

# Evaluation of Strategic Management Practices on Performance of Equity Bank Ltd, Kenya

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**Abstract:** Equity Bank is a key player in the financial sector with the largest market share in the commercial banks in Kenya. Despite stiff competition and significant challenges emanating from the other commercial banks, not excluding online digital banking services from mobile money providers have developed financial innovations as an alternative financial product to traditional banking. This study aimed to investigate strategic management practices' effect on Equity Bank's financial performance. The study also aimed to ascertain how strategic intent impacts the financial performance of Equity Bank Kenya. The researcher conducted the research study using a descriptive research design. The target group involved employees of Equity Bank Ltd Kenya. Data were gathered using a stratified random sampling sample of employees at the management level. A questionnaire was used to gather primary data, and five years' records of financial reports were examined for secondary data. To guarantee that the study instrument was of high quality, validity, and reliability tests were conducted. Ten staff from Kenya Commercial Bank participated in the pilot test. This aided in evaluating the study instrument's validity and dependability. Descriptive statistics were used for data analysis and the presentation was in the form of tables, frequencies, percentages, means, and standard deviation were used. Bivariate correlation analysis and multiple linear regression analysis were used in inferential statistics analysis to determine the correlation between financial performance and strategic intent. Similar to this, at a 95% level of confidence, strategic intent, was statistically significant to performance. The study recommends that managers at the corporate level should create policies that direct the creation of strategic intent and guarantee stakeholder participation in the strategic management process. The bank's management ought also to ensure a thorough environment scan is conducted in order to improve the organization's capacity to maximize and capitalize on strategic decisions. Additionally, all Equity Bank stakeholders should have the necessary support to carry out their corporate tasks both individually and collectively in an efficient and effective manner to boost financial performance.

**Keywords:** Equity bank, Strategic management practices, performance.

## I. INTRODUCTION

### 1.1 Background of the Study

Commercial banks serve a crucial part of society and are a significant factor in the development of emerging nations' economies. According to Jones and Hill (2015), management in virtually all organizations today has a similar difficulty related to the organization's potential to fulfill its goals, sustain high levels of productivity, and enhance its performance. The use of strategic intent technique is essential for fostering competitiveness and boosting performance since it increases the effectiveness of an organization's production and resource allocation decisions. In commercial banks, strategic management practices have an implication in accessing financial resources, funds allocation, development, and competitiveness of manufacturing and service and industries. Additionally, It is about how quickly the economy is expanding and how stable the financial system is. The business rivalry might serve as a springboard for promoting

creativity, cutting costs, and raising the caliber of services and goods the organization offers, which will boost consumer happiness and choice.

### **1.1.1 Organizational Performance**

Management practitioners and scholars have long placed a high priority on the estimation and assessment of company performance. In this sense, some academics have put a lot of emphasis on improving the ways in which organizational performance is defined and measured. The three economic objectives that are used to gauge a company's success based on its strategic orientation are growth, profitability, and market survival (Pearce & Robinson, 2017). The most crucial criterion for evaluating the surroundings and activities of organizations is seen to be performance results (Nor, 2015).

### **1.1.2 Equity Bank Ltd**

Equity Bank was founded as Equity Building Society in October 1984. It was originally providing mortgage financing to its customers who earned low income comparably. Equity Building Society was declared technically insolvent in 1993, Equity transformed into a rapidly growing microfinance which then grew into a commercial bank which is considered an inspirational success story. Equity Bank has a customer base of more than nine million customers making it the largest commercial bank with the largest market share in Kenya. Equity Bank has continued to retain a passionate commitment to empowering its clients in transforming their livelihoods. The equity bank business model is anchored on accessibility, convenience, and flexibility. Equity Bank has evolved to become a major financial services provider with a growing pan African footprint. (CBK, 2017)

### **1.2 Statement of the Problem**

Research on the impact of strategic purpose on the creation and dissemination of knowledge in the Australian logistics industry was done by Pateman (2015). The contemporary context biases the financial performance of Equity Bank Ltd., Kenya. Njagi and Kombo (2014) did research on the banking industry and discovered that the financial performance of Kenyan Commercial Banks is significantly influenced by the application of strategies. According to one argument, organizations must prioritize implementing strategies to improve financial performance because of their significance for strategic management practices (Mbithi, 2016). Iranian small and medium-sized business performance and the study found a connection between the success of small and medium-sized businesses in implementing their strategies. Because this study was limited to small and medium-sized businesses in Iran, it is not possible to extrapolate from its results to suggest how Equity Bank Ltd management should proceed. In light of earlier research, the researcher set out to conduct a novel study examining how strategic management practices affected the Kenyan bank Equity Bank Ltd.'s financial performance.

