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INFLUENCE OF BUSINESS IMPROVEMENT STRATEGIES ON ORGANIZATIONAL PERFORMANCE OF BANKS IN KENYA

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ABSTRACT

This study sought to determine the influence of business improvement strategies on organizational performance of banks in Kenya. The target population was 2,800 top, middle and low-level management employees of banks in Kenya. The study sample size was 150 management employees. A self-administered questionnaire was used for primary data collection. Data analysis was done using the Statistical Package for Social Sciences (SPSS, version 23.0). The study also conducted multiple regression analysis to test the relationship between the study variables. The study established that the management employees of banks in Kenya did agree that the adopted change management practices had helped their banks enhance their performance (mean = 4.28); their banks were continually automating their operations to leverage on the benefits of technology based applications (mean = 4.34); entering into strategic alliances had helped their banks in defending and enhancing their current market position (mean = 4.07) and that functions outsourcing had freed time and resources which were directed to other important areas (mean = 4.23). Further, the study results also revealed that there was a strong positive and significant association between change management, automation, strategic alliances and outsourcing, as business improvement strategies, and organizational performance of banks in Kenya as depicted by beta values of 0.712; 0.806; 0.761 and 0.668 (with all having p<0.05), respectively. The study concluded that change management, automation, strategic alliances and outsourcing playing a significant role in enhancing the organizational performance of banks in Kenya. The study recommended that to make the change management process successful, banks in Kenya should ensure proper planning and communication of the change process as well as ensure adequate participation of all the stakeholders. There is also need for regular reviews to ensure that the change process remains on track and that it is yielding the intended results. Further, banks in Kenya should continually invest in automation of the various banking functions and services especially in areas where the existing manual operations are inefficient and wasteful as well as in areas that could bolster their growth and expansion.

Key Words: *Change Management, Automation, Strategic Alliances, Outsourcing, Organizational Performance*

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INTRODUCTION

The progressive globalization of financial markets requires market participants to make changes on their operational processes beyond local competition to global competitiveness. This trend has led many banks in both the developed and developing countries to seek new ways to improve customer service quality, speed, reduce operating cost, and enhance profitability (Nadeem & Ahmad, 2016). Innovative banking service and personalized banking portfolio management are evolving as the market consolidates due to mergers and acquisitions of banks in response to intense competition in the industry. As a result, the focus is no longer on cutting costs alone, but rather on simultaneously improving the customers' banking experience (Kumar, 2014). To remain competitive and profitable in the face of a highly dynamic operating environment, increasing regulation, stiff competition and increasingly knowledgeable clientele with changing demands, the banking sector have had to seek a management approach and strategies that emphasize on cost reduction, improved quality, improved speed and efficiency and greater customer focus. This has amplified the need for adoption of BIS in the banking industry (Otieno, 2016).

According to a survey study done among corporates in the USA and Europe, the concept of business improvement strategies was described as a systematic methodology created to help organizations make significant advances in the way their business processes operate. In the survey study, it was reported that increases in consumer requirements for both product and service efficiency and effectiveness resulted into great need for the adoption of BIS. From the survey study, the researchers concluded that BIS are a continuum of change initiatives with varying degrees of radicalness supported by IT means, at the heart of which is to deliver superior performance standards through establishing process sustainable capability (Al-Mashari, Irani & Zairi, 2011). Similar views were expressed in a study conducted in the Middle East covering firms selected from UAE and Jordan where the researchers opined that business improvement strategies are concerned with a fundamental rethinking and redesigning of a firm's business processes and activities in order to obtain dramatic and sustaining improvements in quality, cost, service, lead-times, outcomes, flexibility and innovation. However, the researchers also observed that the lack of integrated implementation approach to exploiting BIS was one of the important reasons amongst others, behind BIS failures (Alzoubi & Khafajy, 2015).

In Sierra Leone, it was observed that employees of various business organizations perceived that their organizations redesigned or re-engineered their processes through business improvement strategies in order to remain innovative and competitive in the turbulent market. It was further argued that business improvement strategies also contributed to improved firm performance, through increased efficiency and effectiveness, reduced costs and better quality products and/or services (Narigisi, 2018). In Egypt, BIS are seen to focus on satisfying and meeting the customer needs, enhancing the quality of goods/services offered, increasing the speed to market and providing the necessary information to make important decisions at the lowest possible cost. This can be achieved by invalidating the processes that are no longer necessary and focusing on the valuable processes in order to help an organization achieve the competitive advantage to outperform competitors, reduce costs, and increase the value of the product through improving utilization of available resources (Siha & Saad, 2014). In Uganda, BIS are viewed as procedures in which organizational value is created and delivered by focusing on reconsideration and concentration of business structures, processes, methods of working, management systems and external relationships. As such BIS has become a popular tool to dealing with rapid technological and business change as well as improving firm

performance among corporates in the country (Muweesi, 2011).

In Kenya, organizations are taking initiatives to provide better and efficient services in a bid to meet the expectations of the customers. There is no denying that organizations need satisfied and loyal customers to survive and operate in the long run. To remain vibrant and successful, Kenyan firms need to adopt business improvement strategies (Kemboi, 2018). Musau (2016) observed that business improvement strategies enhance customer focus, lead to superior process designs and a strong and motivated leadership. Findings from local studies indicate that BIS reduce costs and sequence times by eliminating unproductive activities; reorganization by teams decreases the need for management layers, accelerates information flows and eliminates the errors and redrafts caused by numerous handoffs which in turn enhance organizational performance (Odede, 2013). In Kenya, business improvement strategies represent a process of redesigning workflows and business processes within an organization to achieve improved company performance in the form of cost efficiency, improved quality, service, and speed (Cheworei, 2017).

