

# **LINKING STRATEGIC MANAGEMENT PRACTICES TO ORGANIZATIONAL PERFORMANCE: INSIGHTS FROM TIER III COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA**

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## **ABSTRACT**

Commercial banks in Kenya have an important function in propelling the nation's economy, fostering business development by providing loans and enhancing financial inclusion. Nonetheless, recent statistical information reveals that many commercial banks are encountering various obstacles concerning their market share, profitability, turnaround time, and client satisfaction index. Therefore, this research explored the effect of strategic management practices on performance of commercial banks Tier III in Nairobi City County, Kenya. The study objectives were to assess the strategy formulation, strategy implementation, and monitoring and evaluation strategy effect on organizational performance of commercial banks Tier III in Nairobi City County, Kenya. The McKinsey 7-S Framework, balance scorecard model and resource-based view acted as the leading theories for the research. A descriptive research design was utilized for this research. Twenty-one Tier III commercial banks serve as the study's unit of analysis. A total of 147 employees at the managerial level constitute the observation unit. Stratified random sampling was utilized in selecting 105 participants as sample size. Semi-structured questionnaire was utilized in the research to gather primary data. The analysis of quantitative data made utilization of both descriptive statistics (percentages, frequencies, standard deviations, and mean)

and inferential statistics (correlations and regression analyses). Charts and tables were utilized to exhibit the outcomes. The findings revealed that monitoring and evaluation recorded the strongest relationship with organizational performance ( $r = 0.714$ ,  $p = 0.000$ ), followed by strategy formulation ( $r = 0.649$ ,  $p = 0.000$ ), while strategy implementation demonstrated a moderate but significant relationship ( $r = 0.573$ ,  $p = 0.000$ ). These results confirm that all the study variables have a statistically significant effect on organizational performance at the 0.01 level of significance. The research concluded that strategy formulation, strategy implementation, and monitoring and evaluation are essential strategic management practices that collectively contribute to improved organizational performance of Tier III commercial banks. The study recommends that bank management should prioritize the institutionalization of robust monitoring frameworks, invest in capacity building for effective strategy execution, and promote inclusive and well-structured strategy formulation processes.

**Key words:** Strategic Management Practices, Strategy Formulation, Strategy Implementation, Monitoring and Evaluation, Organizational Performance.

## **INTRODUCTION**

Performance of commercial banks is crucial because better performing banks are able to lend money at lower interest rate promoting borrowing and spending and eventually driving the economic activities of a country (Omar, Rahman & Rasid, 2020). Globally, the performance of banking institutions exhibits wide disparities, reflecting differences in economic conditions, regulatory environments, and strategic responses. In the United States, although some large banks have reported improved profitability due to widened net interest margins following interest rate hikes, performance pressures persist in the form of rising credit risk and operational costs, which threaten long-term sustainability (Akhigbe & McNulty, 2021). In China, while state-owned banks continue to dominate the sector, concerns have emerged regarding asset quality and efficiency due to heavy exposure to government-driven infrastructure financing (Dong et al., 2020).

Regionally the performance of banking industry within the African continent has been improved through adoption of digital banking systems and fintech innovation (Francis, 2020). According to Alsharif (2020), the banking sector in the United Arab Emirates (UAE) and Saudi Arabia has strengthened their growth in both asset quality and profitability. However, these banks are ever facing potential risks due to the geopolitical tensions within these regions. Okoye, Olokoyo, Okoh, Ezeji and Uzohue (2020) indicate that the Central Bank of Nigeria has introduced policies aimed at stabilizing the financial system of the country particularly due to continuous oil price fluctuations making banks and supported various projects meant for enhancing financial literacy and adoption of digital banking by its citizens.