### **1.3 Specific Objective**

To establish whether strategic intent has an effect on financial performance Equity Bank Ltd, Kenya.

### **1.4 Research Question of the Study.**

The following question served as the study's question;

Does strategic intent have an effect on financial performance of Equity Bank Ltd Kenya?

## **II. LITERATURE REVIEW**

### **2.1 Introduction**

The chapter focuses on a theoretical examination of the subject, which incorporates theories of contingency and dynamic capacity as well as resource-based views. Empirical concentrated on prior studies that relate to the variables being studied. Additionally, a summary of the examined literature, research gaps, and conceptual frame work are presented in this chapter will be captured.

## 2.2 Theoretical Review

### 2.2.1 Resource-Based View

The work of Robert (2014) can be connected to the firm's resource-based perspective. The resource-centered viewpoint concentrated on both tangible and intangible assets, which included company stocks with particular potential to improve performance. This idea emphasizes the value of internal resources inside an organization and how using them while designing strategy aids in building long-term competitive advantage. (2017) Bakar et al.

### 2.2.2 Theory of Contingency

The contingency theory of leadership originated in Austria and was developed by a psychologist named Fred. This argues that the organizational structure that matches its contingencies is most effective and appropriate in governing structural design. This theory argues that managers must take into consideration all aspects of the current situation when making decisions regarding operations within their organizations. Additionally, managers need to take action in those areas that are crucial to the current circumstance (Pearce & Robinson, 2017).

## 2.3 Review of Empirical Literature

### 2.3.1 Strategic Intent and Financial Performance

Boyne (2018) did research on how strategic purpose affects business performance in Nigeria's Delta State's banking industry. A cross-sectional survey was used as the research approach for the study. With the help of the organization's vision, purpose, and goals, the strategic intent was assessed.

This study showed that several strategic intent aspects perform positively in terms of relevance from the company. This had a flaw in the sample selection process since non-random sampling was utilized, making the sample unrepresentative to support inferences about the population. In order to obtain a sample that fairly represents the target population, this study used stratified proportional sampling to try to address this problem.

## 2.4. Conceptual Framework

Using a critical analysis of current ideas and research in the field, figure 1 presents a conceptual framework.

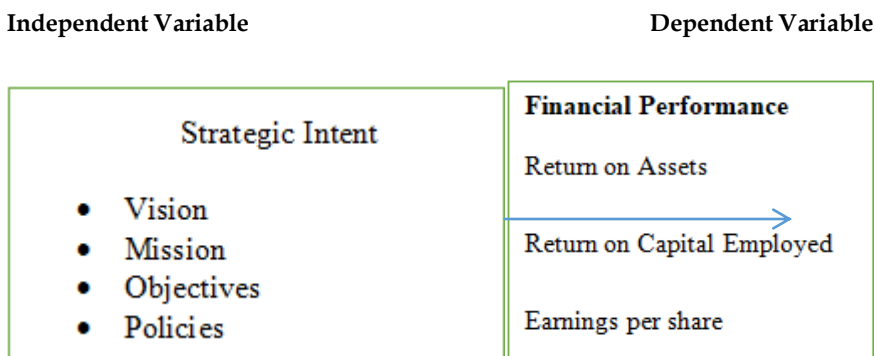


Figure 1: Conceptual Framework

Source: Own conceptualization (2023)

## III. RESEARCH METHODOLOGY

### 3.1 Introduction

This section explains the methodology adopted in carrying out the study. It comprises the research design used, population, the size of the sample, procedure for sampling instrument of research, research instrument validity and reliability, procedures involved to collect data, and techniques used to analyze data.

### **3.2 Research Design**

A research design is a plan for conducting research that involves asking questions about current events and other events and using a range of data sources to answer those questions to assist in the development of legitimate findings (Kothari, 2014). The descriptive research design was employed by the researcher to make it easier to investigate the correlation between the study variables. According to Saunders (2016), a descriptive survey design analyses a sample of a population to offer a quantitative description of certain trends, beliefs, and dispositions. The descriptive research approach was suitable since it allowed for the methodical gathering of factual data necessary for decision-making, and identifying existing practices, circumstances, and linkages connected to the research variables. 2014 (Kothari)

### **3.3 Target Population**

According to Mugenda & Mugenda (2016), a population is defined as a comprehensive list of instances, persons, elements, topics, and objects that share certain observable features. At Equity Bank Ltd.'s headquarters in Nairobi, the management staff members made up the study's target population. The senior management team, middle-level managers, and functional-level managers were among these employees,

### **3.5 Data Collection Instruments**

For the goal of performing this study, both primary and secondary data were utilized. A standardized questionnaire with a 5-point Likert scale was used to collect primary data. The survey had a number of closed-ended questions that gave respondents a choice between five different probable answers. There were two main components to the questionnaire. The first part of the document was devoted to a broad description of each employee's profile. The second half, however, was broken down into five sub-sections and asked questions about specific facts related to the study's objectives. These questions included strategic intent, strategy design, execution, control, and performance.

