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INFLUENCE OF STRATEGIC LEADERSHIP ON COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA, A CASE STUDY OF NATIONAL BANK OF KENYA

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ABSTRACT

The financial sector of Kenya plays a critical role as an intermediary for money transfers, which is crucial for managing the stability of the economy. A study was conducted to investigate the influence of strategic change management practices on the competitive advantage of commercial banks in Kenya, with a specific focus on the National Bank of Kenya. The study was anchored in the Strategic Leadership theory and Resource-Based Theory. A descriptive research design was adopted for the study, and the target population included operations managers, retail banking managers, and administration managers of 40 commercial banks in Kenya. Instead of sampling, a census approach was used to collect data from the entire population. A questionnaire was used to collect primary data, which was then analyzed using the Statistical Package for Social Sciences (SPSS 24). Descriptive and inferential statistics were used for data analysis. There was a strong positive significant relationship between strategic leadership and competitive advantage. The findings of the study revealed that most of the management in the commercial banks had not developed a clear vision for the organization, and lacked commitment towards achieving the vision. For those that had developed a vision, it was not effectively communicated to the employees. Transparency in the organization was also lacking, and the leadership did not effectively influence employees to embrace the vision. The study recommends that the management should develop a vision that the organization will adopt.

Keywords: *Strategic Leadership, Competitive Advantage, Commercial Banks*

INTRODUCTION

The current state of the business climate may be summed up in four words: volatile, uncertain, complex, and ambiguous (VUCA). In such a setting, the capacity to detect market possibilities and dangers and react to them quickly and with an element of surprise is very necessary for the continued existence of businesses (Huang, Ouyang, Pan & Chou, 2012). In this unstable market, competition is driving demand and supply to change more quickly, broadly, and often than they used to. This is in contrast to how things used to be. For businesses to continue to be successful in this environment, they need to be nimble, have the ability to detect shifts in the market, and react to those shifts in a timely and seamless manner. To do this, businesses need to implement more effective change management techniques, which will enable them to recognize and react to opportunities and threats with the same ease, quickness, and dexterity.

Both people and organizations are subject to the inevitability of change throughout their lifetimes. Berry and Green (2016) suggested that a large number of businesses are often confronted with obstacles that need them to modify or change. The process of managing change has to be adaptable as a direct result of the high level of dynamics inherent in the change itself. According to Wheelen, Hunger, Hoffman, and Bamford (2017), change management requires careful preparation and execution, as well as engagement with, and participation from, the individuals who will be impacted by the changes.

It refers to the process, tools, and tactics that are used to manage the people side of business change in order to actualize that change successfully within the social infrastructure of the workplace and accomplish the needed business goals. According to the hypothesis of Berry and Green (2016), change management is the fundamental process through which modern firms deliver their plan and stay competitive. According to Hayes (2018), projects and activities related to change management have been conducted under a variety of different banners in the past, including total quality management, reengineering, right sizing, IT adoption, restructuring, cultural change, capacity development, and turnaround. Management of change refers to the planned and coordinated measures that are conducted in order to alter an organization so that it can more effectively face environmental problems and accomplish its goals.

Cameron and Green (2015) argued that although change management practices can vary, some of the most common practices include timely communication of the intended changes to stakeholders to ensure that their needs are catered for. They also believed that for change to be beneficial and effective, it should be well-managed and take into account the cultural features of the environment in which it is implemented. A change should also be linked with both the culture and the strategy of the organization and should not be undertaken in isolation from any of these factors. On the other side, Hayes (2018) suggested that change management strategies include management of leadership, management of resistance, emotional intelligence, communication, culture management, coaching, performance management, training, and management of stakeholders.

According to Berry and Green (2016), who studied the UK's local government, changes in the organization's structure are the most influential element in the difficulty of implementing new strategies for managing change. Normal organizational frameworks have a significant impact on the method of change management implementation. According to research by Hanif, Kamran, Hanif, and Shao (2018), the Chinese public administration's structure has remained essentially bureaucratic, based on standardized procedures for coordination and control, despite massive investments in technology. This was discovered at the point of e-government implementation into the Chinese public administration. Because of this, change management initiatives stalled badly. Changing the organizational structure to one with more decentralization and less formalization is the greatest obstacle to successful implementation.