Locally, most Kenya's commercial banks have improved their profitability margin performance due to several factors such as their expanded customer base and improved service provision (Morekwa & Temesgen, 2021). According to Gichungu and Oloko (2022), commercial banks in Kenya have embraced technology through adopting mobile banking platforms to improve accessibility of financial products by their customers and effectively accommodate the growing tech-savvy population. Strategic management practices are being adopted worldwide to boost competitiveness and long-term viability. Banks across the world use strategic planning methods together with their successful execution and ongoing assessment process to tackle challenges linked to profitability and operational inefficiencies and customer dissatisfaction (Ongongo & Mang'ana, 2022). The Tier III commercial banks face ongoing execution difficulties which reveal deficiencies in their strategic management processes used for developing and executing and assessing their business strategies in Nairobi City County.

### **Statement of the Problem**

Kenya's economy is mostly driven by commercial banks, which encourage company expansion by providing loans and financial inclusion (Koskei, 2020). However, according to current statistics, the majority of commercial banks are dealing with a number of issues related to their market share,

profitability, lead time, and customer satisfaction index. As per Kenya Bankers Association report (2024), the market share in the year 2020 was about 42.2% which declined consistently to 39.5%, 37.8%, 35.1%, and 33.2% in 2021, 2022, 2023, and 2024 respectively. The profitability of all commercial banks was recorded at 3.8% in 2020. This figure saw a continuous decline to 3.4% in 2021, 2.9% in 2022, 2.5% in 2023, and further dropping to 2.1% in 2024, indicating a sustained challenging period for the banking sector. The report also indicates that the average lead time for loan processing and approval was 18 to 21 days in the year 2020, but decreased to 16 to 18 days in 2021, 13 to 15 days in 2022, 10 to 12 days in 2023, and further reduced to 7 to 9 days in 2024. The customer satisfaction index in the year 2020 was relatively high at 71.6%, but declined to 67.5% in 2021, 64% in 2022, 59.5% in 2023, and further dropped to 56.4% in 2024, demonstrating deteriorating service quality and customer experience (Kenya Bankers Association, 2024).

Numerous researches on how strategy management methods affect firm's performance in the banking sector reveal a number of gaps that constitute the basis of the current situation. For example, Gabow (2019) examined the performance of KCB bank in Nairobi County and uncover a substantial linkage between strategic purpose and strategy control. However, because the strategic aim and strategy control measures of strategy management techniques differ from the existing research's emphasis, the study exhibits a conceptual gap. Mwimah (2023) found that strategy execution, environmental scanning, strategy design, strategy assessment, and control had a substantial influence on Simbisa Brands Kenya's organizational performance. However, the study's analysis of Simba brands' success in Kenya reveals a contextual gap. Thus, this research aimed to explore the strategic management practices effect on the organizational performance of Tier III commercial banks in Nairobi City County, Kenya.

### **Objectives of the study**

- i. To establish the strategy formulation effect on organizational performance of commercial banks Tier III in Nairobi City County, Kenya.
- ii. To assess the strategy implementation effect on organizational performance of commercial banks Tier III in Nairobi City County, Kenya.
- iii. To determine the monitoring and evaluation strategy effect on organizational performance of commercial banks Tier III in Nairobi City County, Kenya.

## **REVIEW OF LITERATURE**

### **Theoretical Review**

#### **Balance Scorecard Model**

The balance scorecard model was created by Kaplan and Norton (1990) which is a comprehensive structure for transforming the way organizations approaches measurements of their performance and strategic planning. This model emphasizes on both monetary measures and non- monetary processes of organizational performance enabling organizations to develop a complete perspective

of their performance. Kaplan and Norton (1990) also indicated that the model consists of four key perspectives namely; financial perspective which focuses much on profitability of an organization, customer perspective which emphasizes on customers' perception on the organization, internal business processes perspective which entails internal guidelines that enable organizations to meet the expectations of their customers and attain financial objectives, learning and growth perspective which acknowledges the strength of organization to its people and the internal culture.

Hasan and Chyi (2017) view balance scorecard model within the perspective of organizational management processes by indicating that the model has the capability of driving forward the strategic moves. The financial perspective can be used to monitor profitability, for instance through net interest margins and return on assets, ensuring that financial management aligns with strategic objectives. The customer perspective is useful for evaluating the customer satisfaction index, allowing banks to measure how well they are meeting customer needs, enhancing service quality, and improving customer retention. The internal business processes perspective can be applied to assess lead time, enabling banks to optimize operational processes, leverage technology, and deliver services efficiently. Finally, the learning and growth perspective can guide the development of workforce capabilities and organizational culture, ultimately supporting an increase in market share.