Organizational performance refers to the degree to which a firm's objectives are being or have been accomplished. Organizational performance also refers to a measure of how well a firm uses its resources to meet its goals and objectives (Olagunju & Obademi, 2012). It is the process of measuring the actual results of a firm's policies and operations against its set goals and objectives. Organizational performance is used to measure firm's overall financial and non-financial well-being over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Parmenter, 2015). According to Austin (2013), the success of an organization is gauged from several indicators both qualitative and quantitative. These include: financial performance, meeting customer needs, building quality products and services, encouraging innovation and creativity and gaining employee commitment. The extent to which an organization succeeds in these areas determines its performance.

Statement of the Problem

Today's banking business environment is highly dynamic, complex and continually changing (Kumar, 2014). Consequently, Kenyan banks, as is the cases everywhere around the globe, are always seeking better ways to respond to this dynamism, heterogeneity, instability and uncertainty (Ngumi, 2013). Competition within the local banking industry is likely to intensify in the background of a shrinking economy, interest rates capping regulation, increased consumer awareness, intense competition from mobile phone operators' money transfer services like Safaricom's Mpesa and Airtel Money from Airtel and the growing number of Fintech companies offering digital lending services. In view of this and to remain competitive and profitable, Kenyan banks have had to adopt various business improvement strategies with a view of repositioning and redesigning their strategic functions (Karanja, 2014). However, despite the undeniable importance of business improvement strategies to an organization's performance, the influence of BIS on the performance of the Kenyan banking sector is unknown, as it remains largely untested (Okwena, 2015).

The Central Bank of Kenya, in its Bank Supervision Annual Report of 2017, notes that in tandem with the subdued economic activities in the period to December 2017, the banking sector registered a decline in performance in the year ended December 2017. The report observes that the sector recorded a decline of 9.6 percent in pre-tax profits during the year. Similarly, asset quality registered a decline with the non-performing loans (NPLs) ratio increasing from 9.3 percent in December 2016 to 12.3 percent in December 2017. The report also notes that total income for the banking sector decreased by 3.1 percent from Ksh.502.0 billion in December 2016 to Ksh.486.3 billion in December 2017. However, the sector's total net assets

recorded an increase of 8.3 percent from Ksh.3, 695.9 billion in December 2016 to Ksh.4, 002.7 billion in December 2017. The banking sector was on overall rated satisfactory in 2017 as compared to a strong rating which was achieved in 2016. The decline in the industry overall rating was mainly due to a decline in capital adequacy and a deterioration in asset quality in 2017 (CBK, 2018).

Locally, several studies have focused on business improvement strategies. For instance, Mturi (2014) studied the effect of business improvement strategies on staff turnover using a case of KK Security Group of Companies and reported that effective communication, automation, team work, leadership and employee attitudes towards change were instrumental in BIS implementation at the KK Security Group of Companies. Odede (2013) investigated business improvement strategies implementation and organizational performance of Kenya Revenue Authority and established a positive relationship between BIS implementation and performance of KRA with improvements noted in areas of customer service, process turnaround time, cost reduction, improved technology, staff productivity, competitiveness and revenue growth.

Gachoka (2015) did a study on the application of business improvement mechanisms as a strategic planning tool by the Kenyan Judiciary and established that change management especially through embracing IT came out strongly as a factor to their success. On her part, Mwihaki (2016) studied the relationship between business improvement strategies and performance of Nairobi City County and reported that management commitment, communication of change, processes and systems management and outsourcing were the BIS that significantly influenced the Nairobi City County's performance. None of the local studies had focused on business improvement strategies and the performance of banks in Kenya and therefore a knowledge gap existed. To fill this research gap, this study sought to determine the influence of business improvement strategies on organizational performance of banks in Kenya.

Objectives of the Study

This study sought to determine the influence of business improvement strategies on organizational performance of banks in Kenya. The study was guided by the following specific objectives;

- To examine the influence of change management on organizational performance of banks in Kenya.
- To investigate the influence of automation on organizational performance of banks in Kenya.
- To establish the influence of strategic alliances on organizational performance of banks in Kenya.
- To find out the influence of outsourcing on organizational performance of banks in Kenya.

LITERATURE REVIEW

The Resource Based Theory

The resource based theory (RBT) was developed by Barney in 1991 (Barney, 1991). The theory's central proposition is that if a firm is to achieve a state of sustained competitive advantage, it must acquire and control valuable, rare, inimitable and non-substitutable resources and capabilities (Barney, 1991). The theory lays emphasis on the importance of firm resources and its implications to a firm's competitive position (Armstrong & Taylor, 2014). The resource based theory explains that a firm relies on the application of a set of important resources that it possesses to achieve competitive advantage. The theory argues that organizations should not try to achieve strategic fit with the external environment but aim to maximize their internal resources to create and dominate future opportunities (Saqib & Rashid, 2013). This theory stems from the principle that the source of firms' competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Jofre, 2011). This theory thus maintains that in order to generate sustainable competitive advantage, a resource must provide

economic value and must be presently scarce, difficult to imitate, non-substitutable and not readily obtainable from markets (Peteraf & Barney, 2012).

