INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF INDUSTRIAL DEVELOPMENT BANK LTD, KENYA

BY

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ABSTRACT

Improving organizational performance and efficiency in service delivery of public institutions has seen the implementation of performance management system through performance contracting throughout the public sector. Based on this framework, public institutions are subjected to annual performance evaluation. However, the evaluation tool used does not isolate or attribute the performance of these institutions to any specific management practices. Although there exists studies on the relationship between strategic management practices and organizational performance, most of these studies focus on private sector organizations whose characteristics differ from those of state owned institutions and thus their findings may not be applicable to the state owned entities. The study sought to examine the influence of strategic management practices on performance of state owned banks in Kenya, with specific reference to Industrial Development Bank Limited. The specific objectives of the study were to examine the influence of strategy formulation on profitability of Industrial Development Bank Limited; to establish the influence of strategy implementation on profitability of Industrial Development Bank Limited; and to examine the influence of strategy evaluation and control on profitability of Industrial Development Bank Limited. The study employed the use of both descriptive and correlation research design to establish the nature of the relationships. A sample of 35 employees from the target institution was taken. Primary data was collected using closed and open ended questionnaires. Regression analysis was used to establish the influence of strategic management practices on organizational performance as measured by profitability. The reliability of the questionnaire was tested using a pilot of ten questionnaires administered to individuals working in banking institutions other than Industrial Development Bank Limited. Reliability was computed using Cronbach's alpha with the value of alpha being 0.73 for performance, 0.78 for strategy formulation, 0.76 for strategy implementation and 0.90 for strategy monitoring and control which is regarded as good. The regression output based on the strategic management practices as regressors and organizational performance as the dependent variable had a correlation coefficient of 0.74 meaning that there was a positive relationship between the variables. The coefficient of determination R^2 was equal to 0.56 meaning that 56% of the variations in organizational performance can be explained by the strategic management practices. The regression coefficients were -4.66 for strategy formulation, 17.42 for implementation and 8.85 for monitoring and control. The P values for the three variables were less than the critical value of alpha. The findings show that strategy implementation is critical for improvement of organizational performance. Hence the study recommends further analysis of the elements of strategy implementation and their relationship to organizational performance in Development Finance Institutions.

CHAPTER ONE: INTRODUCTION

This chapter introduces the background of the study and examines the concepts that the study focused on. It also provides a contextual background, statement of the research problem, the research objectives and the scope of the study. Additionally, the chapter also provides the justification of the study and the conceptual framework of the relationship between the variables that were studied.

1.1 Background of the Study

Strategic management 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, 2005). Strategic management practices therefore include strategy formulation, strategy implementation and strategy evaluation and control. Strategy formulation is a process of determining the organization's vision, mission and objectives. The strategic objectives are geared towards establishing Organizational performance and can be judged by many different constituencies resulting in many different interpretations of successful performance. Thus organizational performance requires a multi-attribute model that enables measurement of organizational performance (Carton, 2004). Strategic Management Process is defined as the way an organization defines its strategy. It is a continuous process in which the organization decides to implement selected few strategies, details the implementation plan and keeps on appraising the progress & success of implementation through regular assessment. That involves goal setting, analysis, strategy formulation, implementation, and evaluation. Strategic management practice is the act of employing strategy to the day to day business operations (Pearce & Robinson, 2005).

Intensified competition , increasing calls for accountability and demand for higher quality and efficient utilization of resources in Kenya's public sector institutions have prompted an increasing number of organizations to invest substantial resources in adapting strategic management practices, procedures, tools and techniques. Providing higher quality products or services has become a strategic requirement that concerns senior management across all sectors in Kenya's institutions and this has led to adoption of several strategic management tools and techniques which have been employed to achieve this.

The decision by public sector institutions to embrace strategic management practices has been informed by successful implementation of strategic management programs in the private sector; and as a result government institutions have been keen to replicate the same results. This has led to rapid growth in the drafting and implementation of strategic plans by various institutions that focus on quality improvement. With increasing competitive pressure and the dynamic and changing customer-oriented business environment, strategic management has been recognized as one of the important concepts that help organizations to develop and sustain a competitive advantage (Arumugam, F. & Sakakibara, S. 2009).

Industrial Development Bank Limited is one of the key providers of development finance in the country. The institution has implemented strategic management practices to achieve and sustain its competitive advantage. Successful implementation of strategic management practices requires allocation of resources that support the strategy of the firm, such as allocation of financial resources, supportive and informed human resource, a supportive culture as well as technology (Certo & Peter, 2011). This study sought to gain knowledge on the influence of strategic management practices on the performance of Industrial Development Bank Limited. The study examined the relationship between strategic management practices and organizational performance as measured by profitability.

Strategic management positions and relates the organization to its environment to ensure its success (Ansoff & McDonnel, 1990). Organizations, in order to achieve their goals of providing quality products, profitability and competitive advantage over their rivals must practice strategic planning. Strategic management involves organizations carrying out environmental analysis. This encompass scanning the internal and external environments, this information is used to make intelligent and informed choice of the most appropriate course of action for the future. Implementation is putting the selected course into action. This requires competencies and recourses which the organization must be able to identify and properly allocate.

A number of studies related to competitive strategies have been done in Kenya including but not limited to: Ochako, (2007) who investigated the strategic issue management practices by mobile telephone companies operating in Kenya; and Muthangya, (2007) who performed a study on strategic response to competitive environment: A case of Postbank. These studies established that commercial enterprises responded to the changes in the operating environment by investing in new market driven products and adoption of the most appropriate distribution channels. The studies also indicated that the enterprises implemented various competitive strategies among which are cost-leadership and differentiation. However, these findings may not be applicable to state owned institutions because they operate in a less competitive environment and the decision making structures are subjected to external factors such as the parent ministries and other state regulators.

Adoption of strategic management practices in Kenyan public sector institutions was institutionalized through the implementation of the performance contracting framework for public sector reform in 2003 (Performance Contracting guidelines, 2003). According to these guidelines, all public sector institutions were required to develop and implement five year rolling strategic plans which would be measured on an annual basis and monitored continuously through quarterly reporting. State owned organizations have therefore developed and implemented strategic plans from year 2003. However, the quarterly reporting tool and evaluation of performance does not assess the influence of strategic management practices on the performance of these public sector institutions. Similarly, there has been no comprehensive study to assess the relationship between the implementation of strategic management practices and organizational performance of state owned institutions.

The uniqueness of DFI's which are state owned non-commercial banking institutions seeking success through adoption of strategic management has previously not been studied in Kenya hence the need for this study. The study will therefore establish the strategic management practices adopted by the Development Finance Institutions in Kenya and also attempt to establish the relationship between these practices and the organizational performance measured through profitability of the Development Finance Institutions in Kenya.

Development Banks are national or regional financial institution designed to provide medium and long-term capital for productive investment, often accompanied by technical assistance, in less-developed sectors of the economy. Development banking started during the time of industrial expansion in countries now considered to be developed. The institutions were referred to as Industrial Banks. The number of development banks increased rapidly in the 1950s (post World War II). This was encouraged mainly by the International Bank for Reconstruction and Development IBRD (usually called the World Bank) and its affiliates.