### **McKinsey 7-S Framework**

The framework was established by McKinsey (1970) which is a model which a foundation of understanding the way an organization can align several elements to attain effectively its set goal and objectives. The model highlights 7 key elements that must be aligned for better performance of an organization which include; strategy (a plan developed to sustain and develop a competitive edge over rivals), structure (the arrangement of a firm in terms of its hierarchy and departmental units), systems (daily processes and guidelines that employees can use to get the job done), shared values (organizational core values that shape its culture and philosophy), skills (employees abilities and competency), style (the approach and culture adopted by the leaders) and staff (the organizational workforce and their abilities).

Baishya (2015) critics on McKinsey 7-S Framework indicate that it oversimplifies complex organizational dynamics and aspects such as external market pressure, change in technology and globalization can render such relationship between these elements a challenge. The McKinsey 7-S Framework is mainly applicable to this research since it links closely to shared values and structure, which are central in the conceptual framework. Through strategy, Tier III commercial banks can develop competitive approaches that incorporate technological innovations and enhanced customer engagement. Structure alignment ensures that organizational hierarchy and departmental arrangements support operational efficiency and service delivery. Systems facilitate efficient customer service and process management, while shared values foster customer trust and strengthen organizational culture. Leadership style promotes innovation, open communication,

and employee engagement, whereas investment in the right staff ensures competent service delivery.

### **Resource Based View**

Penrose (1959) created this theory which postulates that the organizational capabilities and are the basic drivers of its competitive advantage and puts much emphasizes on internal resources as key to achieving and sustaining a competitive edge. Barney (1991) introduced the idea of VRIO (Value, Rarity, Imitability, and Organization) structure which shows that the competitive advantage starts from having resources and the strategic deployment of those resources which ensures resources are valuable, rare, difficult to imitate, and organized to capture their full potential. Arend and Levesque (2020) indicate that organizational resources such as brand reputation, proprietary technology, or highly skilled personnel can enable an organization to achieve superior performance and outperform their competitors, which underscores a strategic management approach based on internal capabilities rather than external market conditions.

Almarri and Gardiner (2014) criticizes the theory by indicating that the theory a lack of clarity about what constitutes a valuable resource which may make the organizations to misuse their strategic focus which could adversely undermine the possible performance enhancements. The RBV theory is applicable to this survey since it facilitates the evaluation of Tier III commercial banks' internal resources and capabilities as indicated in the conceptual framework. Through RBV, banks can leverage unique resources like skillful human capital, advanced technology, and brand reputation to develop strategies that enhance performance. For instance, banks can utilize data analysis expertise to improve market intelligence, optimize operations, and better meet customer needs.

### **Empirical Literature Review**

#### **Strategy Formulation and Organizational Performance**

In Malaysia, Tajuddin and Musa (2024) assessed the development policy effect on organizational execution in Malaysia. Mission, objective, strategy, and policy were used to measure strategy formation, while efficiency was utilized to assess performance. Data was gathered via self-administered surveys. Data analysis and hypothesis testing were done using PLS-SEM. The data satisfied the requirements for validity, dependability, and goodness-of-fit, according to the measurement model analysis. The results of the structural model research uncovered that Malaysian Local Authorities' performance is significantly affected by their mission. Besides, performance was not significantly impacted by the goal, strategy, or policy. The study's methodology only utilized PLS-SEM for analysis of data. By utilizing both descriptive and inferential statistical approaches to offer a more comprehensive analytical viewpoint, the current work fills this methodological gap.

