

AN EVALUATION OF PLANNING STRATEGIES ON ISLAMIC BANKS'  
PERFORMANCE: CASE OF FIRST COMMUNITY BANK LIMITED KENYA

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DECLARATION AND APPROVAL

Declaration

This thesis/project is my original work and has never been presented for any academic award  
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DEDICATION

I dedicate this research project to God almighty, my strong pillar and source of inspiration; I also dedicate it to my close family Benjamin, Jasca Timothy, Susan, Mwongeli, Faith, Jacob and

Stephen for the encouragement they gave throughout the course. Thank you.



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## ABSTRACT

The global financial crisis, diminishing interest margins that have an impact on the industry, notably on asset performance, new rules, a decline in trade volumes, and the mobilization of deposits are some of the issues facing Kenya's Islamic banking industry. This study's primary goal was to evaluate the impact of planning methodologies on the performance of Islamic banks, using First Community Bank Limited Kenya as a case study. This research was motivated by four specific objectives: first, to determine the impact of strategic leadership on the Islamic Banks' performance case of First Community Bank Limited; second, to determine the impact of organizational structure on the Islamic Banks' performance case of First Community Bank Limited; third, to investigate the impact of resource allocation on the Islamic Banks' performance case of First Community Bank Limited. This study's focus was Islamic banks in Nairobi County, Kenya, particularly First Community Bank Limited. Three ideas were used in the study to provide its foundation. Profit and loss sharing theory, leadership contingency theory, and structural contingency theory are among the theories. A descriptive survey methodology was used in this study, which uses descriptions to compare and interpret study variables. Target participants comprised 115 workers from this bank's top, medium, and lower management levels. 62 persons made up the sample size, which was a 30% representation of the 115 study participants. A questionnaire was employed in the data collection process. This study's evaluation was carried out by encoding the gathered data into Statistical package of social sciences (spss) version 24, a statistical tool. The study's conclusions showed that performance was significantly and negatively impacted by organizational structure. The results of this study also showed that performance was significantly and negatively impacted by resource allocation. The study's findings also showed that performance was significantly and favorably impacted by strategic leadership. The study came to the conclusion that one of the most important steps in the process is to plan resource allocation in order to assess the overall strategy's efficacy. The performance instance of first community bank, an Islamic bank in Nairobi, Kenya, is significantly impacted by the resources allocated to strategic planning. with a mean score of 4.0156, the participants demonstrated that the communication of organizational resources required for the distribution of information regarding the execution of strategic plans is efficient. With a mean score of 3.8793, the participants indicated that matters pertaining to strategic plans effectively communicated throughout the enterprise. According to this study, in order to improve the banks' performance, the management of First community bank Kenyan Islamic banks should devise strategies for obtaining new resources and making the most use of those that are already available.

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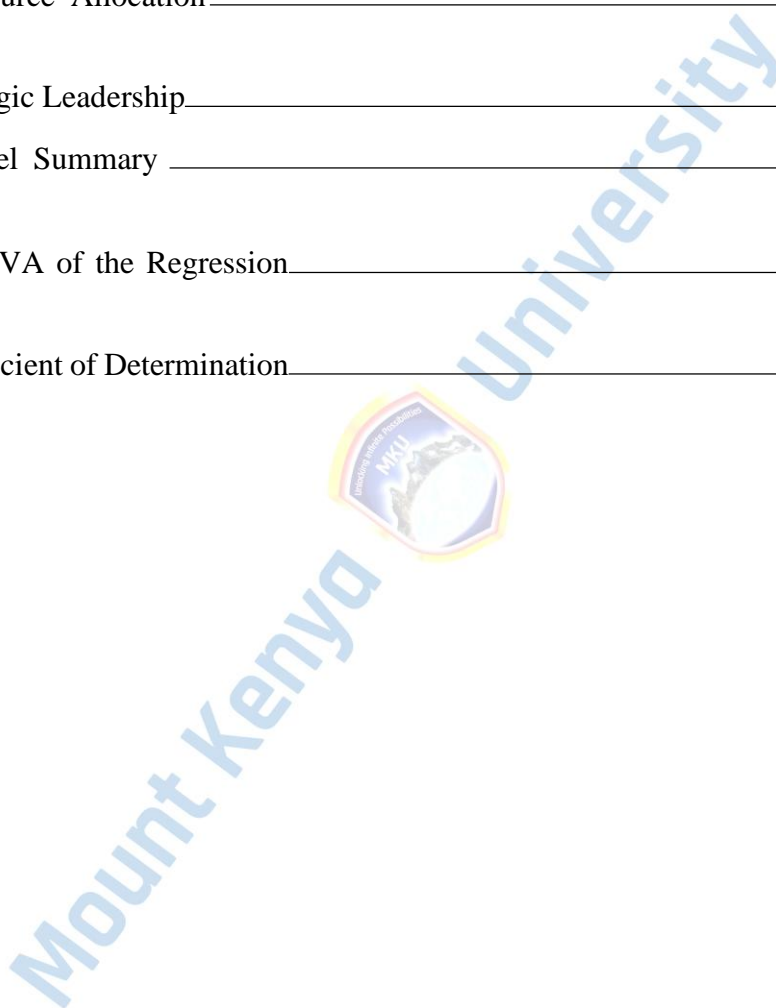
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LIST OF  
ABBREVIATIONS AND ACRONYMS

