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INFLUENCE OF BUSINESS LIFE CYCLE ON STRATEGIC PLANNING IN THE COMMERCIAL BANKS OF KENYA

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ABSTRACT

The study evaluated the influence of the business life cycle on strategic planning in commercial Banks of Kenya. The study was guide Business Cycle Model. The study employed a census design. The target population was three managers from 42 Commercial making a total of 126 target respondents. Data was analyzed using excel and Statistical Program for Social Scientist version 24.0 (SPSS) as the basic computer method for data analysis. Descriptive statistics was used mainly to summarize the data. This included percentages and frequencies. From the analysis, the study revealed a strong significant positive relationship between business life cycle and strategic planning in commercial Banks of Kenya. Therefore, the study hypothesis which states that business life cycle has significant influence on significant on strategic planning in commercial Banks of Kenya was accepted. The study therefore concluded that business life cycle played a significant role on strategic planning in commercial Banks of Kenya. This is because there existed a positive and significant relationship between the independent variable and strategic planning in commercial Banks of Kenya.

Key Words: *Business Life Cycle, Strategic Planning*

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INTRODUCTION

Strategic planning in the banking sector is the process of setting goals and objectives for the bank and developing a plan to achieve them (Biekpe, 2019). This process usually includes a SWOT analysis, which stands for Strengths, Weaknesses, Opportunities, and Threats. The SWOT analysis is used to identify the bank's strengths and weaknesses, as well as any opportunities or threats that may impact the bank's ability to meet its goals (Choo, 2017). After the SWOT analysis is complete, the bank develops a strategic plan that outlines how it will achieve its goals. The strategic plan is then implemented and monitored to ensure that the bank is on track to meet its goals (Cole, 2019).

In their research on the relationship between strategic planning and bank performance in Kenya, Omondi et al. (2017) discovered that effective strategic planning methods include creating a purpose and vision statement, analyzing the current environment, and settling on a course of action. The banking sector in Kenya is undergoing a period of unprecedented change, largely driven by technology. This has resulted in increased competition, as well as new entrants to the market (Abass et al., 2017). In order to remain competitive, banks have invested in innovative technology solutions that enable them to offer improved services to their customers. The banking sector in Kenya is also highly regulated by the Central Bank of Kenya (CBK). The CBK has put in place a number of regulations aimed at ensuring the stability of the banking sector. These regulations can have a significant impact on banks' strategic planning (Muriithi *et al.,* 2018). The economic environment in which banks operate can have a significant impact on their strategic planning. In recent years, Kenya's economy has been growing at a strong pace, which has been a major driver of growth in the banking sector. However, the Kenyan economy is susceptible to external shocks, such as the recent global economic downturn, which can have a negative impact on banks' performance. The social environment in which banks operate can also impact their strategic planning. For example, the increasing use of mobile banking services in Kenya is driven by the large number of mobile phone users in the country. This is reflective of the changing social trends in Kenya, which banks must be aware of in order to remain relevant to their customers (Dzombo et al., 2017).

Penrose (2019) defines strategy as "an effort or planned action taken by a corporation to surpass rivals." As demonstrated by this phrase, a strategy can as well be considered as an intended decision or a calculated move on the part of the firm. An organization 's course of action for governing a business and performing operations, as per Thompson and Quinn, (2018), is termed as strategy. Any one of these definitions is based on the planning school or strategy perspective, and so ignores the effects of foreign conditions. Ritson (2019) defines strategy as "beyond what a corporation wants or plans to do." In either terms, effective techniques can emerge organically within businesses. Nevertheless, since the effect of environmental forces on firms necessitates strategic activities, corporations may be found to be succumbing to external forces. According to Schuck (2018), strategy comprises a company's utilization of internal resources and capabilities, and the growth of the company's strengths to deal with environmental issues.

Corporate strategic planning, as outlined by Smith (2018), entails the following steps: identifying the firm's strategic business units and their interactions in terms of shared resources and shared goals; defining the firm's vision in terms of its product, market, and geographic scope; and outlining the path to competitive leadership. In the second step, which focuses on the company's strategic stance and planning guidelines, the company's vision is translated into actionable, specific recommendations for how the company should go about creating strategic proposals for its businesses and its most important divisions and departments. In the third stage, the company's goals are articulated in terms of its offerings, target audiences, geographic reach, and distinctive selling points. In the fourth stage, you'll develop your company's overall strategy and major action plans. Phase five entails the creation of broad action plans and functional strategies. Step six is a corporate-level integration of business and functional plans. Steps seven and eight include the company in the definition and evaluation of action programs at the business and functional levels, respectively. Allocating resources and defining performance metrics for management control constitutes step nine. Steps ten through twelve entail strategic operational budgeting; this planning leads to the creation of an intelligent budget that is more than just an extrapolation of historical data into the future; rather, it is a binding document that includes both long-term goals and short-term objectives (John, & Lee, 2017).