Technology Acceptance Model Theory

The Technology Acceptance Model (TAM) was developed by Davis in 1989. This model relates the individuals' behavioral intentions and his/her ICT use. It is suggested that, the actual behavior of a person is determined by his behavioral intention to use, which is in turn influenced by user's attitude toward and perceived usefulness of the technology. However attitude and perceived usefulness are both determined by ease of use (Pedersen *et al.*, 2012). The model suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they will use it, and most notably perceived usefulness which is the degree to which a person believes that using a particular system would enhance his or her job performance. Adopting the TAM model requires the understanding of end-users requirements regarding usefulness and user friendliness (Pedersen *et al.*, 2012). From this model, usefulness and user friendliness affect users' attitudes towards adoption of any service (Davenport, 2013). Davis thus suggests that it is important to value user requirements based on perceived usefulness and the user friendliness of the technology rather than other objective measure.

Resource Dependency Theory

Resource dependency theory, as espoused by Pfeffer and Salancik in 1978 has its origins in open system theory that holds that organizations have varying degrees of dependence on the external environment particularly for the resources they require to operate. This therefore poses a problem to an organization facing uncertainty in resource acquisition and raises the issue of firm's dependency on the environment for critical resources. The resource dependency theory posits that power is based on the control of resources that are considered strategic within the organization (Shafritz, Ott & Jang, 2015). Hillman, Withers and Collins (2015) agree with Pfeffer and Salancik that the uncertainty in the external control of these resources may reduce managerial prudence and thereby interfere with the achievement of organizational goals and ultimately threaten the existence of the focal organization. Confronted with the costly situation of this nature, management actively directs the organization to manage the external dependence to its advantage (Das & Teng, 2010).

Agency Theory

The agency theory with its roots in economic theory was exposited by Alchian and Demsetz in 1972 and further developed by Jensen and Meckling in 1976. The theory defines the relationship between the principals who are mainly the shareholders and agents who are mainly the company executives and managers. In this theory, the principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2014). According to Daily, Dalton and Canella (2013) the theory reduces the corporation to two participants - managers and shareholders. Agency theory states that shareholders expect the agents to act and make decisions in the principal's interest. However, this is not always the case as the managers of organizations can be self-interested (Mello, 2013).

On the contrary, the agent may not necessarily make decisions in the best interests of the principals. Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross in 1973, and the first detailed description of agency theory was presented by Jensen and stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science (Matei & Drumasu, 2015). Donaldson and Preston (2015) opined that this theory focuses on managerial decision making and the interests of all stakeholders have intrinsic value, and no sets of interests are assumed to dominate the others. This theory supported the outsourcing variable of the

study given that agency related problems may arise out of the differing interests in outsourcing decisions between the management and shareholders in the Kenyan banks.