Kundu and Mor (2016) argued that in Indian firms, earlier implementation of change management practices in the Information technology sector experienced great failures. Kundu and Mor (2016) argued that the implementation of change management practices was quite hard and complex, but ultimately some cases of successful change management existed afterwards. In an attempt to implement change management practices in the government institutions of Brunei (A country in south-east of Asia), Seyal (2015) analyzed the firms in Brunei state and established that lack of a clear change management strategy regarding changes in technology, policy, culture, mindset, organizational structure and process affected the implementation of change management strategies.

Some of the factors that have contributed to the transformation of South African institutions include the effects of globalization, the country's aging population, and the lack of skilled employees and the surplus of unskilled laborers. In addition, globalization has contributed to an increase in the average age of the population, which has contributed to an increase in the number of elderly people (Du Toit, 2016). The organizations however have well-established change management strategies established after a thorough PEST analysis (Political, Economic, Social and Technological) environmental analysis. Kumah, Ankomah, and Antwi (2016) made the case that the majority of public organizations in Ghana reject change, and they connected the reasons for resistance to fear of the unknown, a lack of knowledge, the danger to status, the fear of failure, and a lack of perceived advantages.

There has been a significant increase in the speed of technological advancement in Kenya's banking sector during the last several years (Gitonga, 2012). In addition to this, the industry must struggle with new rules and problems brought about as a direct result of the global financial crisis (Nyangosi, 2011). The advancement of technology, an increase in the level of customer awareness, an increase in the volume of information that is available, new regulatory requirements, and the liberalization of the global economy have all contributed to the creation of an environment in which all organizations can compete on an equal playing field. Because of this, gaining a durable competitive edge for any firm has become much more challenging (De Groote, 2011). In response to these shifts, a number of studies, such as Aburub (2015), have proposed that firms should use change management approaches as an advanced competitive strategy.

Strategic leadership has its roots on successes of the military warfare who link it directly with their emphasis on educating their generals before they become Strategic Leaders of their platoons before the go to any war. When it comes to defining leadership, and especially when it comes to applying strategic leadership theories into the day-to-day life of organizations, things become much more complicated than they were in the past. This is especially true when it comes to the application of these theories into the day-to-day life of organizations. In spite of this, leadership as a research idea has shown to be rather helpful over the course of the last several decades. If we then integrate what we know about leadership with what we know about strategy as separate concepts, we can define strategic leadership as "the talent of persuading others to conduct actions that are different from others in order to attain objectives designated as being for the general good." It is the capacity of an organization's senior management to foresee, visualize, and preserve flexibility, as well as the ability of its people to be empowered, that enables the business to generate a strategic opportunity and a sustainable future (Kasomi, 2015).

Problem Statement

A quicker rate of change is being experienced by the commercial banks that are now functioning in Kenya. The industry is now distinguished by the sophistication of its customers, stringent regulation and supervision, the advancement of technology, the liberalization of banking licenses, which has led to rapid internationalization, and the challenges in performance posed by financial institutions that are unable to cope (Obonyo & Kerongo, 2015). In more recent times, there has been an amendment made to the Banking Act in reference to the limiting of interest rates. The inability of commercial banks to properly adapt to the new regulatory environment has resulted in a significant decline in the industry's overall performance.

According to the report on the stability of the banking system that was published by the Central Bank of Kenya in 2018, there was a 47.5% rise in the value of gross non-performing loans (loan defaults) in the banking industry in the year 2017. The quality of the assets, as assessed by the percentage of net non-performing loans to gross loans, went from 2.6% in March 2016 to 4.3% in March 2017, representing a significant decline. In addition, in contrast to the year 2015, when the banking sector reported an increase in profits before tax of 15%, in 2017 there was only a 2.9% increase in profits, which was neutralized by a 21.2% increase in total expenses. Furthermore, in 2015, the banking sector recorded an increase in profits before tax of 15%. (Central Bank of Kenya Banking Sector Stability Report, 2018). According to the research, the banking industry in Kenya was impacted by the change in regulatory requirements, which resulted in an increase in the amount of money charged for bad debts from Ksh. 3.8 billion in March 2015 to Ksh. 8.4 billion in March 2017. In light of the fact that three commercial banks have failed in the past five years - namely, the Chase bank, the Dubai bank, and Imperial banks (Central Bank of Kenya Report, 2018) - it is possible that it is necessary to reevaluate how to compete and gain a competitive advantage in this industry by adopting to strategic change management practices. According to Nyangosi's argument, for commercial banks to be able to adapt and operate more effectively, they could need more flexibility and improved methods of strategic change management (2011).