Depending on whether an organization is at the start-up, growth, maturity, or decline stage, organizations will have varying emphases when preparing their strategic plans. This means that they may emphasize certain aspects of strategic planning (SP) than others. For example, the focus was on innovation at maturity, while it was turned around if an organization is faced with decline (Matejun & Mikoláš, 2017).

Problem Statement

Successful enactment of strategic planning processes remains a significant challenge in many banking institutions worldwide (Schuen, 2019). In Kenya, over 60% of local banking institutions lack automated strategic planning systems, which hinders effective formulation and implementation of banks' growth and development strategies (Waweru & Kalani, 2019). Only fewer than ten commercial banks (25%) have effectively executed strategic planning processes (Nyanaro & Bett, 2018). A decline in over 25% of sales revenue has been witnessed in banking institutions that lack effective strategic planning processes. Muriuki (2017) revealed that over 25% of commercial banks of Kenya failed to realize the aimed performance goals due to weaknesses in effective strategic planning processes.

Despite the significant role of strategic planning, past studies by Nkosi (2015) explored different aspects of the strategic planning process but did not focus on commercial banks of Kenya. According to research conducted by Kandie (2018), despite Telkom Kenya Ltd's adjustments to its environment, financial restrictions and a lack of administrative empowerment significantly hampered the firm's ability to respond. According to Kiptugen's (2017) investigation of Kenya Commercial Bank's strategy responses to a shifting competitive marketplace, the bank reorganized, marketed to its target audience, embraced new information and communication technologies, and instituted a new corporate culture. Factors affecting business life cycle in Commercial Banks of Kenya have received little attention in the literature on strategic planning methods. Therefore, this study provided insights on business life cycle in Commercial Banks of Kenya.

Objectives of the study

The study evaluated the influence of the business life cycle on strategic planning in the commercial Banks of Kenya. The research hypotheses that guided this research was;

- **H_O:** Business life cycle has no significant effects on strategic planning in commercial Banks of Kenya.

LITERATURE REVIEW

Theoretical framework

The business life cycle theory

The theory of business life cycle was developed by Joseph A. Schumpeter. The theory of business life cycle on the influence of top management attention on strategic planning in the banking sectors posits that as businesses move through their life cycles, the level of top management attention on strategic planning waxes and wanes (Haanstra et al.,2017). This theory has implications for the banking sector, as the sector is highly cyclical in nature. In times of economic expansion, when business is booming, top management is likely to be more focused on strategic planning, as they look to capitalize on opportunities and grow their businesses (Jabłoński & Jabłoński, 2016). However, during periods of economic contraction, when business is more challenging, top management is likely to be less focused on strategic planning, as they look to conserve resources and weather the downturn. This cyclical nature of the banking sector means that strategic planning is likely to be more important in some years than in others (Michelin et al., 2022).).

The theory of the business life cycle posits that businesses go through a series of stages, each of which is characterized by different levels of top management attention to strategic planning and decision making (Tam & Gray, 2016). The theory suggests that as businesses move from one stage to the next, top management's attention to strategic planning and decision making increases. Park (2021) believe that attention to strategic planning is more important during the growth and expansion phases of the cycle, when firms are trying to capitalize on their successes and expand their operations. Still others believe that attention to strategic planning is equally important throughout the entire cycle. This theory supports the objectives bout the influence of the business life cycle on strategic planning in the commercial Banks of Kenya

Empirical Review

Business life cycle and strategic Planning

The business life cycle is the process that businesses go through to develop, grow, mature, and decline (Puglieri, et al., 2022). The cycle is divided into four phases: startup, growth, maturity, and decline. The banking sector is no different, and the business life cycle has a major impact on strategic planning. In the startup phase, banks are focused on getting their operations up and running (Kerzner, 2019). They are typically more concerned with short-term goals and are less likely to have a formal strategic plan. As banks enter the growth phase, they begin to expand their customer base and product offerings. They also start to develop longer-term goals and a more formal strategic plan. In the maturity phase, banks are focused on optimizing their operations and maximizing profits. They typically have a very well-defined strategic plan and are very focused on execution. Finally, in the decline phase, banks are focused on downsizing and cost-cutting. They may also have to exit certain markets or product areas (Eisenhardt, 2018).

