competitiveness. A considerable number of scholars have already discussed the presumed relationship between strategic management practice and organizational performance. Afande (2015) examine the influence of strategic management practices on performance of the Kenya Post Office savings bank. Jamil (2017) evaluated the influence of strategic management practices on performance of Islamic banks in Kenya. Njagi (2017) observed in his study that strategic management practices has an influence on the performance of healthcare industry. Musau (2017) examine the influence of strategic management practices of competitiveness in the floriculture industry in Kenya and Edapal and Theuri (2017) evaluated the effects of strategic management practices on business growth in the cement industry in Kenya.

However, empirical research results appear to be limited and even somewhat contradictory, while a number of studies suggest that strategic management practice enhances growth in firms (Bracker et al., 2015; Lyles et al., 2016), other researchers have found insignificant or negative effects in this context (Gibson & Cassar, 2014). Thus, there still seems to be a need to shed more light on the influence of strategic management practice on organization performance of commercial banks in Mombasa County.

3. Study Objectives

3.1 General Objective

The main objective of the study was to examine the influence of strategic management practices on organizational performance of commercial banks in Mombasa County.

3.2 Specific Objectives

The study was guided by the following specific objectives:

i. To examine the influence of strategic competitive practices on organizational performance of commercial banks in Mombasa County.

ii. To determine the influence of strategic corporate governance on organizational performance of commercial banks in Mombasa County.

iii. To evaluate the influence of strategic planning practices on organizational performance of commercial banks in Mombasa County.

iv. To examine the influence of strategic change management on organizational performance of commercial banks in Mombasa County.
4. Review of Literature

4.1 Theoretical Framework

4.1.1 Competitive Advantage Theory

When a firm sustains profits that exceed the average for its industry the firm is said to possess competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage (Barney and Hesterly, 2015). Smith, (2013) identified two basic types of competitive advantage which are cost and differentiation advantage. Cost Advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost, but differentiation advantage are the core benefits that a firm obtains which exceed those of competing products. Cost and differentiation advantages are known as positional advantages since they describe the firm’s position in the industry as a leader in either cost or differentiation. Thompson, Strickland, Gamble, and Jain (2016) describes generic strategies as being core to improvement of a firm’s performance. For commercial bank to perform it must use one or more of the generic strategies otherwise its performance is bound to decline (Allen & Helms, 2016).

A focus strategy is where a firm concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. Cheng (2013) highlighted that the core competencies of hospitality organizations include the processes, skills and assets that influence organizations to achieve competitive advantage. Other factors have also been mentioned to contribute to core competencies such as location, brand, facilities, employee customer loyalties, market coverage, market share, service quality, technology, leadership, systems and procedures and organizational culture. Automobile parts industries should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of their consumers (Gehrels, 2014).

Understanding the nature and strength of each of the five forces within an industry assists manager in developing competitive strategies for their organizations such as commercial banks. The five forces are competitive rivalry, threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers and the threat of new entrants. Barney and Hesterly, (2015) cite competitive rivalry to include the ability of industries to strive for competitive advantage over their rivals. Rivalry is measured by indicators of industry concentration with the Concentration Ratio (CR) as the measure. The CR indicates the percent of market share held by the largest firms in an industry. A high Concentration Ratio indicates that a high market share is held by the largest firms – the industry is concentrated. Schinkel and Tuinstra, (2014) states that a low concentration ratio indicates that an industry is characterized by many rivals, one of which has a significant market share. These fragmented markets are said to be competitive. This is the case with the commercial banks in Kenyan coast. If rivalry among firms in an industry is low, the industry is considered to be disciplined.

Samuelson & Marks (2012) highlight that the threat of new entrants to the industry is the possibility that new firms can enter the industry which affects competition. Barriers reduce the rate of entry of new firms, thus maintaining a level of profits for those already in the industry. From a strategic perspective, barriers can be created or exploited to enhance commercial banks competitive advantage. Porter’s model provides valuable drivers that enable Automobile parts industries strategic managers to analyze their markets and come up with effective strategies. These drivers create a competitive advantage which gives the commercial banks the ability to take proper advantage of their distinctive competencies in order to stay above their rivals in the same industry (Perry, et al., 2014).

4.1.2 Resource Dependency Theory

The resource dependency theory is important in explaining the actions of organizations, by forming interlocks, alliances, joint ventures, and mergers and acquisitions, in striving to overcome dependencies and improve an organizational autonomy, legitimacy and competitiveness. It is instrumental to organizations on the power to control resource allocation as the key to organizational growth and survival. The theory’s central proposition is that organizations will try to manage their resource dependencies with a variety of tactics, such as the cooptation of sources of constraint, in order to achieve greater autonomy and thus reduce uncertainty in the flow of needed resources from the environment. In essence, strategic partnerships have the potential to address challenges and opportunities that could not have been handled in the same way outside of a partnership (Davis & Cobb, 2010).

Perceived mutual dependencies between organizations can motivate potential partners to come together and join forces when the organizations perceive critical strategic interdependencies with other organizations in their environment (Drees and Heugens, 2016). Interdependence causes uncertainty in managing necessary resources for organizational survival and drives organizations to seek complementary or supplementary capabilities and resources in others. Because organizations are not self-sufficient and do not have control over all the resources they require, interaction with others is necessary to advance one’s own interests. Thus, organizational outcomes are based on interdependencies, because interdependence exists whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action. This
means that a partnership within organizations is a way of gaining access to critical resources necessary for their own success and survival.

When an organization does not have the necessary resources internally, it is dependent on external actors who have these needed resources. These resources can include financial resources, technical capabilities, knowledge, and organizational legitimacy. Companies and organizations could address these issues strategically in a partnership by using other organizations to fill their core needs. The main rationale for creating strategic partnerships is the potential for value creation through pooling organizations’ resources together. In essence, the procurement of external resources is an important tenet of both the strategic and tactical management of any company (Hillman, et. al. 2015).