In addition to this, the research hopes to close any information gaps that may have been left by earlier investigations into the subject. The studies conducted by Kibwana (2012), which looked at change management practices focused on the public sector, specifically the local authorities in the Coast Province of Kenya, Kiilu (2012), which looked at change management in the judiciary of Kenya, and Marangu (2012), which looked at employee perception on the change management practices and performance at Kenya Power and Lighting Company Limited, all presented contextual knowledge gaps. Kibwana (2012), Kiilu (2012), and Marangu (2012) all looked at change management in Kenya. This research concentrated on a subject that was unrelated to the banking sector.

Objectives

To determine the influence of strategic leadership on competitive advantage of commercial banks in Kenya, a case study of the National Bank of Kenya.

LITERATURE REVIEW

Resource Based Theory

According to the Resource Based Theory (RBT), the resources that a company has are hypothesized to have a major effect on the company's overall success (Wernerfelt, 1984; Penrose, 1959). Its imputed logic is that for an organization to be at the cutting edge and sustain it over time it must acquire poses and control resources which are valuable, rare, inimitable, and non-substitutable (VRIN). (Helfat, & Winter, 2007). This theory anchored the interphase between organizational it adoption and competitive edge. According to the theory, mere possession of resources of different forms and element is not a necessary condition for organisational competitiveness. What does make firms profitable is the competent, efficient and effective application of firm’s resources. On the same note, as firms enjoy the benefits of resources, they should make well-informed allocative decisions so as to improve their performance and to enhance competitive advantage. As already pointed out resources for most manufacturing firms are categorised into tangible and intangible. The former comprises of equipment, finance and land while technology, brand, culture form intangible resources of a firm. Besides these two, the human factor is another important resource and includes skills and motivation to work.

Stakeholder Theory

According to stakeholder theory, an organization is a collection of individuals with vested interests. According to this philosophy, a company's main goal should be to maximize value for all of its stakeholders (Freedman, 2004). In this view, corporate leaders play the role of agents tasked with maximizing value for the company's many constituencies and ensuring the company's continued existence for the sake of protecting the long-term interests of all parties involved (Freeman, 1984).

Empirical Literature

The conduct, attitudes, and talents of senior managers that are utilized to influence others towards the attainment of organizational strategy are collectively referred to as strategic leadership (Arasa & K'Obonyo, 2012). Both the human and capital resources owned by an organization are core competencies and significant contributors to achieving competitive advantage from the resource-based view (Barney, 1991).

The study of strategic leadership as an antecedent of corporate sustainability/ competitive advantage focuses on the small group of executives at the apex of the organization with overall responsibility (Finkelstein et al. 2009). Strategic leadership is "one of the primary drivers of good strategy execution," and its absence is "one of the main impediments to effective strategy execution," to quote Kaplan and Norton (2004). (Beer & Eisenstat 2000). Fundamentals for 21st-century organizational competitiveness are seen to be strategic leadership and organizational inventiveness (Elenkov et al., 2005).

Strategic leadership entails delegating authority to lower-level employees and preparing businesses to adapt to the ever-increasing volatility of today's interconnected, globally-integrated corporate landscape (Huey, 1994). It necessitates multidimensional information processing and a firm's capability to combine its internal operations with those of its external marketplace. Hitt et altheory .'s of strategic leadership is qualified by a number of observable behaviors and characteristics (2007). Some characteristics that aid in the successful implementation of a plan. Include, but are not limited to, determining a long-term course of action, creating baseline internal controls, maximizing efficiency with limited resources, and drawing on established best practices.