According to Falshaw et al., (2016) the business life cycle has a major impact on the banking sector because the sector is so heavily regulated. In the early stages of the cycle, banks are often restricted in their ability to raise capital and expand. As banks enter the growth phase, they begin to face more competition from other banks and non-bank financial institutions. In the maturity phase, banks face increased regulation and scrutiny. In the decline phase, banks may be forced to sell assets or close branches (Garg, 2017).

The business life cycle has a major impact on strategic planning because the goals and objectives of banks change as they move through the cycle. In the startup phase, banks are focused on getting their operations up and running (D'Cruz, 2018). They are typically more concerned with short-term goals and are less likely to have a formal strategic plan. As banks enter the growth phase, they begin to expand their customer base and product offerings (Grant, 2018). They also start to develop longer-term goals and a more formal strategic plan. In the maturity phase, banks are focused on optimizing their operations and maximizing profits. They typically have a very well-defined strategic plan and are very focused on execution. Finally, in the decline phase, banks are focused on downsizing and cost-cutting. They may also have to exit certain markets or product areas (Gibbons et al., 2016).

A bank's business life cycle mirrors that of any other company. The process begins with the creation of a company idea, and is followed by its subsequent planning and development. When a bank enters its growth phase, it experiences a rise in both clientele and earnings. When a bank reaches this point, it has established itself in the market and is consistently generating revenue. When a bank enters its decline phase, it experiences a drop in business and earnings (Javidan, 2019).

Business life cycle has a significant impact on strategic planning. The strategic planning process must consider the business life cycle stage that a company is in and tailor the strategy accordingly (Khakee & Stromberg, 2018). The business life cycle consists of four stages: startup, growth, maturity, and decline. Each stage has its own set of challenges and opportunities that must be addressed in the strategic planning process. When a company is in the startup stage, the focus of the strategic plan should be on developing the business model and attracting customers. The goal should be to achieve profitability as quickly as possible. If a company is in the growth stage, the focus of the strategic plan should be on expanding the customer base and increasing sales and profits (Lorange, 2019).

According to Mendzela (2019) the goal should be to become the market leader. If a company is in the maturity stage, the focus of the strategic plan should be on maintaining market share and profitability. The goal should be to defend against competitors and stay relevant in the market. If a company is in the decline stage, the focus of the strategic plan should be on minimizing losses and maximizing cash flow. The goal should be to wind down the business in an orderly fashion (Mintzberg, 2017).

The business life cycle has a major impact on strategic planning. In the early stages of the business life cycle, businesses typically have a more innovative and entrepreneurial culture (Motwani, 2019). They are more likely to take risks and be less risk-averse. As businesses move into the growth stage, they tend to become more conservative and risk-averse. They are more focused on efficiency and profitability, and less focused on innovation. In the maturity stage, businesses tend to be even more risk-averse, and they are focused on maintaining their market share and profitability. In the decline stage, businesses are typically struggling to survive. They are often forced to make major changes, such as downsizing, restructuring, or even shutting down (Nixon, 2019).

The business life cycle has a major impact on the banking sector. In the early stages of the business life cycle, banks are typically more innovative and entrepreneurial. They are more likely to take risks and be less risk-averse. As banks move into the growth stage, they tend to become more conservative and risk-averse. They are more focused on efficiency and profitability, and less focused on innovation. In the maturity stage, banks tend to be even more risk-averse, and they are focused on maintaining their market share and profitability. In the decline stage, banks are typically struggling to survive. They are often forced to make major changes, such as downsizing, restructuring, or even shutting down (Abdel-Basset *et al.,* 2018).

In order to enter a period of rapid growth, the company must first achieve a state of equilibrium in its customer transactions, cash flow, access to raw materials, and production. Put your plans into action now. In this configuration, the company can not only maintain itself but thrive; there will be no shortage of cash and sales will rise. The founder may become conceited and forget the difficulties of early development under these circumstances. Given the complexity of the situation, the organization will have many competing priorities. All possibilities are explored by the manager.

It is crucial for business owners to have a thorough understanding of the many phases of development through which their companies pass in order to properly diagnose problems and prepare for the challenges that lie ahead as the company grows. Long-term planning can benefit from the use of life cycle models as a predictive tool (Scott & Bruce 1987; Barrie 1974). Plans and strategies are revised in light of management's growing familiarity with the issues, challenges, and problems inherent in each phase (Papke-Shields, et al., 2017).