The Industrial Development Bank (IDB) Limited is a wholly government owned financial institution established in 1973 under the Companies Act, Cap 486 of the laws of Kenya. The mandate of IDB is to further the economic development of Kenya by assisting investors in the establishment, promotion, expansion and modernization of small, medium and large scale enterprises in diverse sectors of the economy. Being wholly government owned, IDB has operated under the guidelines and regulations of the State Corporations Act Cap 446 of the laws of Kenya. As a development bank, the focus of the institution is twofold namely to be commercially sustainable and to support the government in delivery of its social mandate. Having recently adopted strategic management in order to comply with the requirements of public sector performance contracting, this study will seek to determine to what extent the strategic management practices are implemented and the relationship between these practices and the performance of the institution as measured by profitability.

1.2 Statement of the Research Problem

Development Finance Institutions in Kenya particularly Industrial Development Bank Limited have in the recent past witnessed significant shift in terms of management approaches from a typical government office to new approaches of strategic management characterized by the adoption of private sector style of leadership and management. Prior to the changes in management style and operations, DFIs had significant management problems majorly being non-performing loans and loss of their clients to private banking institutions.

The role of DFI's in improving investment levels in the country through provision of debt and equity financing is critical and this has seen the government undertake various reform programs to strengthen and support the DFI sector (Ministry of Finance Kenya, 2004). Some of the changes made in the management and administration of the DFIs include the introduction of a performance management framework under performance contracting, development and implementation of strategic plans and implementation of quality management systems based on ISO standards. These changes necessitated DFIs to benchmark their management practices with the private sector banks. Since then, the public sector has seen an influx of private sector principles and tools in the attempt to improve efficiency and effectiveness. The strategic changes were made in anticipation of better performance of the organizations both financially and qualitatively.

Implementation of the new management framework has been ongoing for the last ten years. DFIs go through an annual performance evaluation together with other state corporations to evaluate how they have implemented different targets set within the performance contract framework. Implementation of strategic plans is one of the key indicators against which state corporations are rated. The evaluation tool used by the Performance Contracting Department of the Ministry of Planning to assess the performance of public institutions measures the performance of these institutions against the set targets. The tool however does not evaluate the impact of implementation of strategic management practices on the performance of these organizations as measured through profitability (Performance Contracting guidelines, 2003).

Implementation of strategic management has been done at a significant cost in the public institutions with DFI's such as Industrial Development Bank hiring consultants to develop strategic plans partly to comply with the performance contracting requirements. According to the performance contracting guidelines, adoption of strategic management in public sector institutions was expected to result in improved efficiency, higher levels of customer satisfaction and improved financial performance. To this extent, it has become necessary to address the question of whether adoption of strategic management practices have had an impact on the financial performance of the state owned Development Finance Institutions. With the increasing need for financial accountability, public institutions implementing strategic plans need to demonstrate how the adoption of strategic management practices has impacted their performance. There has been no study undertaken to link the implementation of the strategic management practices and the financial performance of the public institutions.

This study focused on establishing the level of adoption of strategic management practices within the Development Finance Institutions and the relationship between adoption of these strategic management practices and organizational performance measured through such parameters as profitability. The findings of the study will help establish a framework of relating the costs incurred in formulation, implementation, monitoring and evaluation of strategic plans to the improvement in organizational performance.

1.3 Objectives of the Study

The main objective of the study was to establish influence of strategic management practices on performance of Development Finance Institutions in Kenya with specific reference to Industrial Development Bank Limited, Kenya.

The study was based on the following specific objectives;

i) To examine the influence of strategy formulation on profitability of Industrial Development Bank Limited.
ii) To establish the influence of strategy implementation on profitability of Industrial Development Bank Limited.
iii) To examine the influence of strategy evaluation and control on profitability of Industrial Development Bank Limited.

1.4 Research Questions

The study sought to address following research questions

i) What is the influence of strategy formulation on profitability of Industrial Development Bank Limited?
ii) What is the influence of strategy implementation on profitability of Industrial Development Bank Limited?
iii) What is the influence of strategy evaluation and control on Industrial Development Bank Limited?

1.5 Scope of the Study

The study sought to establish the influence of strategic management practices on performance of development finance institutions in Kenya with a focus on Industrial Development Bank Limited. Further, in terms of strategic practices, the study focused on business environment review, strategy formulation, strategy implementation, strategy evaluation and control. In terms of performance of IDB, although, there being other performance indicators, the study used profitability as a measure of performance. The study was carried out between May and August 2014 at the Industrial Development Bank Limited offices located at the National Bank Building on Harambee Avenue in Nairobi, Kenya.

1.6 Significance of the Study

The research study findings will contribute to understanding of the relationship between private sector management principles such as strategic management practices and organizational performance. Whereas state owned financial institutions have embraced strategic management practices as a requirement of performance contracting, the institutions do not have a mechanism or framework for evaluating the impact of these practices on their performance. The study will establish a framework that can be used by the public institutions to justify costs incurred in development and implementation of strategic plans. DFI are wholly owned by the Government and as such are subject to the provisions of the Public Finance Management Act 2012 which requires public institutions to account for expenditure of public funds. The study will give a framework that public financial institutions can use to account for such expenditure. Elements of the strategic plan also touch on customer service and satisfaction. The study will provide the financial service providers with a framework that can be used to analyze the impact of different initiatives that they undertake on customer satisfaction. Currently, the existing performance management framework under the performance contracting system only looks at the existence of evidence that the corporations have developed and implemented strategic plans. The study will provide a tool that can be used to determine the contribution of implementation of strategic management practices to the overall performance of the financial institutions.

1.7 Conceptual Framework

In this study, the independent variables will be strategy formulation, strategy implementation and strategy evaluation and control while the dependent variable is performance of Industrial Development Bank Limited measured by the level of profitability as shown in the Figure 1.1 below. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives. It encompasses three specific areas of firm outcomes namely financial performance, product market performance and shareholder return (Richard, Divinney, Yip & Johnson, 2009). This study only considered the financial performance as measured by profitability.