FCB: First Community Bank

GAB: Gulf African Bank

DIB: Dubai Islamic Bank

CBK: Central Bank of Kenya

KBA Bankers Association

PLS: Public Limited Company

SPSS: Statistical Package For Social Sciences

HRM: Human Resource Management

ERC: Ethics Review Committee



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## CHAPTER ONE: INTRODUCTION

### 1.0 Introduction

Purpose of this chapter is introduced study's context and rationale. presents the problem that motivated the study, the goals and questions that guided the research, the assumptions that underlie study, importance of study for the field, the boundaries and constraints of the study, the assumptions that inform the study and meanings of key terms used in the study.

### 1.1 Background to the Study

For a business to function well overall, strategic planning is essential. The selected course of action is contingent upon a number of variables. Relationship between strategy and performance influenced by the surroundings. The strategies chosen to affect organization's performance are influenced by the mix of these different aspects. Various metrics for strategic planning explain variations in effectiveness and output. A strategy could be planned out or spontaneous. Large organizations like banks are more suited for deliberate strategy (Mayende, & Joseph, 2020). This is as result of the strategic planning process that these kinds of businesses use, which includes strategy creation, execution, assessment, and control. Unlike small company organizations, which primarily use informal strategic planning processes, they have formal strategic planning. As such, these small business strategies are more akin to emergent than planned strategies. Since the banking industry is expected to have well-documented strategic planning that outlines vision, mission, objectives, strategy choice, strategy implementation, evaluation, and control, the paper's foundation focuses on this industry.

Islamic banks offer a wide range of financing options as substitutes for interest-based goods and services in an effort to draw in as many clients as possible in order to rival conventional banks. They are carrying out a number of tasks in order to offer a range of goods and services to various economic sectors. Islamic banking, in contrast to traditional banking, is governed by the ideas of collaboration, solidarity, and reciprocal societal advancement (Ahmed, 2020).

The Islamic financial services sector has grown significantly in the past forty years. Nonetheless, Islamic banks face competition from non-banking financial institutions, the current group of Islamic commercial banks, and insurance providers. Islamic banks must comprehend and use the customer satisfaction difficulties under the current privileges granted by Islamic Shari'ah in order to thrive in this strategic rivalry (McIver, 2019).

The ability of an Islamic bank to increase the rates of return to its shareholders often determined by three different types of deposits. These include deposits made into current accounts, savings and Mudharabah accounts for unrestricted investments, and, finally, offbalance sheet deposits made into investment funds and special or restricted investment accounts. Believing that these deposits are unrelated to one another is incorrect. Iqbal and Mirakhor (2021) state that a great deal of research has demonstrated the existence of generally beneficial correlations between them. The studies from the seven Islamic banks have also verified this. As a result, while promoting and presenting any kind of deposit to customers, it is always important to consider how it may affect other types of deposits.

Islamic banks actually need to be able to quantify this impact.

Kenya, the largest economy in the East African Community, is home to Premier Bank, formerly known as First Community Bank (FCB), a commercial bank that complies with Shari'ah. (Amin, 2020). The Central Bank of Kenya, the nation's primary banking regulator, granted the bank formal clearance in 2007, although it didn't start operations until June 1st, 2008.