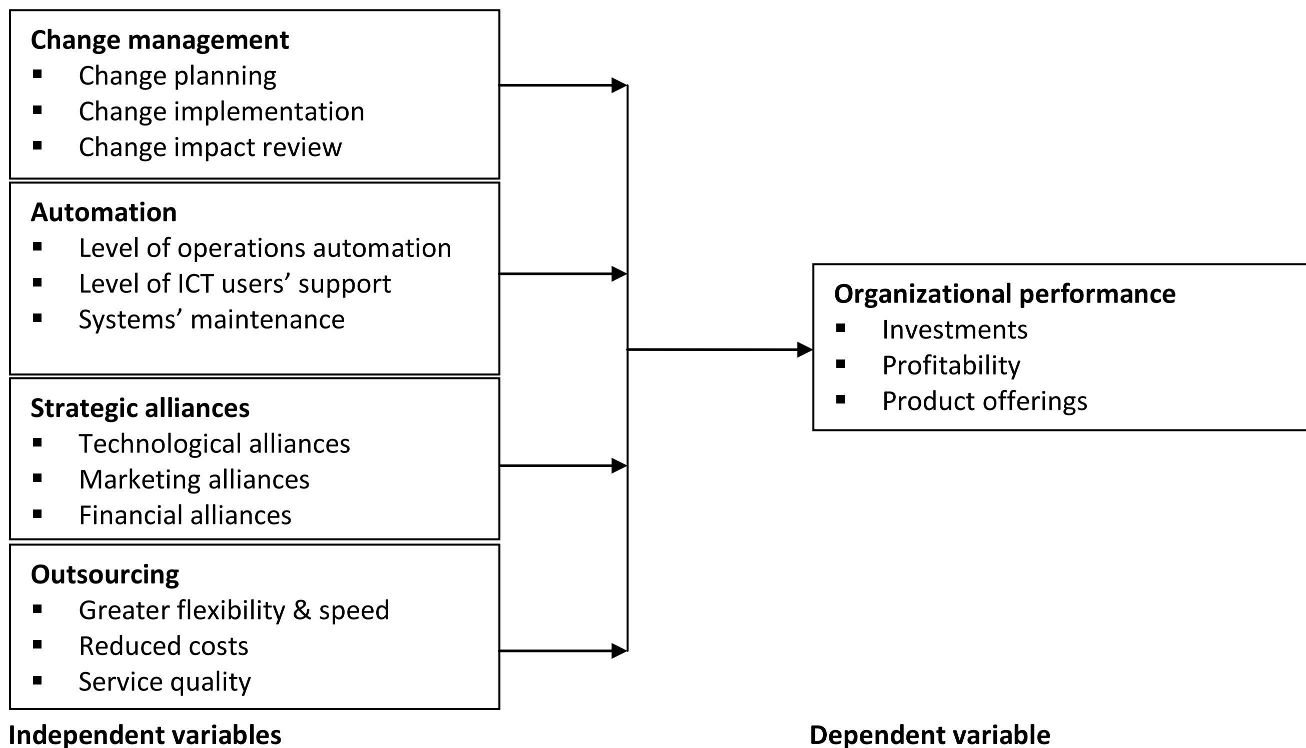

Figure 1: Conceptual framework

Empirical Review

The effect of change management on organizational performance is well documented in literature. According to Altamony, Al-Salti, Gharaibeh and Elyas (2016), a successful change management strategy consists of three phases which include preparing to change, implementation of the change and measuring the impact on users. Preparing the change requires identification of tasks and processes which require to be redesigned and identifying the resources that will be needed to effect the redesign while change implementation entails effecting the agreed changes. Once the changes have been implemented, it is important to continually assess their impact on the organization members to ensure harmony (Altamony *et al.*, 2016). Selvadurai (2013) argued that employees' perception was the leading strategy required to create change in the public sector in Canada. These views were however opposed by Emeka, Eze and Ugwu (2013) who argued that employees' perception was not a major factor of change management but rather the major challenges facing organization in management of change are lack of planning, lack of communication, group conformity, resistance to change, conflicts and lack of resources.

The effect of automation on organizational performance is well documented in literature. In a study on the impact of automation on operational performance of Kenya Tea Development Authority managed factories, Njagi (2011) observed that although fully automated factories had higher operational performance compared to partially automated ones, the overall performance was not significantly different. Further, the study did not find any significant difference between labour costs incurred by fully automated and partially automated factories. This seemed to imply that replacement of workers by machines did not significantly change the cost composition of the

factories under study. The study, however, found that factories with full automation had a higher competitive advantage over their less automated competitors. In a descriptive survey study carried out in Kenya, Kariuki (2015) sought to determine the level of use of information technology and its relationship with organisational performance at Population Services Kenya. The study was based on primary data collected using a semi-structured questionnaire from the Population Services Kenya staff. The study findings revealed that there was a positive relationship between the level of IT use and organisational performance at Population Services Kenya. The study recommended that organisations should embrace IT tools and services so as to have competitive edge and improve service delivery to their customers.

In a descriptive study conducted in China, Yang, Lai, Wang, Rauniar and Xie (2015) focused on strategic alliance formation and the effects on the performance of manufacturing enterprises from supply chain perspective. The study examined the antecedents of strategic alliance formation in manufacturing firms in China, the alliance effect on innovation capability and dyadic quality performance, and how these two organisational capabilities were related to the supply chain performance of Chinese manufacturing enterprises in Shanghai. The study performed a series of statistical techniques including logistic regression analysis, multivariate analysis of variance and multiple regression analysis for assessing the hypothesized relationships. Findings of the study indicated that relational stability and effective communication were significant antecedent factors influencing strategic alliance formation among Chinese manufacturing enterprises. Such alliance formation was found to benefit innovation capability and dyadic quality performance, which were significant contributors to the supply chain performance of Chinese manufacturers.

In an empirical investigation, Aun (2014) examined the effect of strategic alliance on the performance of manufacturing companies in Nigeria. The objectives of the study were to investigate factors that determine success or failure of strategic alliance among indigenous multinational manufacturing companies, ascertain the commitment of top management to strategic alliance among indigenous multinational manufacturing companies, and determine the influence of cohesiveness of ties with partners on the acquisition of resources. Study data was generated through the administration of questionnaire on top managers involved in strategic alliance decisions and practices in selected quoted companies in Nigeria. The techniques employed for data analysis were analysis of variance and multiple regression analysis. The results of the study showed a positive correlation between top management commitment and strategic alliance. In addition, the results of multiple regression analysis showed that top management philosophy, employees, dynamism, commitment and vision significantly affected strategic alliance. A positive and significant relationship was also established between strategic alliances and the companies' profitability. The study concluded that, since strategic alliance had proved to be a key success factor and the driving force behind organizational performance, its adoption and continued use should be encouraged.

The effect of outsourcing on organizational performance is well documented in literature. Organizations are motivated to outsource services by factors such as cost saving, focus on organization's core business, improvement of technology and service quality, access to knowledge and technology that the organization does not have among others (Agbedzani, 2011). Some of the common expected benefits sought from outsourcing include: cost savings, reduced capital expenditure, capital infusion, transfer fixed costs to variable, quality improvement, increased speed, greater flexibility, access to skills, talent and latest technology, increased focus on core functions, get rid of problem functions, better accountability and management (Xiao *et al.*, 2014; Kremic *et al.*, 2016). Kakabadse and Kakabadse (2010) asserted that all

these reasons can be classified into three major categories: cost, strategy, and politics. The first two drives outsourcing by private industry while political agendas often drive outsourcing by public organizations.