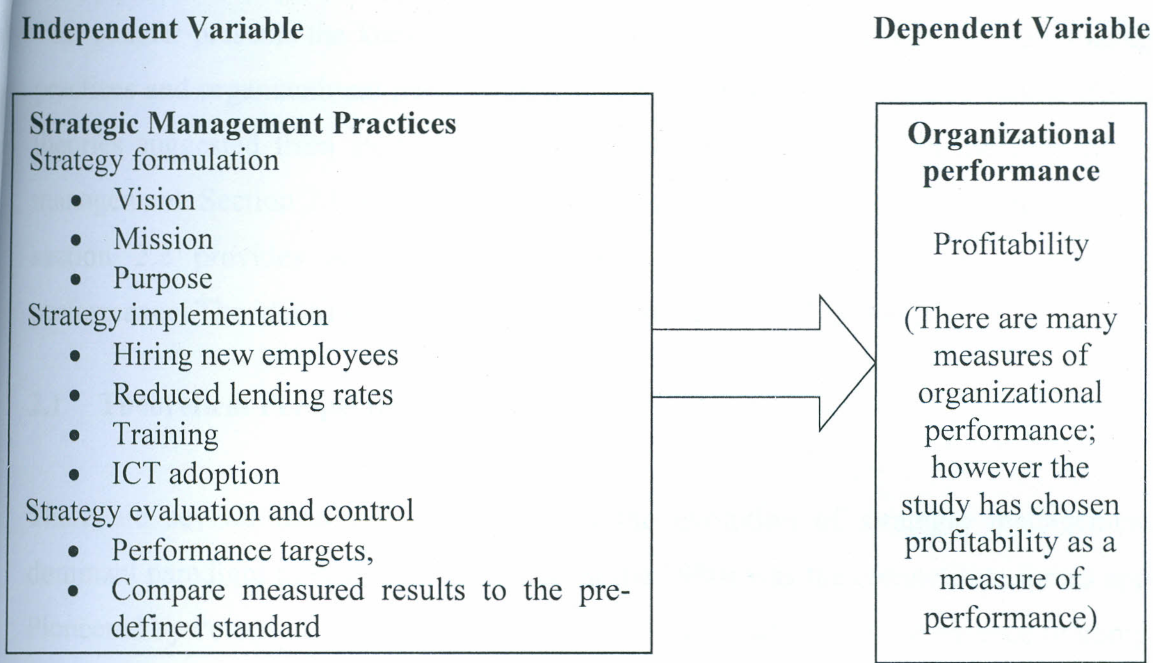

Figure 1.1: Conceptual Framework on the relationship between strategic management practices and organization performance.

Adapted from: Theodore H. Poister, (2003) *Strategic Planning and Decision Making in State Departments of Transportation.*

CHAPTER TWO: LITERATURE REVIEW

This chapter presents the knowledge of study available in the field of strategic management practices and organizational performance. It is a summary of findings, recommendations and theories suggested from studies done by scholars and researchers in the field of strategic management. Section 2.1 gives the theoretical perspective of strategic management practices; section 2.2 provides an empirical review while section 2.3 examines organizational performance. The identified research gaps are summarized in section 2.4.

2.1 Theoretical Perspectives

There are several theories that have seen the evolution of strategic management. The dominant paradigm in strategy at least during the 1980s was the competitive forces approach. Pioneered by Porter, (1980) the competitive forces approach views the essence of competitive strategy formulation as relating a company to its environment. The key aspect of the firm's environment is the industry or industries in which it competes. Industry structure strongly influences the competitive rules of the game as well as the strategies potentially available to firms. In the competitive forces model, five industry level forces namely entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among industry incumbents determine the inherent profit potential of an industry or sub segment of an industry. The approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favor (Porter, 1980).

The Five Forces framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments. The competitive forces framework also contains a number of underlying assumptions about the sources of competition and the nature of the strategy process. Available strategies are described in Porter, (1980). Competitive strategies are often aimed at altering the firm's position in the industry vis-à-vis competitors and suppliers. Industry structure plays a central role in determining and limiting strategic action. Some industries or subsectors of industries become more 'attractive' because they have structural impediments to competitive forces (e.g., entry barriers) that allow firms better opportunities for creating sustainable competitive advantages. Rents are created largely at the industry or subsector level rather than at the firm level. While there is some recognition given to firm specific assets, differences among firms relate primarily to scale (James & Brian, 2012). This approach to strategy reflects its incubation inside the field of industrial organization and in particular the Structure, Conduct Performance (SCP) Paradigm (Teece, 2011).

2.2 Strategic Management Practices and Organizational Performance

Strategic management practices enable organization perceive issues related to its performance in a competitive advantage dimension, with business environment being complex, dynamic and competitive, organizations need to use strategic management practices in order to position themselves strategically (Porter, 2004). Strategic management practices contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty (Schwenk & Shrader, 2003). While some studies find positive relationship between strategic management practices and performance within large firms (Schwenk & Shrader, 2003), others indicate no consistent association between strategic management practices and organizational performance (Greenley, 2006).

Strategic management practice can be interpreted as a set of managerial decisions and actions of an organisation that can be used to facilitate competitive advantage and long-term superior performance over other organizations (Wheelen & Hunger, 2004). They involve a number of critical steps such as scanning the environment for information, selecting relevant data and interpreting it, building a strategic model, testing it and putting it into action. Strategic management practices ensure that the firm is engaging in the right activities the right way.

Porter, (2004) states that organizational performance is determined by the ability of the firm to find its unique position and strategic management practice is the tool to enable the firm acquire that strategic position. Organizational performance is about creating value for the primary beneficiaries of the organization. Most organizations view performance in terms of effectiveness in achieving their vision, mission and goals (Guralnik & David, 2004), others however view their performance in terms of efficiency in deploying resources, thus performance of an organization may be sub-optimized (Missroon, 2000).

2.3 Strategy formulation

Strategy formulation includes defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines. The process of strategy formulation provides recommendations and justifications necessary for an organisation to consider reviewing its mission and objectives together with the corresponding strategies to ensure the overall success of the organisation. This is achieved through reviewing the key objectives and strategies of the organisation, identifying available alternatives, evaluating the alternatives and deciding on the most appropriate alternative (Wheelen & Hunger, 2008). The process of strategy formulation is mainly carried out at three levels which include the corporate level, business level and the functional level.

The scope and direction of an organisation is contained in the corporate level strategy. This is the responsibility of the top level management that enables stakeholders evaluate a company in aspects such as growth, profitability and operating efficiency. The business level strategy determines the mode of operation at the business unit level. The business unit level is similar to a product line with dedicated resources such as sales men and advertising budgets. The middle level managers are responsible for the successful implementation of this strategy. The lower level managers drive the functional strategies which have short term horizons and relate to a functional area. This includes functional areas such as human resource who are involved in carrying out of activities such as development of job descriptions, evaluation of staff, recruitment and selection that lead to the overall achievement of organization's goals. The overall aim of this process is to ensure that the strategies secure the future of the organization through development of goals that are simple, consistent and long term. In addition, ensure that management have an understanding of the competitive environment, objective assessment of the available resources can effectively implement the strategy (Macmillan & Tampoe, 2000).

2.4 Strategy implementation

Mintzberg and Quins, (2004) argued that 90% of well formulated strategies fail at implementation stage. David, (2001) further argued that only 10% of formulated strategies are successfully implemented. The successful implementation of strategy is fully dependent on involvement of all the stakeholders in an organization. This can be achieved through providing such stakeholders with the benefit they are to derive upon attainment of the organizations objectives during the initial implementation of the strategy. The allocation of roles and responsibility in the implementation of strategy assists each of the employees understand what they are required to do in order for an organization to achieve the strategy. Communicating progress of implementing the strategy to the stakeholders will assist them in determining whether corrective action is required. As part of the strategic management process, communicating actions during the implementation phase provides that stakeholders are extremely interested in the business with an update on intended courses of actions (Pearce and Robinson, 2008).

