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Organizational Strategic Change and Performance of NCBA Bank in Mombasa County, Kenya

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Abstract

Kenya's banking sector has contributed significantly to the growth and development of the economy. However, there has been a steady decline in banks' financial results as reflected in their profit margins. As a result, the goal of this research is to see how organizational strategic change affects NCBA performance in Mombasa County, Kenya. The study employed a descriptive research design targeting 11 branches of NCBA bank in Mombasa County. The unit of observation included managers from the following departments: human resources, marketing, finance, operations, and information technology. Given the small size of the target population, a census of all 11 branches of NCBA bank in Mombasa County was conducted. Correlation analysis was used to determine the relationship between variables. Results indicated that organizational strategic change had a positive and substantial association with the performance of NCBA banks (r=0.699, p=0.000). The study concluded that strategic changes and the performance of NCBA banks were positively and substantially related. The study recommended that banks implement strategic reforms to improve their performance. Bank managers should adopt proper strategies for implementing change as well as make their employees aware of the changes.

Keywords: *Organizational strategic change, organizational performance, NCBA Bank*

1.0 Introduction

Organizational performance assesses how well a business achieves its goals (Arnold, 2014). Essentially, it entails comparing the efficiency, performance, correctness, completeness, cost, and speed of an operation to specified standards. Bourne, Melnyk, Faull, Franco, Kennerley, and Micheli (2015) observed that organizational performance refers to the organization's actual results, outcomes, or accomplishments as compared to its planned outcomes.

Being different is the process of change. Change may be planned and anticipated by the organization's management, or it may occur beyond the organization's control. According to Karanja (2015), change can affect an organization's strategies for accomplishing its goals as well as how those strategies are implemented, the jobs and responsibilities of the people working there, and the relationships among them. In addition, increased competition, operational costs, and innovativeness has caused most organizations to accept change since they have come to realize that if they do not accept change, they will perish.

For an organization to be successful whether public or private, it must embrace the concept of change management or face extinction. Due to the continually changing environment in which organizations operate, Yang et al. (2011) observed that organizational change entails examining and adapting management structures and business processes. Companies are affected by these developments as they strive for maximum efficiency. According to Vemeulen et al. (2012), well-intentioned organizational transformation helps to ensure the organization's long-term viability. This can lead to increased competitiveness, financial success, and customer and staff satisfaction, among other benefits.

To address the constantly changing needs of both internal and external consumers while also increasing organizational efficiency, Nyandoro (2015) claims that the change management process entails continuously updating the organization's direction, structure, and talents. Strategic changes in the creation of high-quality products and services, optimal strategy, introduction of cutting-edge technology, and availability of appropriate systems are all essential sources of competitive advantage and organizational success, according to organizational managers. for the organization's human resource acquisition and management (Kotter, 2017).

Therefore, the failure of the organization to accept and respond to changes has an impact on the work of the organization. According to Makri and Scandura (2010), failing to respond to change can result in a loss of market share to competitors, a deterioration of shareholder support, a loss of staff, and possibly several deaths. Organizations must learn to deal with change in an increasingly turbulent and harsh competitive environment. Executives must prepare properly and find a balance between minimizing employee opposition and company costs during the change management process to maximize efforts to influence change (Makri & Scandura, 2010).

Due to their creditworthiness, Pakistan's financial institutions have contributed to global economic advancement in recent decades. Consumers are encouraged to borrow more, resulting in greater costs, while businesses are encouraged to borrow and invest more through bank loans, according to Yasir (Saeed, Ramzan, & Hamid, 2018). The banking sector, which makes up 95 percent of Pakistan's financial sector, has aided the country's favorable economic growth (Aurangzeb, 2012). Innovation, investment banking, and credit schemes are thought to play a significant role in the development of the national economy.