4.1.3 Organizational Growth Theory

Greiner, (2016) proposed a growth model that explained the growth in business organizations as a predetermined series of evolution and revolution. In order to grow, the organization is supposed to pass through a series of identifiable phases or stages of development and crisis. These phases are; growth through creativity, growth through direction, growth through delegation, growth through collaboration and growth through coordination. Greiner’s model suggests how organizations grow, but the basic reasons behind the growth process and its mechanics remain heterogeneous. However, worth noting is that in corporations, the importation of materials and energy from the environment not only sustains life but also contributes to growth. As they keep growing, so does their ability to acquire resources. This means that the more they grow, the more capacity in resources acquisition they have and the more resources they can access. This growth and the increase in resource acquisition capabilities provide a positive feedback loop, which continues until the organization matures (Schimke, 2015).

If the resources in a niche or a domain are abundant, a business organization in that niche is likely to run at a profit (provided that the relevant costs are under control), which results in an improvement in return on investment (ROI), which tends to attract more funds from the investors. The firm can use these funds to reinvest for expansion, to gain more market control, and make even more profit. This positive feedback will continue until limiting factors (e.g. an increase in competition or the depletion of resources within a particular niche) take effect (Ansoff and McDonald, 2015).

5. Conceptual Framework

A conceptual framework is a graphical representation of the theorized interrelationships of the variables of a study Kothari and Gang (2014). The conceptualization of variables in any academic study is important because it forms the basis for testing hypothesis and coming up with generalizations in the findings of the study.

| Independent Variables | Dependent Variables |
|-----------------------|---------------------|
| Strategic Competitive Practices |
| • Cost Leadership |
| • Differentiation |
| • Focus |
| Strategic Corporate Governance |
| • Transparency |
| • Accountability |
| • Disclosure |
| Strategic Planning Practices |
| • External Orientation |
| • Internal Orientation |
| • Functional Integration |
| Strategic Change Management |
| • Growing Competition |
| • Technological Change |
| • Leadership Change |
| Organizational Performance |
| • Shareholders Value |
| • Market Share |
| • Profitability |

Figure 1 Conceptual Framework
6. Review of Variables

6.1 Strategic Competitive Practice

Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations (Porter, 2014). Andrews (2015) defines strategy as ‘the pattern of objectives, purposes, goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is, or it is to be’. According to Wheelen & Hunger, (2016) a corporation’s strategy forms a comprehensive master plan that states how the corporation will achieve its mission and objectives.

The effect of competitive strategies on firm performance is analyzed in numerous studies. According to Porter (2014) firms with a clear strategy outpace firms without a strategy. This argument constitutes the base of his competitive strategies. In view of the highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and out maneuver their rivals to endure and succeed. In order to be competitive in a given industry, organizations have to look at their strengths and see how they can exploit them for optimal performance.

Porter (2015) argues that banks develop strategies to enable them to seize strategic initiatives and maintain a competitive edge in the market. Well thought out and planned strategies provide opportunities for the bank to respond to various challenges within its operating environment. The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs. Porter (2015) suggested that some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets. Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry (Pearson, 2015). Competitive advantages are achieved by companies by differentiating products and services from those of their competitors and through low costs. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market (Lynch, 2014).

Competitive strategy is therefore an attempt to alter a company’s strength relative to that of its competitors in the most efficient way and also to mould actions and decisions of managers and employees in a coordinated, company-wide game plan (Ohmae, 2016). Porter (2014) noted that there are three generic strategies that describe how an organization pursues competitive advantage across its chosen market scope, which are differentiation, cost leadership and focus strategies.

Cost leadership is concerned with maintaining operational costs so low so that the profitability is improved. Companies try their best to outperform their competitors in the market place by managing their operating costs so as to optimize organizational performance. This is because lowest costs companies earn the highest profits in circumstances where the competing products are highly undifferentiated with a standard market price. Companies pursuing low cost strategy emphasize on cost reduction in all activities in the value chain. Lynch (2014) argues that being a low-cost firm does not mean that it charges the lowest of all other firms on average and reinvesting the extra profits into the business. However, this strategy does not come without risks. For instance, pursuing this strategy could be that a Company focuses on reducing costs at the expense of several other things or factors. This may make the company become lose its vision of focusing on a single strategy. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

A study by Sadoulet (2015) did a study on the relationship between competitive strategies and market penetration of commercial banks in Europe. The study used a longitudinal study using data for ten years. A semi-structured questionnaire was used to collect primary data and secondary was obtained from financial statements. The study concluded that commercial banks that adopted competitive strategies highly penetrated the market compared to other banks. Through cost leadership strategy banks these banks attracted all classes of customers.

Differentiation is a competitive strategy employed by organizations where they strive to distinguish their products and services from those of competing firms. These could be achieved through packaging and pricing and for services, the manner in which the services are delivered (Porter, 2015). Several studies have been conducted on differentiation and organizational competitiveness. For instance, Nolega, Oloko Sakataka and Oteki (2015) examined product differentiation strategies and how they affected firm product performance using a case of Kenya Seed Company (KSC), Kitale. The findings showed that the product differentiation strategies employed in the last 10-15 years had improved the performance and competitiveness of KSC. Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.
Ndede (2015) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value-added features provided to the customers.

Differentiation strategy aims to build up competitive advantage by offering products which are characterized by valuable features, such as quality, innovation and customer service. Svatopluk and Ljuba (2016) argue that strategies based on differentiation seek to establish fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. They further add that firms that successfully differentiate themselves are rewarded for their uniqueness with a premium price. The uniqueness should also translate to profit margins that are higher than those of competitors.

Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing commercial banks’ profitability. This is because it exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. In order to remain competitive and outperform their competitors, commercial banks have to develop appropriate strategies to drive their performance. In order to use the focus strategy, commercial banks have to identify a market niche they wish to serve (Pearson, 2015). By focusing on a given niche in the market, commercial banks are able to customize their financial services to the needs of that market niche.

Organizations focus on gaining competitive advantage so that they can compete effectively. Banks can achieve competitiveness by identifying their core competences, banks are able to concentrate on areas that give them a lead over competitors and provide a competitive advantage. According to Johnson and Scholes (2017), core competences are through identification of their core competencies and developing strategies which can help them realize set objectives (Lynch, 2014). According to Porter (2014), for companies to apply a focused strategy they need to focus on a niche market with the least competition (Pearson, 2015). Porter (2015) further argues that an organizations failure to choose between cost leadership and differentiation leaves the company stuck in the middle.

Obasi, et al., (2016) argues that focus is also based on adopting a narrow competitive scope within an industry that large firms tend to overlook. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence in the niche as crucial to their own success. This strategy aims at growing the market share through operating in narrow markets or niche markets that are commonly overlooked by the larger competitors.

6.2 Strategic Corporate Governance Practice

According to Nambiro (2017), corporate governance in the banking sector involves the way banking institutions’ affairs and businesses are managed by administrators, management and board of directors and that affects how the bank carries out its plans, policies and objectives taking into consideration the making of economic returns for the shareholders, everyday management and protection of the depositors. Organizations that are commitment to safe professional behavior and practices which are in the conformity with legislations and regulations (Adams & Mehran, 2016). There has been growing interest in the corporate governance practices of modern organization, particularly since the high-profile collapses of large United States firms such as WorldCom and Enron corporations (Nambiro, 2017).

According to Adjaoud, Zeghal, and Andaleeb (2016) corporate governance is about putting in place the mechanisms, structures and processes that ensure that the organization is managed and directed in a way that process enhances long-term shareholders value through accountability of managers which in return will enhance organization’s performance. Bairathi, (2015) define corporate governance as a system through which business corporations are controlled and directed in favor of all the stakeholders. Financial institutions have acknowledged the importance of having good corporate governance practices (Bairathi, 2015).

Leaders all over the world have increased their concern on corporate governance due to increase in the number of fraud cases that are reported, agency conflicts, inside trading among another corporation’s saga. Corporate failure has recently been witnessed in both emerging economies and developed economies such as the collapse of Enron in 2001, WorldCom in 2002 and the global financial crisis of 2008 (Cheng, 2013), Chase bank in Kenya in 2014 among others are crises that emanated from poor governance practices from the financial sector. Commercial banks in Kenya like other banks in Kenya are also faced with corporate governance challenges; the banks have previously witnessed a phenomenal growth from the economic turmoils and political meltdown in the recent years that created new challenging environment.

6.3 Strategic Planning Practice

On the other hand, a number of studies failed to establish a significant link between the perceived importance of planning and organizational performance (Fulmer, 2015; Kudla, 2015; Leontiades and Tezel, 2017). It seems that there is no consensus on
whether strategic planning leads to increased firm performance. The inconsistence results motivated some scholars to come up with the concept of multidimensional Strategic Planning and identified seven dimensions of Strategic Planning in their study, which contribute to increase in Firm Performance (Venkatraman and Ramanujam 2017).

In this study, multidimensional strategic Planning refers to the emphasis placed on seven dimensions of Strategic Planning, which are believed to be an effective way of planning (Venkatraman & Ramanujam, 2017). Although there are many strategic planning dimensions, a study by Kargar and Parnell (2016) conceptualized seven key dimensions of strategic planning, which include internal orientation, external orientation, functional integration, key personnel involvement, use of analytical techniques in planning, creativity in planning and focus on control.

These dimensions are also well grounded in the existing literature as important ingredient in the strategic planning process. A study by Kargar and Parnell (2016) on small commercial banks in North Carolina in the USA, examined the level of performance in relation to the degree of emphasis placed on seven planning dimensions. They found that those firms that placed the greatest emphasis on the seven dimensions reported increased Firm Performance than those that did not. Another study by Ramanujam and Venkatraman, (2017), in the USA on large manufacturing companies from Fortune 500 manufacturing firms, examined the dimensions of planning that were associated with firm performance from a multiple perspective. They conceptualized six key planning dimensions, which include, the use of planning techniques, attention to internal facet, attention to external facet, functional coverage and integration, resources provided to the planning, resistance to planning. These dimensions are also grounded in literature. They found that those firms that emphasized the six planning dimensions performed better than their counterparts that did not. They thus, concluded that multidimensional Strategic Planning is an effective way of planning.

Planning outcomes are self-evident of planning practices. Cameron and Whetten (2015) define planning outcomes as a goal of strategic planning. Ramanujam and Venkatraman (2017) have a similar definition and contend that planning outcomes are the result normally expected from strategic planning. Cameron and Whetten further argue that a focused assessment of strategic planning is through planning outcomes (goal-centered approach). King’s (2013) concurs with these scholars’ views and suggests that the approach to the evaluation of planning is measurement against purpose, in this case, planning outcomes. In this study, the planning outcomes are adapted from Kargar and parnell (2016), who conceptualized eight measures, which are directly related to the dimensions of strategic planning. These include; direction and focus, sustainable competitive advantage, firm-environment fit, efficiency in allocation of resources, improved innovation, greater organizational commitment, improved coordination and control of organizational activities and improved organizational analysis. They called them ‘objective fulfillment’, which is a consequence of strategic planning process.

6.4 Strategic Change Management

Management of strategic change could be affected by the state of organization and its external environment because the performance of organization might depend on the fit between organization and its external environment, the appearances of novel opportunities and threats in the external environment, in other words, the change of external environment, require organization to adapt to the external environments again (Kotter, 2016). As a result, organizations would change their strategy in response to the environmental changes. The states of the organization will also affect the occurrence of strategic change. They tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. Additionally, organizations would possess structural inertia that they tend to keep their previous structure and strategy to improve organization competitiveness and performance (Kotter, 2016).