Strategy implementation entails allocating the appropriate resources to ensure the selected strategies are properly executed (David, 2001; Steiner, 1997). During the implementation of strategies, companies may be forced to reallocate resources from one functional area to another where opportunities exist such as with the introduction of a new technology, organizations may reallocate funds from marketing to production. The management of the company can thereafter reallocate the funds back to the marketing department after realizing saving cost from the adoption of a new technology. The implementation of strategy may require companies to recruit additional employees that bring fresh insights on how processes and procedures can be improved without an organization incurring significant expenditure.

2.5 Strategy evaluation and control

Strategy evaluation and control involves setting control processes to continuously review, evaluate and provide feedback concerning the implemented strategies to determine if the desired results are being accomplished such that, corrective measures may be taken if warranted (Hill & Jones, 2001; Steiner, 1997). This process is necessitated by the dynamic environment that can cause a strategy to be considered as outdated. It alerts the management of the need to take corrective action for any potential or actual problems which may hinder an organization from achieving its objectives. Some of the activities a company may adopt to detect anomalies include comparing the expected results against actual results and identifying corrective actions such as reallocation of resources to ensure that performance conforms to the set plans.

Strategic control is concerned with tracking the strategy as it is being implemented, detecting problems or changes when deemed necessary and making the necessary adjustments (Pearce & Robinson, 2008). The review of monthly, quarterly and annual reports is one of the means management exercise their evaluation and control of a strategy. The reviews require a look at for instance the profit margins, sales, earning per share and return on investment to assist management determine the effectiveness of the strategy being implemented. The management of an organization is able to take corrective action from their review to ensure an organization maintains its competitive advantage. Corrective action from management may be in the form of injection of additional funds to a product line, aggressive marketing or re-deployment of some of the employees to other areas within the company requiring the skilled personnel who have successfully achieved the strategy.

2.6 Organizational performance

Porter, (2004) states that organizational performance is determined by the ability of the firm to find its unique position and, strategic management practice is the tool to enable the firm acquire that strategic position. Organizational performance is about creating value for the primary beneficiaries of the organization. Most organizations view performance in terms of effectiveness in achieving their vision, mission and goals (Guralnik & David, 2004), others however view their performance in terms of efficiency in deploying resources, thus performance of an organization may be sub optimized (Missroon, 2000).

Although used widely in empirical studies, the notion of organizational performance remains largely unexplained and mostly used to refer to financial performance. There is little agreement on which criteria to use in defining organizational performance (Gregore, Badea & Catalina, 2004). Organizational performance may be measured in terms of accounting measures, operational measures, market based measures and survival measures, with measures of economic value creation practice also being popular (Carton, 2004). Accounting measures are those that rely upon financial information reported on income statements, balance sheets and statements of cash flow. They can be further subcategorized in to profitability measures, growth measures, leverage measures, liquidity measures, cash flow measures and efficiency measures (Carton, 2004). Operational measures include variables that represent organizational performance in non-financial issues.

The organizational performance measures as indicated by Kaplan and Norton, (2004) include excellence in internal business processes and effective timely and accurate data collection, quality workforce, quality work environment as defined by workers, integrity of leadership as defined by workers, on time delivery as defined by customer, quality of products and services as defined by customer, responsiveness to enquiry and complaints as defined by customer. customer based parameters for assessing non- financial organizational performance include market share, number of new customers, product return rate, defects and order cycle time (Gregore, Badea & Catalina, 2004).

Measurement standards need to be derived from business strategy, provide key data and information on processes, productivity and results. Some studies have argued that firms characterized with an entrepreneurial strategic orientation have higher performance compared to rest of the firms in the same industry (Covin & Slevin, 2001).

2.7 Summary and Research Gaps

From the foregoing literature review, a number of strategic management practices are employed by firms in different sectors to improve their performance. Findings in the study by Ondera, (2013) on strategic management practices in Mbagathi District Hospital, Nairobi, Kenya revealed that, the hospital formulates implements and evaluates the work plan by involving all staff working at the hospital and that the process of strategy implementation is mainly facilitated by the management of the hospital who allocated funds based on the work plan. Ondera further found out that the challenges the hospital faced when implementing strategy include: government policy, insufficient funding, staff turnover and rising costs of inputs.

A study by Mwangi, (2013) on the strategic management practices and performance of large pharmaceutical firms in Kenya revealed that that firms that are applying strategic management practices are more willing to innovate, are better prepared to take risks and are more proactive than competitors. In the study, Mwangi identified strategic management practices that enable firms operate with efficiency and effectiveness. These practices include the ability of the firm to identify its distinctive competency which is as a result of rare resources, having enough opportunities to propose products offering to new clients and having existing clients as best source of new business through repeat sales.

In spite of empirical research in various aspects of strategic management practices there has not been a study on the influence of strategic management practices on the performance of Development Finance Institutions in Kenya. This study therefore seeks to fill this gap in order to provide a thorough understanding of the influence of strategic management practices on the performance of Development Finance Institutions in Kenya

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter sets out various stages and phases followed in completing the study. It involved a blueprint for the collection, measurement and analysis of data. It outlines procedures and techniques used in the collection and processing of data such as the research design, target population, sample design, data collection instruments, data collection procedures and finally data analysis.

3.1 Research Design

This study utilized descriptive approach. Descriptive research design is a process of collecting data to test hypothesis or to answer questions concerning the current status of the object of the study. This method has a clear advantage of being an effective and faster way of collecting data from a sample population (Mugenda and Mugenda, 1999). The research was a case study aimed at determining relationship between Strategic Management practices and organizational performance at IDB Capital Limited.

The case study was chosen since it would enable the researcher to have an in-depth understanding of the influence of strategic management practices on performance of development finance institutions in Kenya with a focus on Industrial Development Bank Limited. It was also preferred because the sample population is small and the similarity in mandates and operations of the DFIs would allow for the findings to be applied to the other DFIs in Kenya.

A case study is most appropriate where a detailed analysis of a single unit of study is desired as it provides a focused and detailed insight into the phenomenon of study that may otherwise be unclear if a large samples or groups of identical entities are studied. In this regard the importance of a case study is emphasized by Young, (2001) and Kothari, (2006) who both acknowledge that, a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of the type of unit under study.

3.2 Study Area

The study was carried out at the Industrial Development Bank Limited Head Office located at National Bank Building along Harambee Avenue, Nairobi Kenya.

3.3 Target Population

The target population was all employees of Industrial Development bank Limited. The bank is a government owned institution that offers development loans to business enterprises for purposes of stimulating investments and economic growth in the country. The bank is located at the National Bank Building 18th floor along Harambee Avenue Nairobi. The bank employees are made up of accounting and investment professionals, economists and social science graduates. The institution has 35 employees. The study therefore targeted the 35 employees of Industrial Development Bank Limited categorized into Top management, Middle Level Management and Lower Level and support staff. The population distribution is as shown in table 3.1 below. The study utilized a census survey. Thus all the respondents in the target population were involved in the study. When the population is small there is no reason for sampling if time and resources allow and this increases reliability (Mugenda & Mugenda, 2003).