Maina, Munga, and Njeru (2020) studied the strategy design impact on Kenyan state businesses' performance. The survey embraced a descriptive design. The population targeted encompassed of directors from 187 State Corporations. A sample of 77 directors was chosen for the survey. Surveys were utilized to gather primary data. The preliminary data analysis was done descriptively. A prediction equation was created and its combined and individual significance was tested using inferential statistics. The results showed that authority and responsibility are delegated, and senior management consults with staff when making choices. In terms of purpose and vision, it was also discovered that the company had a stated mission to accomplish its goals and concentrated on what was important to the stakeholders. By precisely quantifying strategy formulation in terms of goal, vision, and shared values, the current study fills this conceptual gap.

### **Strategy Implementation and Organizational Performance**

Yegzaw and Imiru (2024) utilized a resource-capability method to examine the implementation of strategy model for banks in emerging economies. A sample of 229 senior and middle-level managers from commercial banks was chosen in order to gather quantitative data; about 187 (82%) of them returned the questionnaires. SEM was utilized to analyze the quantitative data. The research created an empirically grounded strategy implementation model with three components: perilous elements of strategy execution ability, performance of strategy execution, and essential implementation of strategy related funds. This was achieved by characterizing strategy implementation capability as a second-order reflective-formative construct. Descriptive statistics and inferential analytic techniques will be utilized in the existing research to explore the data. Given that the analytical methods utilized in the current investigation are different, this suggests a methodological gap.

Tshabalala, Boikanyo, and Gomwe (2024) research at the variables affecting strategy execution in South Africa's bank industry. Twenty-five bank workers were interviewed in-depth in order to collect data. Atlas Ti was utilized for data analysis. By qualitative research techniques, this survey investigated the linkage between organizational sustainability and the factors influencing strategy execution. The outcomes show that organizational culture, social capital, technology, and senior management support all have a big impact on how well a plan is carried out. Also, outcomes show a direct linkage between the elements that impact strategy execution and the attainment of a competitive advantage as well as favourable financial and customer outcomes. Using qualitative data, the study also evaluated South Africa's banking industry's competitive edge. This indicates a methodological gap since the existing survey takes a quantifiable approach, whereas the prior study used qualitative approaches.

### **Monitoring & Evaluation Strategy and Organizational Performance**

Mbilla et al. (2020) evaluated how communication, information, and monitoring affected Ghanaian banks' performance. The design embraced was cross-sectional design. Twelve publicly traded banks sent 300 people to engage in this quantitative research. The gathered data was

exposed to regression and descriptive analysis. The outcomes show that communication and information have a little but important influence on monetary execution. Besides, there was no noticeable linkage between financial performance and monitoring. In order to improve performance, the report advises listed bank management to devote greater resources to information and communication. By a cross-sectional research approach, the study concentrated on Ghanaian banks' execution. Given that the research was done in a separate country, this represents a contextual gap.

In Kenya, Terer, Mwangi, and Omagwa (2024) investigated the transaction monitoring effect on the productivity of commercial banks. An instructive research design was utilized in the research. As of December 31, 2021, all thirty-nine regulated commercial banks were encompassed in the population targeted. The survey was done between 2014 and 2021, a period of eight (8) years. Purposive sampling was utilized to pick out the responders. The yearly banking oversight report from the CBK, along with the verified monetary statements of commercial banks, provided secondary data, while structured surveys were employed to gather primary data. Regression and descriptive statistics were then utilized to examine the gathered data. The outcomes uncovered that transaction monitoring significantly and favourably affected commercial banks' profitability. The survey utilized an explanatory research approach to assess Kenyan commercial banks' productivity. The current survey uses a descriptive approach to assess Kenyan commercial banks' overall performance. Due to variations in performance assessment and research design, this suggests a methodological gap.

## **RESEARCH METHODOLOGY**

### **Research Design**

This study utilized a descriptive research design. The design provide a thorough portrayal of the subject under investigation without changing or interfering with the subject matter by using data collection tools like questionnaires and interviews. Instead, it observed and described the current circumstances and relationships (Marincola, 2021). Thus, without interfering with their operating procedures, this design was utilized to help gather data about the current strategic management practices influencing the performance of commercial banks Tier III.