### **3.6 Validity and Reliability of Research Instrument**

#### **3.6.1 Test of Validity**

Ensuring the integrity of the findings that result from an inquiry is what validity is all about. Similar to that, it is seen as how well a research tool does what it sets out to do. Additionally, estimations of how correctly the study's data is representative of a certain construct are provided by validity (Mugenda & Mugenda, 2018). The questionnaire's content, and construct validity were the main areas of attention in the validity testing.

#### **3.6.2 Test of Reliability**

As internal consistency is a quality of dependability (Kothari, 2014), it is possible for several assessments of the idea or related assessments made repeatedly throughout time to provide the same results. Unquestionably, the best indicator for assessing the internal coherence of a group of items is the Cronbach Alpha index, which refers to the average correlation of the collection of measures utilized to measure a study variable.

### **3.7 Pilot test**

Fourteen workers from Equity Bank Ltd Kenya's Kimathi branch in Nairobi participated in a pilot trial. The final group that was sampled and watched for the inquiry did not contain any of the pilot study subjects. The pilot study's goal was to assess how reliable the data gathering technique was. In order to assess if the survey instrument achieved the desired level of internal consistency of 0.7, the Cronbach's Alpha index was calculated using SPSS.

### **3.8 Data Analysis and Presentation**

Editing was done to the data collected to reduce mistakes and find any issues brought on by the usage of the questionnaire. The replies will be coded to make it easier for the researcher to enter and process data with the fewest possible mistakes and to help interpretations of the analysis's findings. Data was carefully input into the SPSS programme using the provided codes after coding, and a last check was made to make sure it was accurate, complete, and consistent. The multiple regression models shown in the model below served as the study's guiding principles.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y = Performance, X<sub>1</sub> = Strategic intent, B<sub>0</sub> = Beta coefficient for the constant

$\beta_1$ , = Beta coefficient for the independent variable,  $\varepsilon$  = Error term

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Using a 95% confidence level, the multiple regression analysis findings were checked for statistical significance. Therefore, the association between the variables under investigation was statistically significant at a level of trust of 95% where the p-values associated with a specific coefficient were at most 0.05.

### 3.8 Ethical Considerations

The National Commission for Science, Technology, and Innovation (NACOSTI) approved the researcher's application for research permission. To collect data from the target respondents, the researcher similarly requested official approval from the human resources manager of Equity Bank Ltd. in Kenya. All study participants provided their informed consent, which was also obtained by the researcher. Any responder who for whatever reason refused to take part in the survey did not appear in the analysis. For reasons of confidentiality, the name of responders was never disclosed anywhere on the data-collecting tools, and the information collected was exclusively utilized for academic purposes. The researcher received an introduction letter from the postgraduate program at Mount Kenya University and a letter of permission from the ethical review committee.

## IV. DATA ANALYSIS RESEARCH FINDINGS AND DISCUSSION

### 4.1 Introduction

In accordance with the research purpose and methodology, this chapter gives the analysis and conclusions of the study. The study concentrated on how strategic management practices affected Equity Bank LTD's performance in Kenya. Senior management of Equity Banks Ltd. in Kenya was the focus of the investigation. The researcher gave summaries of the respondents' overall responses in the form of narratives.

### 4.2 Response Rate of the Study

The goal of the study was to ascertain how the performance of Equity Bank Ltd. in Kenya was impacted by strategic management practices.

The responses were examined in order to appreciate the response and non-response rates that served as the basis for this study.

#### 4.4.1 Strategic Intent

In order to create the sample measures, the researcher undertook an examination of the replies to the questions about strategic intent. Table 1 lists the findings of the analysis.