Table 3.1: Population

Category	Number	Percentage
Top management	07	20
Middle Level Management	14	40
Lower Level and support staff	14	40
Total	35	100

Source: IDB, 2014

3.4 Data Collection

IDB has a staff compliment of 35 employees distributed at different levels. The study involved all the employees. Primary data was collected by administering questionnaires to employees at IDB capital limited to assess their perception of strategic management practices adopted at IDB and the influence of these practices on organizational performance as measured by profitability of the institution. Secondary data on the quantitative performance of IDB capital such as profitability, ROA, ROI, customer satisfaction index and bad debts to loan portfolio ratio was collected between two periods representing time when the institution did not practice strategic management and after it adopted strategic management. The secondary data was used to validate the findings of the study by determining if the findings had any resemblance to the actual performance data collected.

The study used primary data collected using questionnaires containing both structured and unstructured questions. According to Mugenda and Mugenda, (1999) questionnaires give a detailed answer to complex problems and are also a popular method for data collection because of the relative ease and cost-effectiveness with which they are constructed and administered. Questionnaires give objective data and therefore, are most effective. The questionnaires were divided into five sections. Section (A) captured information about general characteristics of the organization and the respondents; section (B) captured information on strategy formulation; section (C) captured information on strategy implementation; section (D) captured information on strategy evaluation and control and section (E) captured information linking strategic management practices to organizational performance. The basic data collection method was "drop and pick later" technique. Secondary data was collected from the records kept in the bank.

3.5 Reliability Test for Data Collection Instrument

The reliability of the data collection instrument tests measure the consistency of instruments, Best and Kahn, (2000) considered the reliability of the instruments to be the degree of consistency that the instruments or procedure demonstrates such that what it measures, it does so consistently. The Cronbach's alpha reliability coefficient of the three independent variables was obtained from a sample of 10 respondents who are employees of financial institutions other than Industrial Development Bank Limited. Cronbach's Alpha indicates the reliability coefficient and how the items correlated to the one another (Sekaran, 2003). The Cronbach's alpha reliability coefficient of 0.73 was obtained for performance, 0.78 for strategy formulation, 0.76 for strategy implementation and 0.90 for strategy evaluation and control. According to Hair, Bush and Ortinau (2003), a stronger level of association is related to a higher correlation coefficient. If the correlation coefficient value is below 0.20, it is claimed to be none relationship, 0.21- 0.40 is considered weak, 0.41-0.60, moderate, 0.61-0.80 strong, 0.81-1.00.

3.6 Validity Test for Data Collection Instrument

Validity is the degree to which a test measures what it purports to measure. Mugenda and Mugenda (2006), defines validity as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Mouly, (1978) adds that the validity of the questionnaire data depends on the ability and willingness of the respondents to provide the information requested. To enhance validity the researcher consulted the supervisor for verification and appraisal of the instruments.

3.7 Data Analysis and presentation

Once the data was collected, it was summarized, coded, classified and tabulated. Data classification reduces data into homogeneous attributes that enable establishment of meaningful relationships between variables. The variables in the study were strategic management practices as independent variables and Organization performance measures as dependent variables. The independent variables were 1) Strategy formulation 2) strategy implementation, and 3) strategy evaluation and control. Measures of organization performance are the dependent variable. For purposes of this study, profitability was used as the measure of organizational performance.

Two statistical methods; descriptive and inferential analysis were applied to measure and determine the relationship that exists among the collected data. Likert scale was used to collect the data, Regression analysis and Correlation analysis tools were used to test the relationship between the variables over time. The general information statistics of the analyzed data were presented by use of tables. Variance analysis using standard deviation and spearman's coefficient of correlation were used to understand the relationships between the variables of study.

3.8 Research Ethics

There are a number of ethical considerations to be kept in mind during the research process. Some of the information that this study sought to analyze was considered confidential by the management of Industrial Development Bank Limited. Confidentiality and protecting the anonymity of respondents was a key consideration during the study. The research questionnaire was accompanied by an explanatory letter that assured the respondent of the confidentiality of their responses. Participation in the study was entirely voluntary.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter presents the background information and results of the analysis that was made, and also discusses the findings. The presentations follow the sequence of the research questions. Descriptive statistics were used to summarize the data and inferential statistics were used to establish the relationship between the independent variables and the dependent variables.

4.1 Response rate

The self-developed questionnaires were presented to the respondents on a personal basis to increase the response rate. Thus, the study achieved a response rate of 100% as summarised in table 4.1 below.

Table 4.1: Response rate

Questionnaires	**Frequency**	**Percent**
Returned	35	100
Unreturned	00	00
35	**35**	**100**

Source: The Survey (2015)

This means that all the participants who were contacted to participate in the study actually participated by giving valid responses to the study questions .The response rate was adequate enough to permit data analysis.

4.2 Description of Respondents

A total of 35 staff and managers of Industrial Development Bank Limited participated as respondents in the study. Of these, 40% were male and 60% were female. In terms of age, the proportion of respondents under the age of 30 constituted 20%, those aged between 31-40 were the majority at 70%, those in the age bracket of 41-50 years at 8%, and the remainder 2%, was in the age bracket of over 50 years. The educational qualification of the respondents was distributed across diploma and university degree with diploma holders being (10%) and Degree holders at (90%).

The finding on the position in the organization was categorized into three groups, namely senior management (7%), middle management (18%) and operational staff (75%). The senior management consisted of those who had wide managerial duties, including all departmental heads, middle level managers and all managers below the departmental heads. Operational staff consisted of all the other staff with no managerial duties. The bank has three department, that is, Human resource (26%), Marketing (34%), and Finance and administration (40%).The working experience of the respondents was also considered in the study and the respondents in categories:- Less than 5 years (31%), between 5-10 years (26%), 11-15 years (22%), and over 15 years (21%) as presented in table 4.2 below. This implies that a significant proportion of the respondents had worked for the institution for a long time there by enabling them to give responses that are reflective of the actual situation.

Table 4.2: Description of Respondents

		Frequency	Percentage
Gender	Male	14	40%
	Female	21	60%
	Total	**35**	**100%**
Age	Below 30years	04	20
	31-40 years	27	70
	41-50years	03	08
	51+ years	01	02
	Total	**35**	**100**
Educational Qualification	O-Level	00	00
	Certificate	00	00
	Diploma	04	10
	Degree	31	90
	Total	**35**	**100**
Position in the organization	Senior management	03	07
	Middle management	06	18
	Operational staff	28	75
	Total	**35**	**100**
Position in the organization	Human Resource	09	26
	Marketing	12	34
	Finance and administration	14	40
	Total	**35**	**100**
Work experience	<5 Years	11	31
	5-10 Years	09	26
	11-15 Years	08	22
	Over 15 Years	07	21
	Total	**35**	**100**

Source: The Survey (2015)

4.3 Strategic Management Practices

The findings were analyzed in view of the strategic management practices identified in the objectives of the study namely strategy formulation, strategy implementation, and strategy evaluation and control. The findings of the study are discussed in subsequent sections.