RBV provides the understanding that certain unique existing resources will result in superior performance. The existing adequate resources of a firm influence success strategic change management and enabling firm achieving high performance in the volatile contemporary markets. Firm resources may provide necessary flexibility in response to environmental changes and influence achievement of performance and competitive advantage. Bowman and Hurry’s (2015) noted that resources as options approach of an organization’s capabilities and assets influence strategic choice. Cohen and Levinthal’s (2016) work on absorptive capacity also suggests that complementary resources may help organizations engage in adaptive change.

The resource base of a firm has an important influence on the link between performance feedback and strategic change. We distinguish two broad classes of firm resources that play a primary role in strategic decision-making, flexible and specific resources (Teece et al., 2017). Flexible resources can be easily (re)allocated across strategic options, while specific resources result from prior resource commitments and are specialized toward particular strategic actions. Firm resources enhance the competitiveness of the organization and continuous adaption of the organization to various environmental turbulence levels and achieve high performance.

Managers in organizations are becoming increasingly aware that a critical source of competitive advantage and organization performance often from strategic change in production of quality product and services, best strategies, adoption of advance technology and having an appropriate system of attracting and managing the organizations human resources (Kotter, 2016). That is, reciprocal interactions at multiple levels of analysis between the environment and firm capabilities shape business strategy and
performance, while interactions between strategy and performance, in turn, shape both organizational capabilities and competitive environments (Burnes, 2015).

Strategic change management tends to increase with more intensive environmental changes (Trinh and O'Connor 2014). Clearly, financial markets experience a great deal of change due to change in environment. Much of this strategic change is due to the seemingly inexorable growth in banking industry. It is beginning to change fundamentally the nature of financial service delivery to the markets. As markets for banking have grown and reformulated, banks have been trying to understand the effects of the new environment and are under pressure to reevaluate how they deliver financial services, find strategies to survive, be competitive and improve profitability (Murray and Anderson 2016). Moreover, banking institutions have come to increasingly control key markets and heighten the general level of competitiveness among banks through effective strategic change management practices such as designs, reconfigure bank operations and cost-control strategies, viewed as controlling costs, protect market share, enhance operational efficiency and improve financial performance.

### 6.5 Organizational Performance

The organizational performance construct is probably the most widely used dependent variable, in fact, it is the ultimate dependent variable of interest for any researchers concerned with just about any area of management, yet it remains vague and loosely defined (Richard 2017; Rodgers and Wright, 2016). The construct has acquired a central role as the deemed goal of the modern industrial activity. Performance is so common in management research that its structure and definition are rarely explicitly justified; instead, its appropriateness, in no matter what form is unquestionably assumed (March and Sutton, 2016).

However, the definition of organizational performance is surprisingly an open question with few studies using consistent definitions and measures (Adam and Ebert, 2017; Kirby, 2016). Hersey and Blanchard (2014) argued that performance has multiple meanings depending on the discipline and they have given some of the definitions based on management scientists, marketers, accountants and economists. Although firm performance plays a key role in strategic research, there is considerable debate on appropriateness of various approaches to the concept utilization and measurement of organizational performance. The complexity of performance is perhaps the major factor contributing to the debate. Out of literature are three common approaches to organization performance measurement namely, the objective measures of performance that tend to be quantitative, the subjective measures that tend to be qualitative therefore judgmental and usually based on perception of respondent, and triangulation. The objective and subjective approaches can also be differentiated in terms of ends and means. Objective measures focus on end results while subjective measures focus on the process or means by which ends results are achieved (Cohen, 2014).

Firm performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard (2017) organizational performance encompasses three specific areas of firm outcomes: financial performance (for instance profits, return on assets, return on investment); product market performance for instance sales, market share and shareholder return (for instance total shareholder return, economic value added) (Davenport and Harris, 2015). Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value performance (in some cases, production capacity performance may be analyzed) (Rhyne, 2016).

External environmental conditions and industry structure are largely assumed to shape the firm’s performance. In recent years, however, other streams of research emphasizing a resource-based bundle of capabilities perspective on organizational performance have evolved to characterize the firm’s evolution and strategic growth alternatives (Mahoney and Pandian, 2015). Kaplan and Norton (2014) developed a system in which measurements are meant to drive performance where they cited productivity, employees’ motivation and cost efficiency as the rightful measure of performance. Davenport and Harris, (2015) on the other hand, suggest that organizations will determine the level of performance by the overall organizational performance. They argue that the frontier for using data is not just in measurement but also in identifying the most profitable customers, determining the right price, accelerating product innovation, optimizing supply chains, and identifying the true drivers of financial performance. More high-performance studies are likely to emerge in the future, partly because the business environment continues to shift and partly because the science of analysis continues to improve (Sharma, 2016).

The performance of organizations has been the focus of intensive research efforts in recent times. How well an organization implements its policies and programs and accomplishes its strategic intent in terms of its mission and vision is of paramount concern. Managers in organizations are becoming increasingly aware that a critical source of competitive advantage often comes from effective strategic change management adoption of technology, having an appropriate system of attracting and managing the organizations human resources.

### 7. Research Methodology

#### 7.1 Research Design

This study adopted a cross-sectional survey research design aimed at collecting large number of qualitative and quantitative data at a point in time so as to establish organizational performance of commercial banks in Mombasa. A cross-sectional survey...
research design enabled collection of data about a given phenomenon within a limited time horizon which can help describe incidences of events or provide an explanation of factors related to an organization (Saunders, Lewis, and Thornhill, 2015). A cross-sectional survey research design is useful in overcoming time and budget constraints (Cooper and Schindler, 2013). Survey design had the advantages of being cost effective per respondent as compared to other methods; it employed easier method of data collection; it enabled the researcher to have a much larger sample size that could even range into thousands hence enhancing the accuracy of the conclusions arrived at. Finally, due to anonymity, respondents become more candid hence improving the accuracy of the data that was obtained.