At the regional level, South African banks tend to be in good capital and liquidity positions, which are closely linked to their risk and conservative governance. Although the banking sector in the region is very diverse, some issues have crossed boundaries in recent years. First, the weakening of public finances in some countries puts pressure on the sector as banks have to finance budget deficits, sometimes at the expense of lending to the private sector. Second, slow economic growth has increased the number of non-performing loans in the majority of markets. Third, increasing banking supervision and regulation. Fourth, concerns about anti-money laundering and countering terrorist financing have led to a decline in international correspondence, which has limited the region's access to the international financial system. It is easier for large companies to manage credit and for small companies, the difference is especially noticeable in Lesotho, Malawi, Namibia, and Zambia. Credit constraints are weakly related to financial sector development, as countries such as Botswana, Mauritius, and South Africa have a lower proportion of firms with limited creditworthiness (European Investment Bank, 2020).

The Kenya Bankers Association (2020) report on the state of the banking sector shows that total assets continue to grow, albeit slightly; Growth of 9.2% at the end of 2019. The rise in loans to the private sector was the main driver of the expansion, while it was still much below the double-digit levels seen previous to 2017. Non-performing loans remained higher, with the percentage of gross loans still higher in the double digits. At the end of 2019, the share of non-performing loans in gross loans was 12.6%, a near-constant rate from 12.7% in 2018. This reflects the fact that the volume of non-performing loans was suppressed at a time when credit growth was being suppressed. The report also notes that bank earnings have remained broadly flat since 2018, with the growth rate increasing slightly to 5.2% in 2019 compared to 4.8% in 2018.

Problem Statement

The banking segment in Kenya has made a substantial contribution to the country's economic growth and development. However, there has been a steady decline in banks' financial results as reflected in their profit margins. Commercial banks' profit margins stood at 21.99 percent in 2012, a drop from 23.10 percent in 2011. Profit margins also declined from 20.94percent in 2013 to 20.88 percent in 2014 and further declined to 17.39 percent in 2015. The situation was worsened by the introduction of interest rate capping in 2016, where commercial banks recorded a 2.3 percent profit margin (CBK, 2016). Before the merger, NIC and CBA reported a ROA of 3.1 and 3.4 percent respectively. After the merger, which happened on October 2019, NBCA reported a ROA of 2 percent as of December 2019. Further, the bank reported a ROA of 1.4 percent in December 2020, which is an indication of a decline in NCBA profitability following the merger. The drop in profitability indicates that there is a crisis in the banking business, particularly at NCBA (CBK, 2020).

In situations where organizations operate when changes in technology, markets, information systems, the global economy, social values, workforce demographics, and political climate occur, change management is widely used. Organizations are compelled to develop practices to manage strategic changes such as mergers and acquisitions, adjusting to new technology, restructuring, and a focus on downsizing to remain competitive in the long run. This helps them to achieve better performance (Murimi, 2020).

Organizational change and its effectiveness have been studied in the past. The performance of the Kenyan Commercial Bank Group's strategic change management approaches is examined by Wambui (2014). The results of this research suggest that strategic change management approaches and bank performance are linked. This study, on the other hand, concentrates on the Kenya Commercial Bank Group, whereas the current study concentrated on NCBA Bank. Nyandoro (2015) investigates Kenyan commercial banks' change management approaches and performance. Corporate governance, strategic planning, dedicated leadership, and stakeholder communication all have an impact on commercial bank performance. The study, however, had a different focus from the current one. The impact of organizational reform on the operation of the Kenyan judiciary is examined by Gitia (2018). According to the findings, the organizational transformation had a good and considerable impact on the Kenyan judiciary's operations. The research focused on the judiciary and not commercial banking. The current study investigated organizational strategic change and NCBA performance in Mombasa County, Kenya.

2.0 Literature Review

Theoretical Review

Kotter's change management theory was developed by Kotter (1996) and provides an eight-step method for bringing about big change and is currently one of the most extensively used change management models. Strategic initiatives, according to Cotter, are concentrated and coordinated activities that, if conceived and done swiftly and well enough, can help you realize your vision. This initiative is characterized by communicative, aspirational, creative, pictorial, flexible, achievable, imaginary, and simple characteristics (Pollack & Pollack, 2015).