### **Target population, Sampling Techniques and Sample Size**

As per Central Bank of Kenya (CBK report, 2024), which include 21 Tier III banks in Kenya as of December 31, 2024, serve as the research's unit of analysis. Because they actively took part in strategic decision-making and implementation, 147 management-level employees served as the observation unit. This study used stratified sampling technique. Therefore, the strata identified for this study were senior managers, departmental heads and strategy officers of commercial banks in Kenya. Thus, the sample size for this research was established via the Yamane (1967) formula due

to the population being comprised of participants from different levels. The equation was stated as;

Where:

- n signifies the sample size,
- N characterizes the overall population count, totaling 147 in this research.
- e denotes the margin of error (0.05) under the assumption of a 95% level of confidence.

$$n = 147 / (1 + 147 * 0.05^2) = 105$$

Consequently, 105 participants, or 72.8% of the total population, made up the study's sample size.

### **Data Collection and Analysis**

The research utilized a semi-structured questionnaire. 'Drop and Pick' method was employed during data collection. The study collected qualitative and quantitative data. The qualitative data analysis used the thematic data analysis technique to find repeated themes and patterns in the responses obtained from the open-ended inquiries. The SPSS version 27 was utilized in the quantitative data analysis to perform inferentially (Pearson correlation and regression analyses) and descriptive statistics (percentages, frequencies, standard deviations and mean) that were displayed in tables and charts.

The model equation was:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$

Whereby  $Y$  = Tier III commercial banks' performance

$X_1$  = Strategy formulation

$X_2$  = Strategy implementation

$X_3$  = Monitoring and evaluation

$\beta_1, \beta_2$  and  $\beta_3$  = Coefficients

$\varepsilon$  = Error term

## **RESEARCH FINDINGS AND DISCUSSIONS**

To examine the relationships and predictive effects of strategic management practices on organizational performance, the study employed Pearson correlation analysis followed by multiple regression analysis.

### **Pearson Correlation Analysis**

Pearson correlation analysis was undertaken to explore the bivariate associations between the three strategic management practice variables and organizational performance, as well as the intercorrelations among the independent variables themselves and results presented in Table 1.

**Table 1: Pearson Correlation Matrix**

	<b>Organizational Performance</b>	<b>Strategy Formulation</b>	<b>Strategy Implementation</b>	<b>Monitoring &amp; Evaluation</b>
Organizational Performance	Pearson Correlation Sig. (2-tailed)	1		
Strategy Formulation	Pearson Correlation Sig. (2-tailed)	.649**	1	
Strategy Implementation	Pearson Correlation Sig. (2-tailed)	.573**	.601**	1
Monitoring & Evaluation	Pearson Correlation Sig. (2-tailed)	.714**	.683**	.648**

**\*\* Correlation is significant at the 0.01 level (2-tailed)**

*Source: Research Data (2026)*

The Pearson correlation results presented in Table 1 indicate that all the strategic management practices; strategy formulation, strategy implementation, and monitoring and evaluation have positive and statistically significant relationships with organizational performance at the 0.01 level ( $p = 0.000$ ). This implies that improvements in these practices are associated with enhanced organizational performance, affirming the importance of strategic management in achieving institutional success.

Strategy formulation was found to have a moderately strong positive correlation with organizational performance ( $r = 0.649$ ,  $p = 0.000$ ). This suggests that organizations that engage in comprehensive strategy formulation processes such as defining clear goals, conducting environmental analysis, and involving key stakeholders are more likely to experience improved performance outcomes. This finding is consistent with studies by Maina, Munga, and Njeru (2020), who reported that well-structured strategy formulation processes significantly enhance performance in public sector organizations in Kenya.

Strategy implementation exhibited a moderate positive correlation with organizational performance ( $r = 0.573$ ,  $p = 0.000$ ). This indicates that the successful execution of strategies through effective leadership, resource mobilization, communication systems, and organizational alignment plays a critical role in driving performance. Although the correlation is slightly lower compared to other variables, it remains statistically significant, emphasizing that implementation is a crucial link between strategic plans and actual outcomes. This finding aligns with Mwanza and Dar (2025), who found that effective strategy implementation practices significantly influence organizational performance in public institutions.