7.2 Target Population

According to Sekaran (2015), a target population was classified as all the members of a given group to which the investigation was related, whereas the accessible population was looked at in terms of those elements in the target population within the reach of the study. According to Kothari, and Garg (2018), a population is a group of events, people or items of interest with a common observable attribute. According to the CBK, (2017) there are 42 commercial banks licenced to operate in Kenya. The study targeted the branch managers and chief operations officers. However, not all commercial banks operate in Mombasa County. There are 35 commercial banks operating in Mombasa County. Therefore the study targeted 70 senior managers working in commercial banks in Mombasa County.

| Table 1 Target Population |
|---------------------------|
| Category                  | Target Population |
| Branch Manager            | 35                |
| Chief Operations Officers | 35                |
| TOTAL                     | 70                |

7.3 Sampling and Sampling Technique

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire population. Sample is a small group of objects or individuals selected or drawn from a population in such a manner that its characteristics represent population characteristics (Orodho & Kombo, 2012).

Stratified random sampling method is used to select relevant respondents from various sectors of government agencies in Kenya. (Bryman & Bell, 2015) argue that stratified random sampling is where a given number of cases are randomly selected from each population sub-group. It thus ensures inclusion in the sample of subgroup which otherwise could be omitted entirely by other sampling methods. In this case stratification will be based on department from which employees come from.

Stratified sampling enables the population to be divided into four segments (relevant departments within the sectors of government agencies in Kenya) called strata. Simple random sample is then drawn from each stratum, and then those sub-samples joined to form complete stratified samples. In addition, proportional allocation is done, where each stratum contributed to the sample a number that is proportional to its size in the population.

7.4 Sample Size

The total sample size for this study was obtained using the formulae developed by Saunders, Thornhill, and Lewis (2016) together with Miller and Brewer (2015) and the adjusted sample size was 70 as per workings below. With a study population of 35 and a sample size of 70, the researcher will apply the multi-stage sampling frame of choosing 2 respondents from every commercial bank. With a confidence interval of 95 percent, the sample size will also be determined using the formula given by Miller and Brewer (2015) as shown.

\[
    n = \frac{N}{1 + N (\alpha)^2}
\]

Where:
- \(n\) = the sample size,
- \(N\) = the sample frame (population)
- The sample size was 60.

| Table 2 Sample Size |
|---------------------|
| Category            | Target Population | Sample Size |
| Branch Manager      | 35                | 30          |
| Chief Operations Officer | 35                | 30          |
| TOTAL               | 70                | 60          |
7.5 Data Collection Procedure

The researcher used primary and secondary data. Structured questionnaires are used to collect primary data from respondents. The questionnaire will be self-administered to the respondents and was collected after three days. Secondary data was obtained from related materials in the internet, strategic management journals, white papers, periodicals and books relevant to the study.

7.6 Data Analysis and Presentation

Qualitative as well as quantitative methods of data analysis will be used to analyze the research variables. A Likert scale will be adopted to provide a measure for qualitative data. The scale will help to minimize the subjectivity and make it possible to use quantitative analysis. The numbers in the scale will be ordered such that they indicated the presence or absence of the characteristic to be measured Kothari and Gang, (2014). This mix of tools is necessary because whereas some aspects of the study will be qualitative others will be of quantitative nature.

8. Research Results

8.1 Descriptive Statistics

8.1.1 Competitive Practices

The first objective of the study was to establish the effects of competitive practices on organizational performance of commercial banks in Mombasa County in Kenya. Respondents were required to respond to set questions related to competitive practices and give their opinions. The statement that commercial banks have maintained lower operational cost so that profitability is improved had a mean score of 3.93 and a standard deviation of 0.780.

| Table 3 Competitive Practices |
|--------------------------------|
| N     | Mean | Std. Deviation |
|-------|------|----------------|
| 45    | 3.93 | .780           |
| 45    | 4.60 | .495           |
| 45    | 4.38 | 1.154          |
| 45    | 4.24 | 1.228          |
| 45    | 4.20 | 1.236          |

The statement in agreement that commercial banks have increased capacity utilization to enhance organizational performance had a mean score of 4.60 and a standard deviation of 0.495. The statement in agreement that commercial banks have differentiated their products to enhance increased market share had a mean score of 4.38 and a standard deviation of 1.154. The statement in agreement that commercial banks are more focused on customer’s need had a mean score of 4.24 and a standard deviation of 1.228. The statement in agreement that Commercial banks have developed unique selling points that helps them to counter competition had a mean score of 4.20 and a standard deviation of 1.236.

Further as compared to audited results of commercial banks for the year 2016/2017 and 2017/2018 shows that there has been fair competition in the banking industry with each bank cutting a niche for itself in the market to retain existing customers, acquire new clients and deepening customer relationships for further businesses and referrals (CBK, 2017).

8.1.2 Corporate Governance

The second objective of the study was to establish the effects of corporate governance on organizational performance of commercial banks in Mombasa County in Kenya. Respondents were required to respond to set questions related to corporate governance and give their opinions. The statement in agreement that Commercial banks have adopted mechanisms that safeguard the interests of the stakeholders to actualize organizational performance had a mean score of 4.58 and a standard deviation of 1.097. The statement of agreement that Commercial banks good corporate governance helps in rebuilding confidence with customers to achieve organizational performance had a mean score of 4.20 and a standard deviation of 0.991. The statement that Commercial banks have created corporate codes of conduct as governance strategies for growth initiatives had a mean score of 4.36 and a standard deviation of 0.883. The statement in agreement that Commercial banks have created financial reporting practices as governance strategies for growth initiatives had a mean score of 4.27 and a standard deviation of 1.195. The statement
in agreement that Commercial banks have created company units dealing with business ethics as governance strategies had a mean score of 4.16 and a standard deviation of 1.127. The statement that Commercial banks have created stakeholder complaint channels as governance strategies had a mean score of 4.82 and a standard deviation of 0.387.