First Community Bank (FCB) founded in 2007 by private Muslim investors in Kuwait, Kenya, and Tanzania with the intention of operating in accordance with Islamic Shari'ah law. In the same year, the bank granted a commercial banking license in Kenya, and it formally opened for business in June 2008. The FCB is the first fully licensed bank in Kenya to do business in accordance with Shari'ah law. Since First Community Bank was established, the Central Bank of Kenya has also granted commercial licenses to additional Sharia-compliant banks, including

Gulf African Bank (GAB), Dubai Islamic Bank (DIB), and a number of Islamic windows that operate under conventional banks. (Amin, 2020). The bank's total assets as of December 2019 were estimated to be around US\$] 87.62 million (KES:18.762 billion), with US\$14 million (KES:1.46 billion) in shareholders' equity and US\$161 million (KES:16.126 billion) in client deposits. Out of 43 licensed banks in Kenya at the time, the bank was ranked number 21 by assets (Mustafa, 2022)

In Kenya, there are mainstream banks that offer items that are adapted to comply with Islamic law, as well as fully-fledged Islamic banks that only supply Shari'ah-compliant goods. Two fully-fledged Islamic banks, First Community Bank and Gulf African Bank, have succeeded in bringing Shari'ah-compliant banking services to Kenya. Jamii Bora Bank has carved out a niche for itself by tailoring its banking services primarily to low-income customers and also branching out into mortgage financing for low-income housing (KBA, 2023). These banks are examples of those that target lower income and special customers. The Kenya Bankers Association (KBA) is dedicated to helping clients select the many services and goods that banks provide that best suit their wide range of demands. Additionally, it guarantees that banks provide consumers with general information about the bank and the goods and services they provide in order to satisfy their demands. Additionally, it guarantees that banks provide specialized services and goods to cater to a wide range of clientele, including the Muslim population. For instance, KBA is eager to make sure that the Muslim community and any other interested parties can access Islamic banking, or Shari'ah-compliant banking (Mugambi, 2021). Despite this, Islamic banks must pay extra attention to their trustworthiness and integrity. The fact that Islamic banks have strayed significantly from the aspirational and philosophical foundation that drove its founders in the 1970s has disappointed some critics. Islamic banks are developing profitable financial and investment products that are also driven by moral

principles. Thus, the purpose of this study is to investigate how strategic management techniques affect the performance of Islamic banks in Kenya.

### 1.1.1 The Concept of Strategy Planning

Despite all of its manifestations, strategy remains a valuable notion. An effective enterprise management tool is strategic planning, particularly when the strategy and strategic plans implemented successfully across the entire company. Organizations entrust the task of making strategic decisions to its senior leadership. This can easily account for 80 percent of the action for the majority of established firms. Put another way, although occupying 80 percent of top management's time and attention, "strategic issues," regardless of their significance, usually only account for 20 percent of the organization's resources (George, et al., 2019).

The definition of "strategy" is broad, but all of its connotations are pertinent and helpful to anyone tasked with formulating corporate, company, or organizational strategies (Nickols, 2008). The word "strategy" has as many definitions as the authors have. Kerzner provided an additional description of strategy in 2019. The definition of strategy given by Kenneth Andrews in his book "Planning and Control Systems" is defined as "the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be. "

Finally, The Concept of Corporate Strategy was initially published in 1971 and revised in 1980 by longtime Harvard professor and Harvard Business Review editor Kenneth Andrews. His published definition of strategy was as follows in the 1980 version: "the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and

the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. "

Experts and leaders in the nonprofit sector generally concur that effective management and governance require strategic planning (Liu & Russo, 2021). Planning supports organizational stability and growth by ensuring that an organization stays relevant and sensitive to the demands of its community. It offers a foundation for tracking advancement and evaluating outcomes and significance. It makes the creation of new programs easier. It makes it possible for a company to plan forward in a methodical and organized manner. From the standpoint of governance, it gives the Board the ability to establish rules and objectives that will steer the company, and it gives the Executive Director and staff a clear direction for program execution and agency management (Liu, & Russo, 2021).

George (2021) alludes to The process by which executives of an organization decide where they want to see it go and how to get there is known as strategic planning. This suggests that they create a vision for the future of the company and decide which tasks, policies, and plans of action are required to realize that vision. Measurable objectives that are both demanding and realistically reachable are included. They contend that long-term objectives and strategies—rather than short-term ones—are the focus of strategic planning. Strategic planning predicated on the idea that an organization can shape or create some parts of the future. In essence, strategic planning is a continuous process that involves introspection, making tough decisions, and setting priorities.