4.3.1 Strategy Formulation

The study sought to identity strategic management practices that have been adopted by the organization. The respondents were asked to rate their agreement or disagreement with the various statements linked to practice of strategy formulation. This was done on a scale of 1- 5 where (1= not at all, 2= little extent, 3= moderate extent, 4= great extent, and 5= very great extent) to indicate the extent to which they agreed that these practices occur.

Table 4.3: Strategy Formulation Practices

STRATEGYFORMULATION	1	2	3	4	5	fx	∑fx/fx	STDEV
Management constantly analyses the various components of the internal environment	2	5	7	8	13	130	3.7143	1.9
Management constantly analyses the various components of the external environment	4	5	4	14	8	122	3.4857	1.7
Staff participates in the strategic plan by providing input to the components of strategy formulation.	13	7	5	6	4	86	2.4571	1.2
Management helps employees in understanding the various components of the strategic plan	6	2	5	8	14	127	3.6286	1.8
Employees are trained on the dynamics of the market	13	7	5	6	4	86	2.4571	1.2
Employees understand the vision of your organization	15	8	2	4	6	83	2.3714	1.2
Employees understand the mission of your organization	13	6	8	5	3	84	2.4000	1.2
Staff understand the objectives of your organization	16	7	2	4	6	82	2.3429	1.2
There is awareness of the term strategic plan	4	5	4	14	8	122	3.4857	1.7
Managers make reference to the objectives of the organization before making decisions	2	5	7	8	13	130	3.7143	1.9

Source (Author, 2015)

From the data analysed in table 4.3 above it is clear that to a great extent ($3.7 \leq Mean \leq 4.5$), management constantly analyses the various components of the internal environment and that management constantly analyses the various components of the external environment (3.5). The analysis further indicates that to a little extent ($1.5 \leq Mean \leq 2.5$) employees are trained on the dynamics of the market, understand the vision, mission and objectives of the organization and have awareness on the term strategic plan. It further shows that to a moderate extent ($2.5 \leq Mean \leq 3.5$) managers make reference to the objectives of the organization before making decisions, staff participates in the strategic plan by providing input to the components of strategy formulation and management helps employees in understanding the various components of the strategic plan.

4.3.2 Strategy Implementation

The study sought to identity strategic management practices that have been adopted by Industrial Development Bank Limited. The respondents were asked to rate their agreement or disagreement with the various statements linked to practice of strategy implementation at the bank. This was done on a scale of 1- 5 where (1= not at all, 2= little extent, 3= moderate extent, 4= great extent, and 5= very great extent) to indicate the extent to which they agreed that the practices regarding strategy implementation are taking at the Industrial Development Bank of Kenya.

From the data analysed in table 4.4 below, it is indicated that to a great extent ($3.5 \leq Mean \leq 4.5$) there are adequate resources for strategy implementation and that employees' efficiency in strategy implementation is rewarded. It is further indicated that to a moderate extent the strategy implementation process is well structured, management is involved in giving guidance on the implementation of the strategy and risks are quickly identified and mitigated. The analysis further shows that to a little extent($2.5 \leq Mean \leq 3.7$) , the deviation in implementation is quickly corrected, mechanisms are put in place to monitor progress during strategy implementation, employees are periodically trained on the strategic plan and internal and external environmental factors are considered during implementation such as grants for long working hours

Table 4.4: Strategy Implementation

STRATEGY IMPLEMENTATION	1	2	3	4	5	fx	∑fx/fx	STDEV
There is adequate resources for strategy implementation	1	1	3	7	23	155	4.4286	2.2
Strategy implementation process is well structured	0	9	6	9	11	127	3.6286	1.8
Management is involved in giving guidance on the implementation of the strategy	2	4	8	8	13	131	3.7429	1.9
There is clear communication between top level management and low level management	1	2	5	12	15	143	4.0857	2.0
Risks are quickly identified and mitigated	3	4	10	6	12	125	3.5714	1.8
Employees' efficiency in strategy implementation is rewarded	4	4	5	7	15	130	3.7143	1.9
Deviation in implementation is quickly corrected	3	4	7	9	12	128	3.6571	1.8
There are mechanisms put in place to monitor progress during strategy implementation	2	6	8	5	14	128	3.6571	1.8
Employees are periodically trained on the strategic plan	0	7	2	14	12	136	3.8857	1.9
Internal and external environmental factors are considered during implementation such as grants for long working hours	1	8	2	9	15	134	3.8286	1.9

Source (Author, 2015)

4.3.3 Strategy Evaluation and Control

The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc, through control of performance. The respondents were asked to rate their agreement or disagreement with the various statements linked to practice of strategy evaluation and control at the bank. This was done on a scale of 1- 5 where (1= not at all, 2= little extent, 3= moderate extent, 4= great extent, and 5= very great extent) to indicate the extent to which they agree that the practices regard to strategy evaluation and control are taking place at the Industrial Development Bank Limited. The data obtained from the respondents is as summarized in table 4.5 below.

Table 4.5: **Strategy Evaluation and Control**

STRATEGY EVALUATIONAND CONTROL	1	2	3	4	5	*fx*	∑*fx*/*fx*	STDEV
There is regular evaluation of processes	13	7	5	6	4	86	2.4571	1.2
There is regular evaluation of results	3	7	9	13	3	111	3.1714	1.6
The organization is adaptable to changes that may be needed	13	7	5	6	4	86	2.4571	1.2
The organization is flexible to recognize changes that may be needed	15	8	2	4	6	83	2.3714	1.2
The organization is sensitive to the market conditions changes	13	6	8	5	3	84	2.4000	1.2
The organization has been successful in translating their strategy into actionable steps	13	7	5	6	4	86	2.4571	1.2
There is an established standard of performance	4	5	6	15	6	122	3.3889	1.7
There are mechanisms put in place to evaluate progress	6	4	7	14	4	111	3.1714	1.6
Employees are periodically evaluated	4	6	3	6	16	129	3.6857	1.8
Corporate activities and performance results are monitored so that actual performance can be compared with desired performance.	6	5	4	7	13	121	3.4571	1.7

Source (Author, 2015)

From the data analyzed in table 4.5 above, it is shown that to a little extent (1.5≤Mean≤2.5), there is regular evaluation process; organization is adaptable and flexible to changes that may be needed, sensitive to the market conditions changes and has been successful in translating their strategy into actionable steps. It is further indicated that to a moderate extent (2.5≤Mean≤3.5), there is regular evaluation of results and established standard of performance. It is also shown that a great extent (2.5≤Mean3.5), mechanisms to evaluate the Strategy Evaluation and Control progress have been put in place, with employees being periodically evaluated and corporate activities and performance results monitored so that actual performance can be compared with desired performance.