Secondary data from the industry regulator shows that majority of commercial banks adhered to corporate governance save for a few that faulted the rule. The example of commercial banks that faulted corporate governance especially reporting of suspected financial dealings in the famous National Youth Service scandal two have been heavily punished by paying a heavy fine to deter other commercial banks from encouraging money laundering (CBK, 2018).

| Table 4 Corporate Governance                                      | N   | Mean  | Std. Deviation |
|------------------------------------------------------------------|-----|-------|----------------|
| Commercial banks have adopted mechanisms that safeguard the interests of the stakeholders to actualize organizational performance. | 45  | 4.58  | 1.097          |
| Commercial banks have created corporate codes of conduct as governance strategies for growth initiatives. | 45  | 4.36  | .883           |
| Commercial banks have created financial reporting practices as governance strategies for growth initiatives.  | 45  | 4.27  | 1.195          |
| Commercial banks have created company units dealing with business ethics as governance strategies.       | 45  | 4.16  | 1.127          |
| Commercial banks have created stakeholder complaint channels as governance strategies.                     | 45  | 4.82  | .387           |
| Valid N (listwise)                                               | 45  |       |                |

8.1.3 Strategic Planning Practices

The third objective of the study was to establish the effects of strategic planning practice on organizational performance of commercial banks in Mombasa County in Kenya. Respondents were required to respond to set questions related to strategic planning practices and give their opinions. The statement in agreement that Strategic planning efforts guide necessary activities to adapt to the environmental issues to actualize organizational growth had a mean score of 4.09 and a standard deviation of 1.345. The statement in agreement that systematic monitoring of environmental conditions is facilitated through the use of analytical techniques to actualize organizational growth had a mean score of 4.18 and a standard deviation of 0.716. The statement that analysis of internal stakeholders’ issues helps us to develop insight into the practices necessary to demonstrate responsible care of employees had a mean score of 3.53 and a standard deviation of 1.471.

| Table 5 Strategic Planning Practices                            | N   | Mean  | Std. Deviation |
|----------------------------------------------------------------|-----|-------|----------------|
| Strategic planning efforts guide necessary activities to adapt to the environmental issues to actualize organizational growth. | 45  | 4.09  | 1.345          |
| Systematic monitoring of environmental conditions is facilitated through the use of analytical techniques to actualize organizational growth. | 45  | 4.18  | .716           |
| Analysis of internal stakeholders’ issues helps us to develop insight into the practices necessary to demonstrate responsible care of employees. | 45  | 3.53  | 1.471          |
| Involvement of our employees in strategic conversations helps us to develop practices that demonstrate increased social responsibility towards internal stakeholders. | 45  | 3.62  | 1.614          |
| Various functional areas coordinate their activities to enhance the quality of customer experience resulting in demonstrable organizational performance. | 45  | 3.22  | 1.380          |
| Functional integration provides the necessary knowledge for developing activities that demonstrate organizational performance initiative to stakeholders. | 45  | 3.78  | 1.223          |
| Valid N (listwise)                                              | 45  |       |                |
The statement that involvement of our employees in strategic conversations helps us to develop practices that demonstrate increased social responsibility towards internal stakeholders had a mean score of 3.62 and a standard deviation of 1.614. The statement that Various functional areas coordinate their activities to enhance the quality of customer experience resulting in demonstrable organizational performance had a mean score of 3.22 and a standard deviation of 1.380. The statement that functional integration provides the necessary knowledge for developing activities that demonstrate organizational performance initiative to stakeholders had a mean score of 3.78 and a standard deviation of 1.223. Secondary data on strategic planning shows that majority of commercial banks have set up a five-year strategic plan. With the increase in capitalization of commercial banks in Kenya, majority of commercial banks are set up for mergers and acquisition for example Jamii Bora is scheduled to be merged and eventually acquired by the giant Commercial Bank of Africa. Further the secondary data shows that majority of commercial banks have achieved substantively their previous strategic plans and they are now in the second five-year plans (CBK, 2018).

8.1.4 Change Management

The fourth objective of the study was to establish the effects of strategic planning practice on organizational performance of commercial banks in Mombasa County in Kenya. Respondents were required to respond to set questions related to change management and give their opinions. The statement that commercial banks develop products that keep them ahead of competition had a mean score of 3.16 and a standard deviation of 1.718. The statement that commercial bank adopt technology in delivery of great customer experience had a mean score of 3.96 and a standard deviation of 1.551. The statement in agreement commercial bank has put in place lean leadership structure to increase organizational performance had a mean score of 4.18 and a standard deviation of 1.114. The statement that commercial banks have moved many operational issues on technology applications had a mean score of 3.96 and a standard deviation of 1.313. The statement that commercial banks have embraced fintech in their operations had a mean score of 4.36 and a standard deviation of 0.712. Secondary data from the industry regulator indicates that commercial banks have undergone significant change in their management recently. Majority have adopted technology and have reduced number of staff by not hiring additional man power yet other have merged positions adding more portfolio to individuals these increasing profitability (CBK, 2018).

| Table 6 Change Management | N | Mean | Std. Deviation |
|----------------------------|---|------|----------------|
| Commercial banks develop products that keep them ahead of competition | 45 | 3.16 | 1.718 |
| Commercial banks adopt technology in delivery of great customer experience | 45 | 3.96 | 1.551 |
| Commercial bank has put in place lean leadership structure to increase organizational performance | 45 | 4.18 | 1.114 |
| Commercial banks have moved many operational issues on technology applications | 45 | 3.96 | 1.313 |
| Commercial banks have employed marketing and advertising on social media to increase their awareness and services | 45 | 3.29 | 1.424 |
| Commercial banks have embraced FINTECH in their operations | 45 | 4.36 | .712 |
| Valid N (listwise) | 45 |