Assembling a governing coalition, defining a vision and plan, articulating the goal for change, enabling wide change, producing short-term profits, concentrating profits and enacting greater change, and establishing innovative cultural paradigms are among the steps listed by Kotter (Kotter, 1996). Large-scale change can only occur when many employees gather around the same opportunities and move in the same direction (Pfeifer, Schmitt & Voigt, 2005). By removing barriers like inefficient processes and age-old norms, leaders give employees the freedom they need to work across boundaries and make a real impact. Wins are the main factors that influence results and must be gathered, organized, and presented (early, frequently, and clearly) to monitor progress and spur the desire for change. To ensure that a new behavior is repeated over time, leaders need to define and communicate the relationship between that behavior and organizational success (Rajan & Ganesan, 2017).

It should be noted that several ways in which processes are labeled, such as heavy emphasis on leadership (Pillay et al., 2012) and a top-down view of change (Choi et al., 2011). Cotter's approach is also described as focusing on organizational culture and a typical pattern of change in the private sector. Therefore, this theory can be applied in the current context as it informs leadership positions in directing and directing the change process. In this way, it supports the relationship between strategic change and organizational output.

Empirical Review

Murimi (2020) investigated the success of banks in Kenya and the effects of strategic change management approaches. According to the report, the bank has implemented strategic technological practices such as the methodical integration of both banks into the unified NCBA banking system to secure long-term operations. Moreover, the results show that the training culture consists of using the strengths of the employees of both banks for jobs, services, and acceptance of new brands in the market. Likewise, communication is an important factor between management and employees to ensure horizontal and vertical unity. As a result, strategic change management strategies have been discovered to have a favorable impact on organizational performance. However, by relying solely on interview instructions, the study exposes a methodological flaw. Interviews have the drawback of delivering skewed results. The current study aimed to close the gap by establishing objectivity using questionnaires.

Mutisya (2016) looked into the link between strategic shifts and organizational performance in Kenyan marine firms. The study employed a cross-sectional approach to target 38 registered shipping companies. Planned changes, developmental changes, incremental changes, and transformative changes are the four types of strategic changes in shipping businesses, according to the study, and there is a connection between organizational performance and strategic change. This shows that there is a statistically proven link between successful organizational change and strategic change. However, the study only focused on the case study of shipping firms in Kenya with little focus on the banking sector specifically the NCBA bank in Mombasa County.

Mngoda (2019) established the impact of strategic change on firm performance. To obtain primary data, the survey used a descriptive survey approach, which included questionnaires and interview plans. Data analysis and interpretation were based on descriptive statistics and statistical inference, especially multilinear regression and factor analysis. The results show that managing strategic change in organizations is statistically significant in predicting organizational effectiveness only when leadership supports them, stakeholders are involved, and only when senior management is committed to change. Therefore, strategic change management explains any differences in the performance of many organizations. However, the study only focused on the case of Nzoia Sugar Company in Kenya. The findings, however, have little focus on the banking sector specifically the NCBA bank in Mombasa County.

Hussein (2018) looks into how Telkom Kenya Limited's performance is affected by strategic change management techniques. According to a descriptive survey of 3 executives, 9 middle-level employees, and 30 lower-level employees with a 20% representation, strategic alliances have a significant impact on organizational effectiveness (out of 207 employees in the company). According to the report, strategic relationships are a crucial factor in organizational effectiveness. Furthermore, the findings show that reengineering products and services have a considerable impact on organizational effectiveness. This demonstrates that product/service reengineering and organizational training culture have a major impact on productivity.

3.0 Methodology

The study employed descriptive research design targeting 11 branches of NCBA bank in Mombasa County. The unit of observation included managers from the following departments: human resources, marketing, finance, operations, and information technology. Given the small size of the target population, a census of all 11 branches of NCBA bank in Mombasa County was conducted. Correlation analysis was used to determine the relationship between variables. Results and Discussion

4.0 Results and Discussion

Descriptive Statistics of Strategic Changes

The study sought to establish the impact of strategic change on the performance of the NCBA Bank in Mombasa County. The data was collected from the respondents who were requested to indicate their levels of agreement with various strategic change statements, using a five-point Likert scale. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree and 3 was indicated as neutral.