Monitoring and evaluation recorded the strongest positive correlation with organizational performance ( $r = 0.714$ ,  $p = 0.000$ ), indicating a strong relationship between the variables. This

suggests that organizations that consistently track progress, evaluate outcomes, and implement corrective measures tend to achieve better performance results. Effective monitoring and evaluation systems enhance accountability, support evidence-based decision-making, and ensure that strategic objectives are being met. This finding is supported by Oswago, Namusonge, and Orwa (2022), who found that monitoring practices significantly influence performance in Kenyan commercial banks.

**Model Summary**

The model summary provides key statistical indicators of how well the independent variables collectively predict the dependent variable. Table 2 displays the relevant statistics.

*Table 2: Model Summary Results*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.841	0.707	0.698	0.463

*Source: Research Data (2026)*

The results in Table 2 reveal a correlation coefficient (R) of 0.841, denoting a strong and positive association between the combined strategic management practices and the organizational performance of Tier III commercial banks. This indicates that improvements in strategy formulation, strategy implementation, and monitoring and evaluation practices are collectively associated with enhanced organizational performance outcomes. The coefficient of determination (R<sup>2</sup>) of 0.707 implies that approximately 70.7% of the variability in organizational performance can be explained by the three independent variables examined in this study. This substantial explanatory power underscores the significance of strategic management practices as performance drivers in the Tier III banking context. These results are consistent with the findings of Oswago, Namusonge, and Orwa (2022), who reported comparable R<sup>2</sup> values in their investigation of monitoring and assessment management practices and bank performance in Kenya.

**Analysis of Variance (ANOVA)**

ANOVA was used to assess the overall statistical significance of the regression model. Table 3 presents the ANOVA results.

*Table 3: ANOVA Results*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	44.812	3	14.937	55.318	0.000
Residual	25.043	93	0.269		
Total	69.855	96			

*Source: Research Data (2026)*

As indicated in Table 3, the regression model produced an F-statistic of 55.318 with a corresponding p-value of 0.000, which is well below the conventional significance threshold of 0.05. This outcome confirms that the overall regression model is statistically significant and that the association between the strategic management practices and organizational performance of

Tier III commercial banks is not attributable to chance. Collectively, the three independent variables; strategy formulation, strategy implementation, and monitoring and evaluation exert a meaningful and statistically significant joint effect on organizational performance. These findings are corroborated by Wesonga, Wanyama, and Ruth (2024), whose study of commercial banks in Western Kenya similarly reported highly significant F-statistics ( $p < 0.001$ ) when examining the relationship between policy implementation and bank performance.

### Regression Coefficients

The regression coefficients specify the individual contribution of each independent variable to organizational performance while controlling for the effects of the other predictors. The results are presented in Table 4.

*Table 4: Regression Coefficient Results*

	Unstd. Coeff. ( $\beta$ )	Std. Error	Std. (Beta)	Coeff. t	Sig.
(Constant)	0.742	0.258		2.876	0.005
Strategy Formulation	0.326	0.074	0.341	4.405	0.000
Strategy Implementation	0.289	0.079	0.302	3.658	0.000
Monitoring and Evaluation	0.251	0.076	0.263	3.303	0.001

*Source: Research Data (2026)*

The regression equation derived from the coefficient results is expressed as:

$$Y = 0.742 + 0.326X_1 + 0.289X_2 + 0.251X_3 + \varepsilon$$

Where:

Y = Organizational Performance

X<sub>1</sub> = Strategy Formulation

X<sub>2</sub> = Strategy Implementation

X<sub>3</sub> = Monitoring and Evaluation

$\varepsilon$  = Error Term

The constant ( $\beta = 0.742$ ,  $p = 0.005$ ) signifies that a baseline level of organizational performance persists even in the absence of the measured strategic management practices, which may be attributable to other unmeasured institutional factors.