8.1.5 Organizational Performance

| Table 7 Organizational Performance | N | Mean | Std. Deviation |
|-----------------------------------|---|------|----------------|
| Organizational performance initiatives are concerned with an increased market share | 45 | 4.60 | .720 |
| Organizational performance initiatives are linked to enhancement of corporate reputation and image. | 45 | 4.73 | .539 |
| Organizational performance initiatives are related with efforts of maximizing shareholders' wealth. | 45 | 4.80 | .405 |
| Organizational performance initiatives are linked to being more attractive in the eyes of investors. | 45 | 4.09 | 1.459 |
| Organizational performance initiatives are motivated by stronger customer loyalty which increases levels of repeat customers. | 45 | 4.71 | .944 |
| Valid N (listwise) | 45 |
The statement that organizational performance initiatives are concerned with an increased market share had a mean score of 4.60 and a standard deviation of 0.720. The statement that organizational performance initiatives are linked to enhancement of corporate reputation and image had a mean score of 4.73 and a standard deviation of 0.539. The statement that organizational performance initiatives are related with efforts of maximizing shareholders’ wealth had a mean score of 4.80 and a standard deviation of 0.405. The statement that organizational performance initiatives are linked to being more attractive in the eyes of investors had a mean score of 4.09 and a standard deviation of 1.459. The statement that organizational performance initiatives are motivated by stronger customer loyalty which increases levels of repeat customers had a mean score of 4.71 and a standard deviation of 0.944.

8.2 Inferential Statistics

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

8.2.1 Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (Organizational Performance) and the independent variables (competitive practices, Corporate governance, Strategic planning practices and Change management). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari & Gang, 2014).

| Table 8 Pearson Correlation |
|-------------------------------|
| Organizational Performance | Competitive Practices | Corporate Governance | Strategic Planning Practice | Change Management |
|-------------------------------|
| Organizational Performance | 1 | .709** | .444** | .720** | .770** |
| Competitive Practices | .45 | 1 | .45 | .45 | .45 |
| Corporate Governance | .000 | .000 | .000 | .000 | .000 |
| Strategic Planning Practice | .000 | .000 | .003 | .000 | .000 |
| Change Management | .703** | .338 | .023 | .000 | .000 |

**. Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson’s coefficient of correlation (r). This is as shown in Table 8 above. According to the findings, it was clear that there was a positive correlation between the independent variables, competitive practices, corporate governance, strategic planning practices and change management and the dependent variable organizational performance. The analysis indicates the coefficient of correlation, r equal to 0.709, 0.444, 0.720 and 0.770 for competitive practices, corporate governance, strategic planning practices and change management respectively. This indicates positive relationship between the independent variable namely competitive practices, corporate governance, strategic planning practices and change management and the dependent variable organizational performance.

8.2.2 Coefficient of Determination (R²)

To assess the research model, a confirmatory factors analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (Competitive practices, corporate governance, strategic planning practice and change management), and the dependent variable (Organizational Performance).
The model explains 72.6% of the variance (Adjusted R Square = 0.699) on organizational Performance. Clearly, there are factors other than the four proposed in this model which can be used to predict financial sustainability. However, this is still a good model as Bryman and Bell, (2018) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research. This means that 72.6% of the relationship is explained by the identified four factors namely competitive practices, corporate governance, strategic planning practices and change management. The rest 27.4% is explained by other factors in the organizational performance not studied in this research. In summary the four factors studied namely, competitive practices, corporate governance, strategic planning practices and change management or determines 72.6% of the relationship while the rest 27.4% is explained or determined by other factors.

8.2.3 Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model was as per Table 10 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of financial performance. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 26.549, p = 0.000

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|-------|----------------|----|-------------|---|------|
| 1     | Regression     | 860.636 | 4 | 215.159 | 26.549 | 0.00 |
|       | Residual      | 324.164 | 40 | 8.104  |       |      |
| 1     | Total         | 1184.800 | 44 |         |       |      |

8.2.3 Regression Coefficients

The researcher conducted a multiple regression analysis as shown in Table 11 so as to determine the relationship between organizational performance of commercial banks in Mombasa county and the four variables investigated in this study.

| Model | Unstandardized Coefficients | Standardized Coefficients |
|-------|-----------------------------|---------------------------|
|       | B | Std. Error | Beta | t | Sig. |
| 1     | (Constant) | 16.755 | 3.848 | .333 | 4.354 | .000 |
|       | Competitive Practices | .747 | .265 | .333 | 2.819 | .004 |
|       | Corporate Governance | .118 | .158 | .071 | 2.748 | .000 |
|       | Strategic Planning Practice | .197 | .214 | .125 | 3.922 | .002 |
|       | Change Management | .667 | .163 | .479 | 4.092 | .000 |

The regression equation was:

\[ Y = 16.755 + 0.747X_1 + 0.118X_2 + 0.197X_3 + 0.667X_4 \]

Where:

\[ Y = \text{the dependent variable (Organizational Performance)} \]
X₁ = Competitive Practices  
X₂ = Corporate Governance  
X₃ = Strategic Planning Practice  
X₄ = Change Management

The regression equation above established that taking all factors into account (Organizational Performance of Commercial banks in Mombasa) constant at zero organizational performance of commercial banks will be 16.755. The findings presented also showed that taking all other independent variables at zero, a unit increase in competitive practices would lead to a 0.747 increase in the scores of organizational performance of commercial banks in Mombasa; a unit increase in corporate governance would lead to a 0.118 increase in organizational performance of commercial banks in Mombasa; a unit increase in strategic planning practices would lead to a 0.197 increase in the scores of organizational performance of commercial banks in Mombasa and a unit increase in change management would lead to 0.667 increase in score of organizational performance of commercial banks in Mombasa.