4.4 Strategic Management Practices and Organization Performance

The study sought to establish the influence of strategic management practices on the performance of Industrial Development Bank of Kenya in terms of profitability. On a scale of 1- 5 where (1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent, and 5= very great extent); the respondents were asked to rate the influence of various strategic management practices on profitability of Industrial Development Bank Limited. The data obtained from the respondents is as summarized in table 4.6 below;

Table 4.6: Strategic Management Practices and Organization Performance

MEASURES OF ORGANIZATION PERFORMANCE- PROFITABILITY	1	2	3	4	5	*fx*	∑*fx*/*fx*	STDEV
To what extent do you attribute profitability to staff participation in the strategic plan by providing input to the components of strategy formulation?	3	2	3	8	19	143	4.0857	2.0
To what extent do you think management help to employees in understanding the various components of the strategic plan affected profitability of the organization?	1	0	5	6	23	155	4.4286	2.2
To what extend do you attribute profitability to adequacy of resources during strategy implementation?	0	6	7	11	11	132	3.7714	1.9
To what extend do you attribute profitability to a well-structured strategy implementation process?	1	1	6	14	13	142	4.0571	2.0
To what extent do you think management involvement in giving guidance on the implementation of the strategy has affected profitability?	3	4	2	7	19	140	4.0000	2.0
To what extent do you think clear communication between top level management and low level management on strategy implementation has affected profitability?	3	2	2	7	21	146	4.1714	2.1
To what extent do you attribute profitability to risks quickly being identified and mitigated during strategy implementation?	1	2	1	5	26	158	4.5143	2.3
To what extent do you attribute profitability to regular evaluation of results?	0	0	2	14	19	157	4.4857	2.2
To what extent do you attribute profitability to the organization being successful in translating their strategy into actionable steps?	0	2	5	17	11	142	4.0571	2.0
To what extent do you attribute profitability to an established standard of performance?	0	1	7	12	15	146	4.1714	2.1

Source (Author, 2015)

From the data analysed in table 4.6 above it is shown that to a great extent (3.5≤Mean≤4.5), profitability of the organisation is attributed to staff participation in the strategic plan by providing input to the components of strategy formulation, employees understanding of the vision, mission and objectives of the organization. Further, it is indicated that to a great extent (3.5≤Mean≤4.5); the employees understanding the various components of the strategic plan, adequacy of resources during strategy implementation, well-structured strategy implementation process and clear communication between top level management and low level management on strategy implementation influences profitability of Industrial Development Bank Limited. It is also indicated that quick identification and mitigation during strategy implementation, regular evaluation of implementation processes, evaluation of results, and successful translation of strategy into actionable steps influenced profitability of the firm.

4.5 Organizational Performance

Data relating to the performance of the organization was collected for two distinct periods before adoption of strategic management practices and after adoption of strategic management practices. This data was tabulated in the table below.

Table 4.7: Comparison of Quantitative Performance

COMPANY PERFORMANCE INDICATORS	AVERAGE 2005	AVERAGE 2012	GROWTH	ANNUAL GROWTH
Company Total Assets	6,710,380,252	4,856,832,734	-28%	-5%
Total Revenue	656,120,143	921,068,435	40%	7%
Loan default rate /bad debt expense	58%	38%	-34%	-6%
Employee Turnover ratio	32%	17%	46%	8%
Customer satisfaction index	0%	74%	74%	12%
Return on investment	0	5%	23%	4%
Company operating profit	(49,937,605.00)	73,900,445.00	448%	75%

Source: Audited Financial Statements of IDB 2005 and 2012

4.6 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (IDB's performance) regression analysis was employed. The regression equation took the following form:

$Y = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_3 + ȩ$

Where:

Y = Organizational performance measured through profitability.

α = Constant Term.

$\beta 1$= Beta coefficients.

X_1 = Strategy formulation.

X_2 = Strategy Implementation.

X_3 = Strategy evaluation and control.

ȩ = Standard Error

Table 4.8: Regression Model Summary

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.748578263
R Square	0.560369415
Adjusted R Square	0.296591064
Standard Error	2.296860252
Observations	9

Source: Author (2015)

The regression model summary provided in table 4.8 gives the values of multiple R and R^2 (R Square) as 74% and 56% respectively. Multiple R is the correlation coefficient which shows how strong the linear relationship between the variables is. R^2 (R square) is the Coefficient of

Determination. It tells us how many points fall on the regression line. The output in table 4.8 has a value of 56% which means that 56% of the variation of y-values (organizational performance as measured through profitability) around the mean are explained by the x-values. In other words, 56% of the values fit the model. This indicates that the three predictor variables studied namely strategy formulation, strategy implementation and strategy monitoring and evaluation can explain 56% of the depended variable which is organizational performance as measured through profitability. Other factors not considered in this study would therefore explain 44% of the performance of the organization as measured through profitability. The R^2 (R square) is called the coefficient of determination and tells us how strategy formulation, strategy implementation, strategy monitoring and evaluation relate to organizational performance.

In the regression equation, the variables are:

a) The independent (predictor) variables: constant, strategy formulation, strategy implementation, strategy monitoring and evaluation.
b) Dependent variable: Organizational performance as measured with profitability.

Analysis of variance (ANOVA) on Table 4.9 below shows that the combined effect of strategy formulation, Strategy Implementation and strategy evaluation and control was statistically significant in explaining changes in IDB's performance in terms of profitability as demonstrated by the p values.

Table 4.9: ANOVA (Analysis of Variance)

ANOVA						
	df	*SS*	*MS*	*F*	*Significance F*	
Regression	3	33.6221	11.2073	2.1243	0.2157	
Residual	5	26.3778	5.2755			
Total	8	60				
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-32.9272	25.5894	-1.2867	0.2545	-98.7069	32.8525
Formulation	-4.6657	3.9570	-1.1789	0.0291	-14.8371	5.5069
Implementation	17.4231	14.4958	1.2019	0.0283	-19.8395	54.6859
Evaluation	8.8544	3.5637	2.4845	0.0555	-0.3066	18.0154

Source: Author (2015)

Table 4.9 displays the regression coefficients of the independent variables. The results reveal that strategy formulation, Strategy Implementation and strategy evaluation and control are statistically significant in explaining IDB's performance in terms of profitability. This is indicated by the P values of the coefficients which are less than the critical value of alpha for formulation and implementation and equal to the critical value of alpha for monitoring and evaluation.

The resultant regression model will thus be $Y = -32.92 - 4.66X_1 + 17.42X_2 + 8.85X_3 + e$

The regression model shows that holding all factors relating to strategy constant, the organizational performance as measured through profitability would be negative. This is in line with the financial data collected from the organization and presented in table 4.7. Strategy formulation alone without implementation will equally not have a positive impact on organizational performance.

Strategy implementation and monitoring and evaluation has a positive impact on organizational performance as seen from the regression equation. From the model, we can see that strategy implementation has the highest contribution to performance if all other factors are held constant. Strategy implementation entails allocating the appropriate resources to ensure the selected strategies are properly executed (David, 2001; Steiner, 1997).