**Table1: Descriptive Statistics for Strategic Intent**

	n	Minimum	Maximum	Mean	Std. Deviation
A lot of people are aware of the bank's purpose.	63	4	5	4.23	0.48
Understanding the intended future Motivated by the goal and direction	63	4	5	4.18	0.70
A sense of belonging is derived from having a purpose in life.	63	3	5	4.18	0.49
openly identifies with the goals	63	3	5	4.29	0.69
Sense of ownership over the goals and regulations	63	4	5	4.36	0.51

A lot of people are aware of the bank's purpose.	63	3	5	4.32	0.61
<b>Aggregate score for strategic intent</b>	<b>63</b>	<b>4</b>	<b>5</b>	<b>4.26</b>	<b>0.58</b>

Source: Research findings (2023)

According to the data shown in Table 4, the sample means obtained for the various replies varied between 4.18 and 4.36, or around 4.00 on the Likert scale. This indicated that the respondents were in agreement that Equity Bank Ltd. Kenya carried out the series of tasks described by the strategic aim statements. The findings revealed that the range of sample standard deviations for individual replies, which ranged between 0.48 and 0.70, indicated that the responses were grouped together around the sample mean. Additionally, for strategic purpose, the total scores for sample mean and sample standard deviation were 4.26 and 0.58, respectively.

The summary measures appropriate for characterizing the features of the sample were created using the mean and standard deviation. The replies received from the respondents on the five factors at the center of this research were analysed using descriptive statistics. The outcomes of this study served as the foundation for statistical analysis and inference-making.

4.5 Inferential Statistics

4.5.1 Correlation Analysis

Both bivariate correlation analysis and multiple linear regression analysis were used to investigate the relationship between Equity Bank Ltd. Kenya's performance and strategic management practices. Bivariate correlation analysis with the help of the Statistical Package for Social Sciences (SPSS) was used to determine the strength of the relationship between the four characteristics of strategic management practices and performance. The findings of the inquiry into product-moment correlation are shown in Table 2

	Strategic Intent	Strategy Formulation	Strategy Implementation	Strategy Control	Performance
Strategic Intent Pearson Correlation	1	.812**	.857**	.717**	.822**
Sig.(2-tailed)		.000	.000	.000	.000
N	63	63	63	63	63

4.5.1 Multiple Linear Regression Analysis

Multiple regression analysis was performed using SPSS in order to estimate the quantitative model that can be used to anticipate or analyze the influence of each dimension of strategic management practices on the performance of Equity Bank Ltd. Kenya. To do this, the performance of the four components of strategic management practices was jointly regressed. The results of this statistical investigation are shown in Table 3.

Table 3: Model Summary

Model	R	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	.885 <sup>a</sup>	.779	.08413	2.458

Source: Research Findings (2023)

Table 3 shows the results of the analysis of variance (ANOVA) test that was used to determine if the estimated model was statistically significant.

Table 11: Results of Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
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1	Regression	6.675	4	1.629	4435.638	.000 <sup>b</sup>
	Residual	.017	58	.000		
	Total	6.792	62			

**a. Dependent Variable:** Performance  
**b. Predictors:** (Constant), Strategic Intent.

Source: Field Data (2023)

## V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This chapter includes a summary of the results, conclusion, recommendations for practice and policy, and ideas for more research. The goal of the study were to analyze how strategic management practices affected Equity Bank Ltd. Kenya's performance. Strategic intent was deemed to be the essential component of strategic management practices. To get a more accurate view of Equity Bank Ltd. Kenya's current and future operational circumstances and performance were assessed using non-financial variables. The study's primary goal was to ascertain how strategic intent affected Equity Bank Ltd. Kenya's performance.

#### 5.1.1 Conclusion

Corporate performance is a key concern for practitioners in contemporary corporate organizations and a recurrent subject in both theoretical and empirical investigations. In fact, corporate performance places an emphasis on achieving specific results that matter to management and other stakeholders. This study set out to determine how strategic management practices affected the performance of Equity Bank Ltd. in Kenya. The outcomes of the quantitative data analysis offer an empirical foundation for significant conclusions to be made on each of the study's unique objectives. The first particular goal was to determine how strategic intent affected performance. The findings of the statistical research showed that performance is positively impacted by strategic intent. The study's conclusion is that market strategic intent favorably influences Equity Bank Ltd. Kenya's performance.

#### 5.1.2 Recommendations for Policy and Practice

The effectiveness of Equity Bank Kenya was shown to be positively impacted by strategic intent. In this situation, it's crucial for the management of Equity Bank Ltd. Kenya to promote and institutionalize the actions and routines connected to defining the organization's strategic objective. The formation of the vision, mission, objectives, and policies is the focus of these activities and practices. Managers at the corporate level should create policies that direct the creation of strategic intent and guarantee stakeholder participation in the strategic management process. The study showed that developing a plan offers an advantage for performance.

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