Strategic Planning

Gould, Higgins, and Platonov (2018) concluded that the strategic plan's development had become one of the critical factors of success. Powell (2018) concludes that strategic planning is key to competitive advantage. Execution follows the formation stage of the strategic planning process. Planning, according to Khakee and Stromberg (2018), is best understood as "cyclical and continuous," as opposed to the commonly held belief that it should occur in a linear, sequential fashion with clearly delineated phases. According to this reading, the process's steps are dependent on one another but can be performed in any order, depending on the person's frame of mind and the information they bring to the table (Allison and Kaye, 2016). A process's ability to add value at any stage can affect its effectiveness at later stages. Some strategies need to be modified during strategy execution so that they are in line with the shifting conditions of the business environment, such as fluctuating interest rates and the demand for and supply of banking services (Cole, 2019).

Gibbons and O'Connor (2016) believe that most firms' planning and control systems are informal and inadequate. They are convinced that, at times, the firms lack control over the business environment, therefore, concentrating on fire-fighting rather than execution of the business plans.

According to Gatome (2019), strategic planning processes that the banks carry out to develop strategies that might contribute to performance led to planned development, growth, technology acquaintance, and having the right people in place (Davis, 2018). The study concluded that formulating the strategy is hard but implementing it is more challenging and requires total commitment.

Managing the creation and implementation of a company's strategic plan is an action-oriented, get-things-done endeavor with as its goal the direction and performance of the company's fundamental business activities. On the off chance that the organization meets or surpasses its key and monetary exhibition targets and shows great advancement toward accomplishing the executives' essential vision focused on productive and compelling help conveyance to its expected clients, the smart arrangement improvement interaction will have been considered a triumph by the organization's initiative (Buhalis & Zoge, 2017).

It goes without saying that buy-in and input from upper management are crucial to the success of any strategic planning process. The effectiveness of a more traditional strategy depends on this, though. While the topic of development remains methodologically underdeveloped, developers' analysis and approach have been widely celebrated (McGahan, 2021).

It is widely acknowledged, as Bloom (2000) points out, that the involvement and commitment of a wide range of stakeholders is critical to the creation of effective strategies and action plans, which in turn is essential to the maintenance of an organization's growth and success. Therefore, the three fundamental tenets of stakeholder analysis support such extensive participation from various stakeholders: The term "inclusive" means to "ensure inclusion of the full range of different stakeholders, including marginalized and vulnerable groups;" "relevant" means to "include only relevant stakeholders—those who have a significant stake in the process;" and "gender sensitive" means to "take into account the needs of both genders".

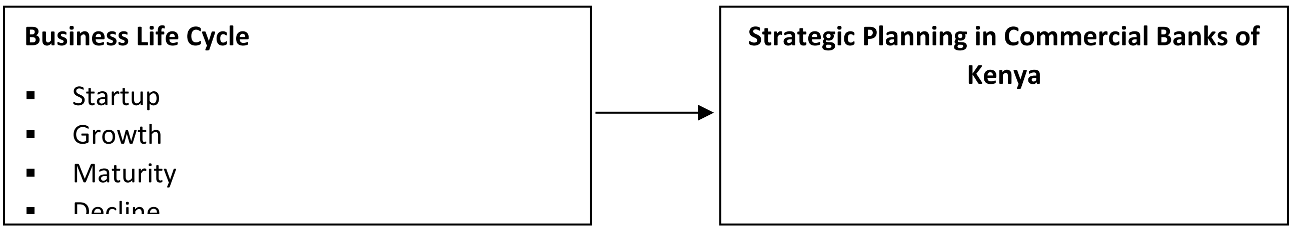
Using these guidelines, we can establish a system of classifications and identify the many types of interest groups that will be involved. People who need to be informed but who don't want to get involved in shaping policies and projects are called "listeners." There are also those who are merely watching the policy assessment process, but who could become involved if they suddenly find themselves without access to relevant information or if they are caught off guard by the results. Reviewers will keep a close eye on the grading process and look through any suggestions or materials that might be used. Advisors put in their own effort and are enthusiastic to participate. Because of the importance they place on this matter, the organization's strategy team needs to give it the same degree of attention and effort. Creators are so invested that they contribute to the development of choices. Maintaining such intensity of participation may be challenging. Stakeholders, or decision-makers, want to be included in the decision-making process so that they can have some say in the outcomes (Bolisani, & Bratianu, 2017).