Cost savings, increased efficiency, focus on core areas, access to skilled resources and decreasing the lead time in service/product delivery were identified as the key benefits attributable to outsourcing among firms in Copenhagen, Denmark (Bers, 2012). Similar views were expressed by Kakabadse and Kakabadse (2010) who posited that outsourcing provides specialization and economies of scale thereby saving on indirect costs. This was however contrasted by Bettis (2012) who argued that outsourcing disadvantages the firm in that it leads to loss of in-house expertise, that is, the ability of the organization to provide services in the future is diminished as in-house expertise is lost. The frequent absence of formal guidelines can allow the incremental loss of key competence to take place and hence undermine capability leading to a loss of critical skills, cross function working and creation of the “hollow corporation (Bettis, 2012).

The need to reduce an organization’s workforce has been identified as one of the reasons behind outsourcing. While reviewing strategic outsourcing and performance of revenue collection in United Kingdom, Fontes (2010) discovered that, through outsourcing, having fewer employees required less infrastructure and support systems which may result in a more nimble and efficient organization. This observation was however disputed by Koszewska (2014) who argued that despite all, it is not a guarantee that cost savings will be achieved after outsourcing. The effects of outsourcing on an organization’s cost are not yet fully understood and perhaps the variables and their relationships are more complex than expected (Koszewska, 2014). Quinn (2009) argued that from a strategic perspective, the most often cited strategic reason for outsourcing is to allow the organization to better focus on its core competencies while Xiao (2014) added that due to intense competition, organizations are forced to reassess and redirect scarce resources to where they will make the greatest positive impact, which is the organizations core functions.

METHODOLOGY

This study adopted a descriptive research design. The target population of the study was management staff of the 42 licensed commercial banks in Kenya. The study utilized primary data which was collected using a self-administered questionnaire. Data collected was coded and classified into different components to facilitate a better and efficient analysis. The quantitative data gathered through close ended questions was analyzed through descriptive statistics using the Statistical Package for Social Science (SPSS version 23.0) and presented through percentages, frequencies, mean and standard deviation.

FINDINGS

Descriptive Statistics

Change Management and Organizational Performance

The first objective of the study sought to examine the influence of change management on organizational performance of banks in Kenya. The study evaluated the respondents’ level of agreement with various statements on change management as a business improvement strategy using a scale of 1-5 where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree and 5= strongly agree.

The study findings shown in Table 1 below indicated that the management employees of banks in Kenya were in agreement that the adopted change management practices had helped their banks enhance their performance (mean = 4.28); their banks undertook regular periodic reviews to assess the impact of the changes being implemented (mean = 4.27); the change implementation process followed a logical order and was controlled to ensure its smooth execution (mean = 4.09); the change management process was well communicated among the employees in their banks

(mean = 4.03); their banks always ensured that there was adequate planning for the intended changes prior to their implementation (mean = 3.93) and that roles and responsibilities affecting change management were well defined and designated to qualified personnel (mean = 3.85). This implied that change management as a business improvement strategy played a significant role in enhancing the organizational performance of banks in Kenya.

This agreed with Adeniji *et al.* (2013) who argued that to manage organizational change effectively, effective planning and communication, human resources strategy, creating distinctive capabilities, staff motivation and participation are necessary. On their part, Ndahiro *et al.* (2015) found that open communication, effective information flows, teamwork, shared vision and responsibility and sound leadership were the key success factors behind the implementation of change management initiatives at the Rwandan Revenue Authority. Studies by Altamony *et al.* (2016) and Ng'eno (2012) pointed that effective change management was a significant element in the organizational performance of today's corporates. Similar views were expressed by Nadeem and Ahmad (2016) who argued that effective change management was instrumental to performance of contemporary organizations especially in light of their dynamic operating environment. However, the change management process need to be adequately communicated to all stakeholders and has to be regularly reviewed to ensure it remains on track (Jepkorir, 2016).

Table 1: Respondents' level of agreement with statements on change management

Statements	Mean	Std. Dev
Our bank always ensures that there is adequate planning for the intended changes prior to their implementation	3.93	0.751
The change implementation process follows a logical order and is controlled to ensure its smooth execution	4.09	0.873
Our bank undertakes regular periodic reviews to assess the impact of the changes being implemented	4.27	0.557
Roles and responsibilities affecting change management are well defined and designated to qualified personnel	3.85	0.921
Change management process is well communicated among the employees in our bank	4.03	0.883
The adopted change management practices have helped our bank enhance its performance	4.28	0.679

Automation and Organizational Performance

The second objective of the study sought to investigate the influence of automation on organizational performance of banks in Kenya. The study evaluated the respondents' level of agreement with various statements on automation as a business improvement strategy using a scale of 1-5 where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree and 5= strongly agree.

The study findings below indicate that the management employees of banks in Kenya did agree that their banks were continually automating their operations to leverage on the benefits of technology based applications (mean = 4.34); the introduced automated banking applications were facilitating their banking operations (mean = 4.27); the banking technological innovations adopted had enhanced employee productivity and service quality (mean = 4.16); the staff in their banks were regularly being equipped with new technological knowledge and skills (mean = 4.10) and that staff resistance towards adoption of automated banking operation platforms for fear of job cuts remained a challenge (mean = 4.02). However, the management employees of banks in Kenya disagreed with the notion that the banks had

adequate capacity to support automated applications introduced as part of BIS (mean = 2.36). This implied that automation as a business improvement strategy was integral in efforts to improve the organizational performance of banks in Kenya.