**Strategy Formulation:** The unstandardized coefficient for strategy formulation was 0.326, with a standardized Beta of 0.341,  $t = 4.405$ , and  $p = 0.000$ . This indicates a statistically significant and positive relationship between strategy formulation and organizational performance, with strategy formulation emerging as the strongest individual predictor among the three variables. A unit increase in strategy formulation effectiveness is associated with a 0.326-unit improvement in organizational performance, holding all other variables constant. This finding aligns with Maina, Munga, and Njeru (2020), who established that strategy formulation practices, encompassing

vision, mission, and resource assessment, were strong predictors of organizational performance in Kenyan state enterprises.

**Strategy Implementation:** The unstandardized coefficient was 0.289, Beta = 0.302,  $t = 3.658$ , and  $p = 0.000$ , confirming a significant positive relationship between strategy implementation and organizational performance. These results indicate that the manner in which formulated strategies are deployed through aligned organizational structures, effective leadership, and coherent communication systems substantially influences performance outcomes. Yegzaw and Imiru (2024) noted that banks in emerging economies that employed systematic strategy execution techniques grounded in resource capabilities demonstrated measurably superior performance.

**Monitoring and Evaluation:** The unstandardized coefficient was 0.251, Beta = 0.263,  $t = 3.303$ , and  $p = 0.001$ , indicating a statistically significant positive contribution to organizational performance. Although monitoring and evaluation recorded the lowest coefficient among the three predictors, its significance underscores its indispensable role in the strategic management cycle. Oswago, Namusonge, and Orwa (2022) established that checking and assessment management practices had a meaningful positive effect on the performance of Kenyan commercial banks. Abiola and Adedokun (2023) further demonstrated that robust monitoring mechanisms in Nigerian banks reduced fraud exposure and improved operational reliability.

## **Conclusion**

The study concluded that strategic management practices constitute a significant determinant of organizational performance among Tier III commercial banks in Nairobi City County. Strategy formulation emerges as the most consequential predictor, reaffirming that the quality of strategic thinking at the planning stage is foundational to achieving sustainable competitive advantage and operational excellence. Strategy implementation is equally critical, as it determines the degree to which formulated plans are converted into operational realities. Monitoring and evaluation, while recording the smallest coefficient among the three predictors, remains an indispensable component of the strategic management cycle. Its role in providing performance data, identifying implementation gaps, managing institutional risk, and maintaining accountability ensures that banks can sustain performance gains and respond adaptively to emerging challenges.

## **Policy Recommendations**

The Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA) should develop sector-specific guidelines on strategic management best practices tailored to the operational realities of Tier III commercial banks. These guidelines should address strategy formulation processes, implementation frameworks, and monitoring and evaluation standards that are appropriate for smaller banking institutions with limited resources and capacity. Regular industry forums and benchmarking platforms should be facilitated to enable Tier III banks to share experiences, learn from best practices, and collectively strengthen their strategic management capabilities.

Regulatory frameworks governing the banking sector should be revisited to incorporate explicit requirements for strategic planning documentation, implementation reporting, and monitoring and evaluation outcomes as part of the licensing and supervisory compliance regime. Mandating the submission of strategic plans and performance monitoring reports alongside financial statements would incentivize Tier III banks to invest in more rigorous strategic management processes, ultimately contributing to greater sector-wide financial stability and institutional resilience.

### **Limitations and Future Research Direction**

The current study focused exclusively on Tier III commercial banks within Nairobi City County, which may limit the generalizability of the findings to other geographic contexts and banking tiers. Future studies should extend the scope of investigation to include Tier I and Tier II commercial banks, microfinance institutions, and savings and credit cooperative organizations (SACCOs) to enable comparative analyses across different institutional categories. Such comparative studies would provide a more comprehensive understanding of how strategic management practices operate across varying organizational sizes, structures, and resource bases. The regression model in this study explained 70.7% of the variance in organizational performance ( $R^2 = 0.707$ ), indicating that approximately 29.3% of the variance may be attributable to other factors not examined in the present study. Future research should investigate complementary variables such as digital transformation capacity, corporate governance structures, organizational culture, talent management practices, customer relationship management systems, and regulatory compliance effectiveness as potential determinants of performance in the banking sector.

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