Strategy evaluation and control involves setting control processes to continuously review, evaluate and provide feedback concerning the implemented strategies to determine if the desired results are being accomplished such that, corrective measures may be taken if warranted (Hill & Jones, 2001; Steiner, 1997). From the above model, undertaking monitoring and evaluation yields a positive contribution to performance.

4.7 Challenges in implementing Strategic Management practices

The study sought to establish the challenges faced by Industrial Development Bank in implementing Strategic Management practices. The respondents identified management's failure to adhere to the strategic plan by including in the budget projects not yet supported by strategic plan as a challenge faced by Industrial Development Bank in implementing Strategic Management practices.

The respondents also indicated that lack of harmony between the strategic plan, performance contracting, departmental and individual work plans, departments not working well together and slow decision making process partly due to political interference affect implementation of Strategic Management practices at Industrial Development Bank. The other challenge cited by respondents is inadequate staffing, lack of relevant skills and competency to implement the strategic management practices.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMENDATIONS

This chapter discusses the overall findings with the aim of answering the research questions. It presents the conclusions and recommendations from the current study based on the investigation of the influence of strategic management practices on performance of banks in Kenya with a focus on Industrial Development Bank Limited. The study specific objectives included establishing the extent to which strategy formulation, strategy and strategy evaluation and control influence profitability of Industrial Development Bank Limited. The discussion of these findings has been organized specifically to answer the research questions

5.1 Summary of Findings

The study established that at Industrial Development Bank Limited a strategic plan exists. Discussions with the respondents indicated that the departments did not have their own departmental strategic plans. The departments depended on the general strategic plan of the organization to perform their tasks. The study also established that strategic management planning was mainly the work of an external consultant in consultation with top management staff. The departments according to the findings of the study were expected to develop their own strategic plans.

In relation to strategy formulation, it was found out that the management of IDB Limited constantly analyses the various components of the internal and the external environment. It was also revealed that employees are not adequately trained on the dynamics of the market and do understand the vision, mission and objectives of the organization and have little awareness in terms of the strategic plan of IDB. It was also found out that to a moderate extent managers make reference to the objectives of the organization before making decisions, staff participates in the strategic plan by providing input to the components of strategy formulation and management helps employees in understanding the various components of the strategic plan

Concerning Strategy Implementation, the study revealed that IDB has adequate resources for strategy implementation and that employees' efficiency in strategy implementation is rewarded. The study further revealed that strategy implementation process is well structured, management is involved in giving guidance on the implementation of the strategy and risks are quickly identified and mitigated. The study further found that the deviations in implementation are not adequately addressed, mechanisms have not been put in place to monitor progress during strategy implementation, employees are rarely trained on the strategic plan and internal and external environmental factors are not adequately considered during implementation such as compensation for long working hours

As regards strategy evaluation and control, it was revealed that there is no regular a evaluation process, organization is not adaptable and flexible to changes that may be needed, insensitive to the market conditions changes and has not been successful in translating their strategy into actionable steps. The study further found out that that to a moderate extent, there is regular evaluation of results and established standard of performance. It was found that mechanisms to evaluate the Strategy Evaluation and Control progress have been put in place, with employees being periodically evaluated and corporate activities and performance results monitored so that actual performance can be compared with desired performance.

The study sought to examine the influence of strategy formulation on profitability of Industrial Development Bank Limited. The findings establish the influence of strategic management practices on the performance of Industrial Development Bank Limited in terms of profitability. It was found that profitability of an organisation is attributed to staff participation in the strategic plan by providing input to the components of strategy formulation, employees understanding of the vision, mission and objectives of the organization. It was further revealed that the employees understanding the various components of the strategic plan, adequacy of resources during strategy implementation, well-structured strategy implementation process and clear communication between top level management and low level management on strategy implementation influences profitability of industrial development bank of Kenya. It was found that quick identification and mitigation during strategy implementation, regular evaluation of implementation processes, regular evaluation of results, successful translating strategy into actionable steps, established standard of performance influence profitability of the firm

According to the findings of the study, managements not adhering to strategic plan by implementing projects not supported by strategic plan were cited as a challenge implementing Strategic Management practices at the Industrial Development Bank Limited. Further, lack of harmony between the strategic plans, performance contracting, departmental and individual work plans and departments not working well together and slow decision making process partly due to political interference affect in implementing Strategic Management practices at Industrial Development Bank. Inadequate staff with relevant skills and competency to implement the strategic management practices was also cited as a challenge in the implementation of strategic management practice

5.2 Conclusion

Overall, the study established that there is a significant correlation between implementation of strategic management practices and organizational performance as measured through profitability. Consequently, the researcher concludes that the state owned DFIs can improve the level of profitability by implementing strategic management practices. From the findings, the researcher also notes that the impact of strategic management on profitability would be higher if the individual departments also developed strategies premised on the same practices as a means of cascading the organizational objectives to individual departments.

5.3 Policy Recommendations

The study established that the strategic planning process existed in the organization. However, this process was mainly done by the senior management and consultants with consultation of some senior staff, which left out other staff and stakeholders. The study recommends that the management of IDB should make this process more inclusive by wide sampling of staff and all the key stakeholders.

The study established that even though the organization implemented strategies, the departments never had their own strategic plans. The study recommends that all the IDB departments should develop and implement their strategic plans in line with the organizations strategic plan which will enhance the achievement of the organizations goals. The results of the study also revealed that respondents described the implementation of the strategies as poor due to the fact that the strategies are never reviewed. The study recommends that the IDB management should purposely review the strategic plans at the organizational level and at the departments to ensure the success of the implementation.

The study established that there were a myriad of challenges in the strategy implementation process such as lack of resources, the projects lagging behind and lack of enough qualified and competent staff, dynamism of decisions on project implementation and political interference. The study recommends that the management should have a strategic master plan from which projects are phased in line with the organizations financial ability and implemented in line with the strategic plan for the successful implementation of strategies. The study further recommends that management should increase more staff to bridge the deficiency. The study also recommends amicable ways to control political interference and more permanent governance structures to be sought with clear roles and authorities with a view of improving the decision making process, privatization could be considered.

5.4 Limitations of the Study

The following were the limitations of the study:

The first limitation is that fact that the study was thought to be sensitive by the respondents and some were not ready to provide the information. However after some follow-ups and reassurance by the researcher, the respondents were willing to provide the information.

The fact that the researcher needed to sit and get the information one on one with the respondents was a daunting task due to the fact most of the respondents were senior management and were busy. Respondents were therefore not to detail in their explanations of the answers. The researcher however, made follow-ups through telephone for clarification and expounding of some responses.

5.5 Suggestion for Future Research

This study was done on the strategic management practices and performance of performance of banks in Kenya with a focus on Development Bank of Kenya. It is suggested that similar study should be replicated in other organizations especially commercial banks with the aim of comparing the strategic management practices by commercial banks. Research could also be done on the influence of strategic planning on performance of commercial banks.

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