The findings concurred with Mburugu (2016) who found that ICT adoption was a key determinant that influenced organizational performance at Kenya Revenue Authority. In addition, allocation of more human and financial resources to strengthen the organization's ICT based revenue collection system as well as continued public awareness on the functioning of the Simba System were identified as key to enhancing the institution's capacity of enhancing its performance. The findings also agreed with Smith *et al.* (2010) who in an investigation of the effect of automation on the performance of public entities observed that there seemed to be a general consensus that application of automated systems in public institutions positively related with their levels of performance. Similarly, Ogunsanmi (2013) observed that the level of organizational performance among corporates in Nigeria was significantly influenced by their level of automation. In contrast, automation was found to have a negative impact on the performance of firms in the South African construction industry as it was associated with causing worker displacement, higher level of maintenance, creating emotional stress of workers, lower degree of flexibility and geographical displacement of workers as established by Oke *et al.* (2017).

Table 2: Respondents' level of agreement with statements on automation

Statements	Mean	Std. Dev
Our bank is continually automating its operations to leverage on the benefits of technology based applications	4.34	0.563
The staff in our bank are regularly being equipped with new technological knowledge and skills	4.10	0.766
Staff resistance towards adoption of automated banking operation platforms for fear of job cuts remains a challenge	4.02	0.729
Introduced automated banking applications are facilitating our banking operations	4.27	0.662
Our bank has adequate capacity to support automated applications introduced as part of BIS	2.36	1.002
The banking technological innovations adopted have enhanced employee productivity and service quality	4.16	0.761

Strategic Alliances and Organizational Performance

The third objective of the study sought to establish the influence of strategic alliances on organizational performance of banks in Kenya. The study evaluated the respondents' level of agreement with various statements on strategic alliances as a business improvement strategy using a scale of 1-5 where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree and 5= strongly agree.

According to the study, the management employees of banks in Kenya concurred that through the strategic alliances their banks were able to provide better quality services to their clients (mean = 4.21); the strategic alliances had provided their banks with better reach to their customers (mean = 4.15); entering into strategic alliances had helped their banks in defending and enhancing their current market position (mean = 4.07); through the strategic alliances, their banks had acquired the means to retain core workforce and to recruit new valuable human capital (mean = 4.00); through the strategic alliances their banks had been able to broaden their present product line

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and differentiated/added value to their existing products (mean = 3.97) and that the strategic alliances had provided an avenue for their banks to acquire new banking technological knowledge and skills that resided within the partnering companies (mean = 3.76). This clearly showed that strategic alliances as a business improvement strategy were instrumental in efforts to enhance the organizational performance of banks in Kenya.

The findings were in line with Giustiniano and Giulio (2013) who observed that strategic alliances are critical in enabling an organization to secure much needed resources that it can use to support its various projects and to meet its immediate operational needs which in turn leads to improved organizational performance. The findings also concur with Kremic *et al.* (2016) who noted that many horizons can be opened as a result of excellent strategic alliances including reduced cost of supplies, easier access to reliable information, easier access to new markets and access to key technology knowhow. Mung'ala (2014) argued that by aligning itself with other firms that possess unique capabilities and resources, smaller firms can capitalize on the strengths of these strategic alliances to enhance their organizational performance to a great extent. The results of a study by Butigan and Benić (2017) suggested that participation in strategic alliances positively influenced firms' performance. Similar sentiments were shared by Nyaga (2017) who observed that various strategic alliances had helped Kenya Airways enhance its customer experience and satisfaction, increase customer service efficiency and effectiveness, reduce its operational costs and gain quicker access into new markets while broadening its present product line.

Table 3: Respondents' level of agreement with statements on strategic alliances

Statements	Mean	Std. Dev
Entering into strategic alliances have helped our bank in defending and enhancing its current market position	4.07	0.786
The strategic alliances have provided an avenue for our bank to acquire new banking technological knowledge and skills that reside within the partnering companies	3.76	0.877
Through the strategic alliances our bank has been able to broaden its present product line and differentiate/add value to its existing products	3.97	0.872
Through the strategic alliances our bank is able to provide better quality services to its clients	4.21	0.622
The strategic alliances have provided our bank with better reach to its customers	4.15	0.756
Through the strategic alliances, our bank has acquired the means to retain core workforce and to recruit new valuable human capital	4.00	0.846

Outsourcing and Organizational Performance

The last objective of the study sought to find out the influence of outsourcing on organizational performance of banks in Kenya. The study evaluated the respondents' level of agreement with various statements on outsourcing as a business improvement strategy using a scale of 1-5 where 1= strongly disagree, 2-disagree, 3-neutral, 4-agree and 5= strongly agree.

The study results revealed that the management employees of banks in Kenya were in agreement that functions outsourcing had led to reduced expenditure in their banks (mean = 4.24); functions outsourcing had freed time and resources which were directed to other important areas (mean = 4.23); overall performance of the bank had improved as a result of functions outsourcing (mean = 4.18); functions outsourcing had enabled the banking staff to focus on their core competencies (mean = 4.15); functions outsourcing had led to improved service delivery in their banks (mean = 4.12) and that functions outsourcing had been a

source of learning for their banks (mean = 3.78). This implied that outsourcing as a business improvement strategy played a crucial role in helping the banks in Kenya enhance their organizational performance.