Table 1: Strategic Change

Statements	1	2	3	4	4	M	SD
The bank has adopted business reengineering practices	3 (6.7%)	7 (15.6%)	6 (13.3%)	10 (22.2%)	19 (42.2%)	3.78	1.33
The bank has a good system in place for adopting change.	4 (8.9%)	6 (13.3%)	1 (2.2%)	10 (22.2%)	24 (53.3%)	3.98	1.39
Employees are permitted to progressively accept change	3 (6.7%)	5 (11.1%)	4 (8.9%)	10 (22.2%)	23 (51.1%)	4.00	1.30
The bank has promoted staff collaboration.	2 (4.4%)	5 (11.1%)	4 (8.9%)	8 (17.8%)	26 (57.8%)	4.13	1.24
The bank has created guidelines	2 (4.4%)	5 (11.1%)	4 (8.9%)	16 (35.6%)	18 (40%)	3.96	1.17

and practices for dealing with change.							
The bank leadership always communicates change initiatives	4 (8.9%)	4 (8.9%)	2 (4.4%)	12 (26.7%)	23 (51.1%)	4.02	1.32

Of the participants, 29 (64.4%) agreed that their bank had implemented business reengineering practices (m= 3.78, SD = 1.33). This suggested that most banks had business reengineering practices that enhanced their performance. The study findings agreed with Hussein (2018) who demonstrated that product/service reengineering has a major impact on productivity.

Of the respondents, 34 (75.5%) agree that there is an appropriate mechanism for implementing changes in the bank (m = 3.98, SD = 1.39). This suggested that most NCBA had good strategies for implementing change in the organization. The study's findings supported Mutisya's (2016) findings that statistically speaking, there is a direct and positive correlation between strategic change and organizational performance.

The respondents, 33 (73.3%) agreed that employees are allowed to accept changes gradually (m= 4.00, SD = 1.30). This implied that managers of the NCBA bank were skilled and thus allowed their employees to adopt changes gradually. The study findings agreed with Murimi (2020) who indicated that strategic change management strategies had a favorable impact on performance.

Moreover, the results showed that the majority of respondents 34 (75.6%) agreed that their bank had introduced teamwork among employees (m= 4.13, SD = 1.24). This implied that most banks had encouraged their employees to work as a team which enhanced their performance. Results show that the majority of respondents 34 (75.6%) agree that their bank has developed policies and procedures to manage change (m= 3.96, sd = 1.17). This implied that NCBA managers had come up with a good system that could allow change easily. These results were in line with those of Mngoda (2019), who discovered that well-structured policies and procedures for change are necessary for organizational change.

The participants 33 (77.8%) agreed that their bank management always communicated change initiatives (mean = 4.02, std. dev = 1.32). This infers that the NCBA managers had a good communication system with the employees and thus they could communicate any change initiative. These findings agreed with Murimi (2020) who indicates that communication was an important factor between management and employees to ensure horizontal and vertical unity.

The respondents were further asked to describe the strategic change that had happened in their organization. The respondents indicated that their banks had improved the decision-making process by involving employees in key decision-making in the organization. These findings agreed with Kim and Rhee (2017) who indicated that the decision-making process enhanced organizational performance.

Descriptive Statistics of Performance

The study’s outcome variable was the performance of the NCBA Bank in Mombasa County. The participants were requested to indicate their levels of agreement with various performance statements, using a five-point Likert scale. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree and 3 was indicated as neutral.

