TITLE

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

AUTHOR

DR WANJAU NGURE JACKSON

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ABSTRACT

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

Key Words: Participation, Leadership, Banks, Corporate Governance, Organization Performamce, Strategic Planning, Human Capital Participation