The findings agreed with Al-Mashari *et al.* (2011) who pointed that organizations are motivated to outsource services by factors such as cost saving, focus on organization's core business, improvement of technology and service quality, access to knowledge and technology that the organization does not have among others. Similarly, Bers (2012) identified cost savings, increased efficiency, focus on core areas, access to skilled resources and decreasing the lead time in service/product delivery as the key benefits attributable to outsourcing among firms in Copenhagen, Denmark. However, the findings were in contrast with those of Elmuti (2013) who argued that outsourcing disadvantages the firm in that it leads to loss of in-house expertise, that is, the ability of the organization to provide services in the future is diminished as in-house expertise is lost.

Table 4: Respondents' level of agreement with statements on outsourcing

Statements	Mean	Std. Dev
Functions outsourcing has enabled the banking staff to focus on their core competencies	4.15	0.768
Functions outsourcing has freed time and resources which are directed to other important areas	4.23	0.686
Functions outsourcing has led to reduced expenditure in our bank	4.24	0.557
Functions outsourcing has led to improved service delivery in our bank	4.12	0.743
Functions outsourcing has been a source of learning for our bank	3.78	0.961
Overall performance of the bank has improved as a result of functions outsourcing	4.18	0.780

Organizational Performance of the Banks

The study sought to establish the organizational performance of banks in Kenya over the period between 2014 and 2018. Organizational performance was evaluated using the firms' return on assets, pre-tax profits and number of product offerings. According to the results shown in Table 5 below, Kenyan banks' mean ROA value increased from 2.6% in 2014 to 3.3% in 2016 and then decreased to 2.7% in 2017 before recovering to 3.0% in 2018. Similarly, the banks' total pre-tax profits increased from Kshs. 129.1 billion in 2014 to Kshs. 147.4 billion in 2016 and then decreased to Kshs. 133.2 billion in 2017 before rising to Kshs. 138.5 billion in 2018. However, the average number of product offerings increased from 7 in 2014 to 17 in 2018. This indicates that, on average, the organizational performance of banks in Kenya fluctuated over the 5-year period, though the performance remained robust. The findings concur with those of Okwena (2015) and Kemboi (2018) who also reported that the performance of Kenyan banks has remained stable in the recent past despite a tough operating environment, an observation also reported by the CBK in its annual bank supervision reports covering this period (CBK, 2018).

Table 5: Organizational performance of banks in Kenya

	N	2014	2015	2016	2017	2018
Mean ROA value (%)	42	2.6	3.1	3.3	2.7	3.0
Total pre-tax profits (Kshs. billion)	42	129.1	136.8	147.4	133.2	138.5
Average number of product offerings	42	7	9	11	14	17

Inferential Statistics

Regression Analysis

A regression analysis was performed in order to analyze the relationship between the study variables. This was done by regressing the independent variables (change management, automation, strategic alliances and outsourcing) against the dependent variable (organizational performance). The results were as summarized below;

R square is the coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables. The value of R square was 0.792 which meant that 79.2% variation in the Kenyan banks' organizational performance was due to variations in change management, automation, strategic alliances and outsourcing. Hence, 20.8% of variation in the banks' organizational performance was explained by other variables not in the model or not focused on in the current study.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890[a]	0.792	0.784	.4239

Predictors: (Constant), change management, automation, strategic alliances and outsourcing

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all $\beta \neq 0$ against the null hypothesis that $\beta = 0$ (Weisberg, 2005). From the findings in below, the significance value was .0000 which was less that 0.05, indicating that the model was statistically significant in predicting how change management, automation, strategic alliances and outsourcing influenced organizational performance of banks in Kenya. Further, the F critical at 5% level of significance is 2.46. Since F calculated value of 100.16 was greater than the F critical value of 2.46, this affirmed that the overall model was significant.

Table 7: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.05	4	18.51225	100.16	.0000[a]
	Residual	19.41	105	0.18482		
	Total	93.46	109			

a. Predictors: (Constant), change management, automation, strategic alliances and outsourcing

b. Dependent Variable: Organizational performance

Based on the regression results below, the regression model becomes;

$Y = 6.431 + 0.712 X_1 + 0.806 X_2 + 0.761 X_3 + 0.668 X_4 + \ell$

From the regression equation above, taking the 4 predictor variables (that is, change management, automation, strategic alliances and outsourcing) constant at zero, organizational performance of the banks in Kenya would be 6.431.

The results further indicate that;

A unit change in change management would lead to a 0.712 change in the organizational performance of banks in Kenya. Given that change management had a p = 0.001 which was less than the selected significance level of 0.05, this means that the association between change management and the organizational performance of banks in Kenya was significant. Thus, there was a strong positive and

significant association between change management, as a business improvement strategy, and organizational performance of banks in Kenya. This agreed with Cheworei (2017) who observed that the organizational performance of United Nations Secretariat in Kenya greatly improved as a result of effective change management characterized by introduction of flexible working schedules, involvement of staff in decision making and better communication within the institution. Similar findings were reported by Ndahiro *et al.* (2013) who found that effective change management activities such as effective information flows, teamwork, shared vision and responsibility and sound leadership enhanced the organizational performance of government institutions in Rwanda.