This therefore implies that all the four variables have a positive relationship with organizational performance of commercial banks with competitive practices contributing most to the dependent variable and corporate governance contributing lowest to the dependent variable. From the table we can see that the predictor variables of competitive practices, corporate governance, strategic planning practices and change management got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

From the table we can see that the predictor variables of debt recovery, credit appraisal procedure, credit monitoring and credit risk governance got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

Hypothesis 1 - HO₁: Strategic competitive practice has no significant effect on organizational performance of commercial banks in Mombasa County.

In relation to the variable debt recovery process, the results in Table 11 above indicate that strategic competitive practices have no significant effect on organizational performance of commercial banks in Mombasa County. This is supported by regression analysis t-value of 2.819 which is greater than the critical value 2.0 and a p-value of 0.00 at 95% level of significance which is less than 0.05. This result agrees with (Saska, Namusonge, & Sakwa, 2015).

After testing the hypothesis by comparing the scores of calculated t-value and critical t calculated t-values was 2.819 for strategic competitive practices, which is greater than the critical tₜₙₒ₁(0.05) = 2.0, the study rejected the null hypothesis that strategic competitive practice has no significant effect on organizational performance of commercial banks in Mombasa County. Therefore, the study results show that strategic competitive practice has a significant effect on organizational performance of commercial banks in Mombasa County.

Hypothesis 2 - HO₂: Corporate governance has no significant effect on organizational performance of commercial banks in Mombasa County.

In relation to the variable corporate governance, the results in Table 11 above indicate that corporate governance has an effect on organizational performance on commercial banks in Mombasa County. This is supported by regression analysis t-value of 2.748 which is greater than the critical value 2.0 and a p-value of 0.00 at 95% level of significance which is less than 0.05. This result agrees with (Uzel, Namusonge, & Obwogi, 2015).

After testing the hypothesis by comparing the scores of calculated t-value and critical t calculated t-values was 2.748 for corporate governance, which is greater than the critical tₜₙₒ₂(0.05) = 2.0, the study rejected the null hypothesis that corporate governance has no effect of organizational performance of commercial banks in Mombasa County. Therefore, the study results show that corporate governance has a significant effect on organizational performance of commercial banks in Mombasa County.

Hypothesis 3 - HO₃: Strategic planning practices has no significant effect on organizational performance of commercial banks in Mombasa County.

In relation to the variable strategic planning practices, the results in Table 11 above indicate that strategic planning practices has an effect on organizational performance of commercial banks in Mombasa County. This is supported by regression analysis t-value of 3.922 which is greater than the critical value 2.0 and a p-value of 0.00 at 95% level of significance which is less than 0.05. This result agrees with (Muthoka, Oloko, & Obonyo, 2017).

After testing the hypothesis by comparing the scores of calculated t-value and critical t calculated t-values was 3.922 for strategic planning practice, which is greater than the critical tₜₙₒ₃(0.05) = 2.0, the study rejected the null hypothesis that strategic planning practices has no significant effect on organizational performance of commercial banks in Mombasa County. Therefore, the study results show that strategic planning practices has a significant effect on organizational performance of commercial banks in Mombasa County.
**Hypothesis 4 - HO₄:** Change management has no significant effect on organizational performance of commercial banks in Mombasa County.

In relation to the variable change management, the results in Table 11 above indicate that change management has an effect on organizational performance of commercial bank in Mombasa County. This is supported by regression analysis t-value of 4.092 which is greater than the critical value 2.0 and a p-value of 0.00 at 95% level of significance which is less than 0.05. This result agrees with (Njanja, 2016).

After testing the hypothesis by comparing the scores of calculated t-value and critical t calculated t-values was 4.092 for change management, which is greater than the critical tₐ(0.05) = 2.0, the study rejected the null hypothesis that change management has no significant effect on organizational performance of commercial banks in Mombasa County. Therefore, the study results show that strategic planning practices has a significant effect on organizational performance of commercial banks in Mombasa County.

**9. Conclusions and Recommendations**

**9.1 Conclusions**

The study concluded:

i. That strategic competitive practices have an effect on organizational performance of commercial banks in Mombasa County. That commercial banks have developed unique selling points that enhances increase in number of customers and increase in profitability.

ii. That corporate governance has an effect on organizational performance of commercial banks in Mombasa County. That commercial banks are regulated by the central bank of Kenya which helps to improve corporate governance. That having a good corporate governance helps to boost the confidence of customers and this increases clients base and profitability of commercial banks. That good corporate governance helps to safeguard in the integrity of the banking industry.

iii. That strategic planning practice has an effect on organizational performance of commercial banks in Mombasa County. That monitoring of strategic plan helps commercial banks to evaluate progress of strategic plan implementations. Further, involvement of stakeholders in the planning process enriches the contents of the strategic plans.

iv. That change management practice has an effect on organizational performance of commercial banks in Mombasa County. That change management has helped to reduce operational costs and increase profitability. That leadership structure in commercial banks has helped to create harmony between the various stakeholders and the customers thus increasing profitability. That FINTECHs have been the game changer in the banking industry since a lot of banking transactions are done on the smart phone and tables as well as on internet and this has deepened financial inclusion and accessibility to banking facilities and services in Kenya.

**9.2 Recommendations**

From the study findings, it was recommended:

i. That commercial banks should embrace their unique selling points and build them in a way that it will make them competitive in the market.

ii. That commercial banks should continuously be open and accountable to the public and shareholders.

iii. That commercial banks should focus more on the customer’s needs and develop products that are customer oriented.

iv. That commercial banks should embrace technology to help reduce costs and increase efficiency.

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