Table 2: Performance

Statement	1	2	3	4	5	M	SD
The bank has increased its profitability	3 (6.7%)	7 (15.6%)	1 (2.2%)	10 (22.2%)	24 (53.3%)	4.00	1.35
There is an increase in employee productivity in the bank	3 (6.7%)	5 (11.1%)	2 (4.4%)	9 (20%)	26 (57.8%)	4.11	1.30
The number of consumers at the bank has increased.	3 (6.7%)	5 (11.1%)	2 (4.4%)	11 (24.4%)	24 (53.3%)	4.07	1.29
The bank has increased the volume of operations	3 (6.7%)	2 (4.4%)	2 (4.4%)	19 (42.2%)	19 (42.2%)	4.09	1.12
There is an improvement in service delivery to customers	4 (8.9%)	6 (13.3%)	2 (4.4%)	14 (31.1%)	19 (42.2%)	3.84	1.35
The bank has achieved a competitive advantage over its rivals in the market	4 (8.9%)	5 (11.1%)	2 (4.4%)	13 (28.9%)	21 (46.7%)	3.93	1.34

The results showed that the majority of respondents 34 (75.5%) agreed that their bank had increased profitability (m = 4.00, SD = 1.35). This suggested that most NCBA branches in Mombasa county were recording an increase in profits. These findings agreed with Ngui (2021) who indicated that most banks such as NCBA were recording increasing profits in the last 5 years.

Additional results showed that the majority of respondents 35 (77.8%) agreed that the productivity of bank employees increased (m= 4.11, SD = 1.30). This suggested that most NCBA branches in Mombasa county were recording an increase in employee productivity. Of the participants, 35 (77.8%) agreed that their bank had an increasing number of customers in the bank (mean = 4.07, std. dev = 1.29). This suggested that most NCBA branches in Mombasa county were recording an increase in several customers. These findings agreed with Ngui (2021) who indicated that most banks such as NCBA were recording an increasing number of customers in the last 5 years.

The participants 38 (84.4%) reported that their bank experienced an increase in business volume (m = 4.09, sd = 1.12). This suggests that most NCBA branches in Mombasa county were recording an increase in the volume of operations. These findings agreed with Murimi (2020) who indicated that NCBA bank had boosted its volume of operations in the last 5 years.

Additional results show that the majority of respondents, 33 (63.3%), agree that customer service is improving (m = 3.84, sd = 1.35). This suggested that most NCBA branches in Mombasa county had an improvement in service delivery. These findings agreed with Murimi (2020) who indicated that NCBA bank had enhanced its service delivery to customers.

According to the data, the majority of respondents 34 (75.5%) agree that their bank has a competitive advantage over its rivals in the market (m=3.93; sd=1.34). This implied that most NCBA branches in Mombasa county had managed to achieve a competitive edge over the other banks. These findings agreed with Murimi (2020) who indicated that NCBA bank had a good competitive advantage over other banks.

The respondents were further asked to indicate the performance of their bank in the last 5 years. All the respondents agreed that their banks' performance had been increasing in the last 5 years. The number of customers as well as the bank's profitability was increasing. These findings agreed with Ngui (2021) who indicated that most banks such as NCBA were recording an increasing number of customers in the last 5 years.

Correlation Analysis

Correlation analysis was conducted to determine the association between the independent variable and the dependent construct.

Table 3: Correlation Results

	Performance	Strategic change
Performance	1	
Strategic change	.699**	1
	0	

Results in Table 3 indicated that strategic changes had a positive and substantial association with the performance of NCBA banks (r=0.699, p=0.000). This suggests a positive correlation between strategic adjustments and NCBA Bank's performance. The study's findings corroborated those of Murimi (2020), who claimed that strategic change management techniques influenced organizational performance favorably.

5.0 Conclusion

The study concluded that strategic changes and the performance of NCBA banks were positively and substantially related. Additionally, adopting appropriate change-implementation mechanisms and creating appropriate change-management policies and procedures improved NCBA Bank's performance. Further, ensuring teamwork amongst the employees helped to boost employee productivity and further enhanced organizational performance.

6.0 Recommendations

This study proved that strategic modifications significantly and favorably impacted NCBA Bank's performance. Therefore, the study suggests that banks implement strategic reforms to improve their performance. Bank managers should adopt proper strategies for implementing change as well as make their employees aware of the changes. This will enhance and make it easier to adopt the change.

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