Mckinney, Barker, Smith, & Davis (2004) state that communication is as vital to the success of any organization as blood flow is to the body of a human being. This is because an effective network of change and development is ensured by the coordination of production aspects, most especially the material and human parts of the organization (Akam, 2011). Managers are expected to spend more than 80% of their working hours engaging in some kind of interpersonal communication. Since planning, organizing, leading, and regulating cannot be done without it, good communication is essential for every manager (Banihashemi, 2011).

METHODOLOGY

The study used a descriptive cross-sectional research approach. The target population for the study comprised of 158 National Bank management staff at the headquarters. A census was conducted on the entire target population. A questionnaire was used to gather primary data from the respondents. To identify and address any issues with the research instruments, a pilot study is conducted prior to the actual study. A pilot study was conducted on a sample of 10% of the target population, which involved four commercial banks. The main objective of the pilot study was to test the reliability and validity of the research instrument used in the study. After collecting the data, it was keyed into excel sheet and checked for completeness and accuracy. The information was subsequently analyzed using SPSS version 24, the Statistical Package for the Social Sciences. Data was analyzed using both descriptive and inferential statistics to obtain a snapshot of how participants felt about the research overall. Descriptive data like as frequency distribution, mean scores, and coefficients of variation were used to rank responses (CVs). Pearson's product-moment coefficient of correction was used to assess the significance and direction of the aforementioned relationship (R).

FINDINGS AND DISCUSSIONS

Influence of Strategic Leadership on Competitive Advantage

The objective was to determine the influence of strategic leadership on the competitive advantage of commercial banks in Kenya. The study found out that the management has developed a vision that the organization adopts (M = 1.6754, SD = 1.07667) and is committed to the accomplishment of the organization's vision(M = 2.7719, SD = 1.32395). On the other hand, the vision of the organization is communicated by the management (M = 2.6930, SD = 1.23466). The study also found out that the top management champions the organization towards the achievement of its goals (M = 3.0614, SD = 1.27803). The management embodies transparency in the organization (M = 3.7982, SD =1.09851). The management has paled a great role in influencing the employees in embracing the organization's vision (M = 2.6930, SD = 1.75049). The leadership supports the division of labour in the organization (M = 3.8070, SD = 1.33620).

Table 1: Influence of Strategic Leadership

	N	Min	Max	Mean	Std. Dev
The management developed vision that the organization adopts	114	1.00	5.00	1.6754	1.07667
The management is committed to the accomplishment of vision	114	1.00	5.00	2.7719	1.32395
The vision is clearly communicated by the management	114	1.00	5.00	2.6930	1.23466
Top management champions organization to achievement of goals	114	1.00	5.00	3.0614	1.27803
The management embodies transparency in the organization	114	1.00	5.00	3.7982	1.09851
Management has great role influencing employee in embrace vision	114	1.00	5.00	2.6930	1.75049
Leadership supports the division of labour in the organization	114	1.00	5.00	3.8070	1.33620

Source: Filed Data (2022)

Correlations

The study performed a Pearson correlation to assess the relationship between strategic leadership and competitive advantage of commercial banks in Kenya. The study found out that the correction between strategic leadership and competitive advantage was strong and significant. (r=0.731, p value=0.003).

Table 2: Correlations

		Competitive advantage
Strategic leadership	Pearson Correlation	.731
	Sig. (2-tailed)	.003
	N	114

Source: Filed Data (2022)

Conclusions

There was a strong positive significant relationship between strategic leadership and competitive advantage. Most of the management has not developed vision for the organization to adopt, and it's not committed to the accomplishment of vision. For those how have developed, the vision is not clearly communicated. That the management has not embodied a transparency in the organization and theirs great role do not influence employee in embrace vision and also the leadership dose not supports the division of labour in the organization.

Recommendations

That the management should develop vision that the organization will adopts and its should be committed to the accomplishment of vision. The management should have a clearly communicated vision also the top management should champion the organization to achievement its goals and have transparency. Also, the leadership should support the division of labor in the organization.

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