A unit change in automation would lead to a 0.806 change in the organizational performance of banks in Kenya. Given that automation had a p = 0.000 which was less than the selected significance level of 0.05, this means that the association between automation and the organizational performance of banks in Kenya was significant. Thus, there was a strong positive and significant association between automation, as a business improvement strategy, and organizational performance of banks in Kenya. This agreed with Kariuki (2015) who established that there was a positive and significant relationship between the level of IT use and organisational performance at Population Services Kenya. Similar findings were reported by Kemboi (2018) who, in a study on the effects of automation on the performance of the National Bank of Kenya, established that system automation opened up a world of opportunities for the bank's customers, it enhanced customer satisfaction and loyalty, and occasioned operation costs cuts that led to improved bank performance. However, the findings were in contrast with those of Njagi (2011) who, in a study on the impact of automation on operational performance of Kenya Tea Development Authority managed factories, observed that although fully automated factories had higher operational performance compared to partially automated ones, the overall performance was not significantly different.

A unit change in strategic alliances would lead to a 0.761 change in the organizational performance of banks in Kenya. Given that strategic alliances had a p = 0.000 which was less than the selected significance level of 0.05, this means that the association between strategic alliances and the organizational performance of banks in Kenya was significant. Thus, there was a strong positive and significant association between strategic alliances, as a business improvement strategy, and organizational performance of banks in Kenya. The findings concurred with those of Mong'are (2016) who also established that strategic alliances contributed significantly and in a positive way to the organizational performance of ICT companies in Kenya. Similarly, a strong positive and significant relationship between strategic alliances and firm performance was established among supermarkets in Kenya by Oduor (2014), among retail sector firms in Eastern Europe by Butigan and Benić (2017) as well as among manufacturing companies in Nigeria by Aun (2014).

A unit change in outsourcing would lead to a 0.668 change in the organizational performance of banks in Kenya. Given that outsourcing had a p = 0.006 which was less than the selected significance level of 0.05, this means that the association between outsourcing and the organizational performance of banks in Kenya was significant. Thus, there was a strong positive and significant association between outsourcing, as a business improvement strategy, and organizational performance of banks in Kenya. This was in agreement with Siha and Saad (2014) who observed that outsourcing of non-core functions had a positive impact on firm performance through increased firm efficiency and effectiveness. Similar sentiments were shared by Bers (2012) who argued that some of the key benefits attributable to outsourcing among firms in Denmark including cost savings, increased efficiency, better focus on core areas, access to

skilled resources and decreased lead time in service/product delivery had a major positive effect on the firms' organizational performance. However, in contrast, Bettis (2012) argued that outsourcing disadvantages the firm in that it leads to loss of in-house expertise which in the long run undermines a firm's performance (Bettis, 2012).

In regression analysis, the t and p values are inextricably linked and both are used in the decision of whether to approve or reject the null hypothesis. The larger the absolute value of the t-value, the smaller the p-value, and the greater the evidence against the null hypothesis. The rule of thumb is that the higher the t-value, the greater the effect/association that particular independent variable has with the dependent variable and vice versa. Therefore, though the 4 predictor variables (change management, automation, strategic alliances and outsourcing) had a significant association with the outcome variable (organizational performance of banks in Kenya) as all had p-values less than the chosen significance level of 5%, using the t-values shown in the table, we concluded that automation had the largest effect on the outcome variable (organizational performance of banks in Kenya) followed by strategic alliances, change management and outsourcing, respectively as denoted by t-values of 5.134, 4.299, 3.708 and 3.136 respectively.

Table 8: Regression analysis results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.431	.812		7.920	.000
Change management [X_1]	0.712	.192	.581	3.708	.001
Automation [X_2]	0.806	.157	.686	5.134	.000
Strategic alliances [X_3]	0.761	.177	.624	4.299	.000
Outsourcing [X_4]	0.668	.213	.512	3.136	.006

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that change management as a business improvement strategy played a significant role in enhancing the organizational performance of banks in Kenya.

The study concluded that automation as a business improvement strategy was integral in efforts to improve the organizational performance of banks in Kenya especially in light of the resulting increased efficiency, speed and employee productivity.

The study also concluded that strategic alliances as a business improvement strategy were instrumental in efforts to enhance the organizational performance of banks in Kenya.

The study also concluded that outsourcing as a business improvement strategy played a crucial role in helping the banks in Kenya enhance their organizational performance especially in light of cost savings, increased efficiency, ability to focus on core areas, access to needed resources and improved service quality attributable to outsourcing decisions.

Given that change management positively relates to the organizational performance of banks in Kenya, the study recommended that to make the change management process successful, banks in Kenya should ensure proper planning and communication of the change process as well as ensure adequate participation of all the stakeholders. There is also need for regular reviews to ensure that the change process remains on track and that it is yielding the intended results.

Given that automation positively relates to the organizational performance of banks in Kenya, the

study recommended that banks in Kenya should continually invest in automation of the various banking functions and services especially in areas where the existing manual operations are inefficient and wasteful as well as in areas that could bolster their growth and expansion.

Given that strategic alliances positively relates to the organizational performance of banks in Kenya, the study recommended that banks in Kenya should continually seek to engage in beneficial strategic alliances with other partners both within and outside the financial sector especially in areas of technology, finance and marketing.

Given that outsourcing positively relates to the organizational performance of banks in Kenya, the study recommends that banks in Kenya should map out all their functions and roles and perform an internal capability assessment with a view of identifying functions and roles that are better performed internally and those which are better performed when outsourced.

Suggested Areas for Further Research

Since this study explored the influence of business improvement strategies on organizational performance of banks in Kenya, the study recommended that a study should be carried out to investigate the challenges faced by Kenyan banks in implementation of their business improvement strategies. In addition, the study recommended that further research should be conducted on other business improvement strategies being used by banks in Kenya other than the ones addressed in the current study.

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