Those in charge of the plan's execution must swear to keep their focus where it belongs and make any necessary changes only after giving careful consideration to how they will affect the whole. The company needs to strike a balance between tending to daily operations and developing new long-term strategies. The principal line of business that underlies previously formed business strategies is sometimes overlooked when a company focuses on developing new strategic plans, leading to development issues. According to Wolf and Floyd (2017), strategy equals doing what needs to be done. He went over four scenarios in which strategies were poorly executed: those with a defective strategy and poor execution, those with a sound strategy and poor execution, and those with a sound strategy and good execution. Only when both the strategy and its implementation are solid does the company stand a decent chance of success, barring the influence of other factors such as the environment and the competition. Additionally, he argues that one of the main issues contributing to failed strategy formulation is the execution of the wrong plan.

The first is inefficient top-level administration. b) an authoritarian, autocratic, or ad hoc approach to leadership Poor cooperation across departments and a lack of clarity in strategy and prioritization are also issues. In addition, D DeLisi's (2016) investigation uncovered various other causes for the unsuccessful implementation of strategies. Such things included: Employees have difficulty making concrete connections between the plan and their day-to-day work; senior management pays little attention to the plan; and important reinforcements, such as organizational culture, structure, processes, information technology, management, and human resources, are overlooked.

Business failure, according to a substantial body of research, is almost always the result of insufficient planning. According to Abusharekh et al. (2020), if a company doesn't have a well-defined strategy, it has no solid ground on which to build and sustain a competitive advantage. Vasilev (2017) argues that the presence of strategic planning within an organization increases the likelihood of its success. Further, they argue that a company can't sustainably gain or keep a competitive edge in the market without a well-defined strategy. Thus, improved performance can lead to greater corporate success, while strategic planning can facilitate the former. Empirical evidence is needed to back up such claims (Kabeyi, 2019).

Conceptual framework



Independent Variables

Dependent Variable

Figure 1: ***Conceptual Framework***

Source: Author (2018)

METHODOLOGY

The study employed a census design. The target population of the study consisted of all 42 operating commercial banks in Kenya, registered with the CBK. They comprise of 5 big banks, 15 medium banks and 22 small banks (CBK, 2015). This study used a data collection instrument to methodically and objectively gather information for the study (Orodho, 2019). After collecting the information, the data was coded such that the answers could be organized into distinct sets. Excel and SPSS (Statistical Package for the Social Sciences, version 24.0) were used for the primary computer-based data analysis technique

RESULTS

Business Life Cycle on Strategic Planning

The study sought to find out the effect of Business Life Cycle on strategic planning in commercial Banks of Kenya. The results are as shown in table 1.

Table 1: *Business Life Cycle on Strategic Planning*

Item	SD	D	N	A	SA
Our bank is experiencing limited resources to serve a growing customer demand.	1(1.1%)	0.0%	(4(4.4%)	12(13.3%)	73(81.1%)
Most of our sales are to existing customers	0.0%	0.0%	7(7.8%)	51(56.7%)	32(35.6%)
We are diversifying into other lines of products	4(4.4%)	0.0%	26(28.9%)	12(13.3%)	48(53.3%)
There is a need for our bank to acquire resources to extend our services to more customers	0.0%	0.0%	0.0%	22(24.4%)	59(65.6%)
We are innovating around our existing products	0.0%	9(10.0%)	0.0%	22(24.4%)	59(65.5)
It is about time we changed our business model	0.0%	0.0%	0.0%	33(36.7%)	57(63.3%)

Source: Field Data (2018)

A descriptive analysis results as shown in table 1 above showed that 94.4% of the respondents strongly agreed that their bank is experiencing limited resources to serve a growing customer demand, 4.4% of the respondents were neutral to the opinion while only 1.1% strongly disagreed with the pinion. 92.3% of the respondents strongly agreed that most of their sales are to existing customers while only 7.8% of the respondents were neural to the opinion. Most respondents 66.6% strongly agreed that they are diversifying into other lines of products, 28.9% of the respondents were neutral while only 4.4% of the respondents strongly disagreed with the statement. 20(54.1%) of the respondents also strongly agreed that there is a need for their bank to acquire resources to extend their services to more customers. Most of the respondents 89.9% strongly agreed with opinion that they are innovating around their existing products while only 10.0% were neutral to the opinion statement. Lastly, 100.0% were in agreement with the opinion that it is about time they changed their business model. This stud was supported by Falshaw et al., (2016) who revealed that the business life cycle has a major impact on the banking sector because the sector is so heavily regulated. In the early stages of the cycle, banks are often restricted in their ability to raise capital and expand. As banks enter the growth phase, they begin to face more competition from other banks and non-bank financial institutions.

Strategic Planning in the banking industry

The study sought to find out the Strategic Planning in commercial Banks of Kenya. The results were as shown in table 2.

Table 2: ***Strategic Planning in the Banking Industry***

Item	SD	D	N	A	SA
We thoroughly assess our internal business environment	1(1.1%)	0.0%	0.0%	3(3.3%)	86(95.6%)
We thoroughly assess our external business environment	0.0%	0.0%	0.0%	10(11.1%)	80(88.9%)
We develop strategies and action plans for each strategy	0.0%	8(8.9%)	8(8.9%)	34(37.8%)	40(44.4%)
When carrying out strategic planning, we perform internal environment analysis	0.0%	9(10.0%)	0.0%	21(23.3%)	60(66.7%)
We analyze opportunities in the market in which we operate when carrying out strategic planning	0.0%	0.0%	10(11.1%)	40(44.4%)	40(44.4%)
We take into account the threats that face our business when developing our strategic plan.	0.0%	0.0%	18(20.0%)	22(24.4%)	50(55.6%)

Source: Field data (2018)

A descriptive analysis finding as shown in table 2 above showed that 98.9% of the respondents strongly agreed that they thoroughly assess their internal business environment while only 1.1% of the respondents were neutral to the opinion. Most of the respondents 100.0% strongly agreed that they thoroughly assess their external business environment. Most respondents 82.2% also strongly agreed that they develop strategies and action plans for each strategy, 8.9% of them were in disagreed, similarly, 8.9% were neutral to the opinion statement. 90.0% of the respondents agreed that when carrying out strategic planning, they always perform internal environment analysis while only 10.0% were disagree to the opinion. 88.8% of the respondents further agreed that they always analyse opportunities in the market in which they operate when carrying out strategic planning while only 11.1% were neutral to the opinion. Lastly, most respondents 80.0% strongly agreed that they take into account the threats that face their business when developing their strategic plan. The findings were in line with Gatome (2019) that strategic planning processes that the banks carry out to develop strategies that might contribute to performance led to planned development, growth, technology acquaintance, and having the right people in place.

Hypothesis Testing

H_O: Business life cycle has no significant on strategic planning in commercial Banks of Kenya

The study sought to investigate the influence of business life cycle towards strategic planning in commercial Banks of Kenya. The results showed that there was a strong significant positive relationship between business life cycle and strategic planning in commercial Banks of Kenya. Thus, hypothesis which states that business life cycle does not have significant influence on strategic planning in commercial Banks of Kenya.was rejected and the alternative that states that business life cycle has significant influence on strategic planning in commercial Banks of Kenya was accepted.

CONCLUSION AND RECOMMENDATION

The study wanted to see how much of an impact the company life cycle has on strategic planning at Kenya's commercial banks. A favorable and statistically significant correlation was found between the stages of the company life cycle and the use of strategic planning by Kenya's commercial banks. Business life cycle and strategic planning in Kenya's commercial banks were found to have a positive, statistically significant relationship in a multiple regression analysis. Keeping all else equal, this suggests that a one-unit increase in knowledge of the company life cycle leads to a 0.183-unit increase in strategic planning at Kenya's commercial banks. Since all of these P-values are smaller than.05, the ANOVA results show that company life cycle is a significant factor in determining strategic planning at Kenya's commercial banks.

The study sought to evaluate the influence of the business life cycle on strategic planning in commercial Banks of Kenya. The study found a positive and significant relationship between business life cycle and strategic planning in commercial Banks of Kenya. The study therefore concluded that some commercial banks are experiencing limited resources to serve a growing customer demand. It also concluded that that most of their sales are to existing customers. The study also concluded that commercial banks of Kenya are diversifying into other lines of products. It further concluded that there is a need for commercial banks to acquire resources to extend their services to more customers. Lastly, the study concluded that banks are innovating around their existing products.

Areas of Further Research

The focus of this study was on assessment of the business life cycle in banking industry with focus on commercial banks of Kenya in Nairobi County, rather than the entire financial sectors in the country. As a result, the study suggested that more studies be done on the on assessment of the factors influencing strategic planning in the financial sectors in the country.

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