### 1.1.2 Performance

Performance is the capacity of the company to achieve its goals in a well-structured and resource-efficient manner. One other way to characterize organizational performance is the degree to which the organization executes its strategies with effectiveness. Job satisfaction and

organizational involvement are the two elements of organizational effectiveness that Yom and Ruggiero (2011) defined. These two metrics used to evaluate and quantify effectiveness and give the company a clear picture of how it is doing in relation to predetermined goals. Goal of organizational effectiveness and how relates to organizational structure is that an organization should be more effective if it has a suitable structure. Organizations need appropriate structures with clearly defined rules and relationships in order to succeed.

Order directly affect organizational performance, Daft (2011) highlighted three important organizational structure dimensions: span of control, communication systems, and decisionmaking procedures. He went on to define the decision-making dimension as the process of improving decision-making procedures and quality by organizing and coordinating corporate activities to meet goals. The feedback process between managers and their direct reports known as span of control, and it serves to guarantee an input-output system that efficiently controls activities by placing a strong emphasis on performance. Analysis of the impact of communication could do from the standpoint of how well information moves within the company. Hao, Kasper, and Muehlbacher (2022) provided additional evidence that an organization's chosen organizational structure influences performance results by acting as a mediating factor in the effects of organizational learning and innovation.

According to Kairu, Wafula, Okaka, and Odera (2023), evaluating performance inside an organization is the process of determining how well the organization is doing in reaching its goals and objectives. Financial and non-financial metrics, such as profitability growth, brand relationship, and company image, used in the assessment. The purpose of performance measurement is to determine not only how well a firm is performing now, but also how it may improve going forward in order to meet its strategic goals (Okwo, 2022). Thus, performance

assessment is essential since it gauges how well an organization's operations contribute to adding value for stakeholders and how well resources converted into goods (Kairu et al., 2023).

According to Adhikara et al. (2022), organizational performance is a collection of financial and non-financial measures that provide details on the extent to which goals and outcomes have attained. According to Gimbert, Bisbe, and Mendoza (2017), it is an organization's capacity to take use of its surroundings in order to obtain and make use of the few resources. Technology in the workplace, employee interaction, a compensation system that aligns company strategy with member work behavior, and performance evaluations are all part of performance management. As a result, companies with robust performance management procedures typically outperform those lacking this aspect of organizational architecture.

According to Anwar et al. (2021), an organization's performance is determined by comparing its actual production to its projected output. According to Anwar et al. (2021), performance measures can further classified as follows: nonfinancial functions measured by the company's ability to meet its statutory obligations on time, its production efficiency, customer satisfaction, its participation in corporate social responsibilities, and the welfare of its employees. Nonfinancial functions reported in terms of profitability at the end of each financial year.

According to Niven (2015), performance measurement is the cornerstone of business practices since it aids in assessing the accomplishment of core corporate objectives, providing guidance, and identifying potential areas for development. Furthermore, Niven (2015) demonstrates that the industry a corporation operates in affects how performance is measured. It is up to the organization to determine its own performance measurement parameters, as there is not a single acceptable measure.

Both quantitative and qualitative methods of evaluating organizational performance used, and they involve analyzing the financial and operational performance of the business (Andrews,

Boyne, Law & Walker, 2014). They also point out that no one metric can provide a clear performance target or draw attention to the business's key areas therefore a balanced presentation of both monetary and non-monetary indicators is required in order to measure success effectively. Al-Mashari, Irani, and Zairi (2016) state that an organization's performance metrics are the instruments that help with the assessment of strategic management. Therefore, effectiveness, efficiency, and quality services were used to evaluate organizational performance in this study.

### I.1.3 Strategic Planning practices and Organizational Performance

Due to its perceived ability to increase organizational effectiveness and accelerate performance, strategic planning techniques have gained acceptance throughout the world and in both the public and commercial sectors. One could argue that a key component of strategic management is strategic planning. Porter (1985) pointed out that strategic planning was still beneficial and just needed to be modified and refuted, despite the criticisms made of it in the 1970s and 1980s. According to Greenly (2011), strategic planning contains inherent values and possible benefits that could lead to increased company performance. As a result, it serves as a tool for better company performance.

One might approach strategic planning from a process or a content perspective. The content covers the many strategic plan components, which varies for each company. Process includes the procedures used to develop and carry out the strategic strategy. Grants (2003) states that research on strategic planning systems has focused on two topics: how strategic planning affects a company's performance and how it helps with decision-making. Reneta (2012) investigated the strategic management procedures and difficulties inside the Nairobi City Council. According to the study, early employee participation in the strategy process improved members' comprehension of superior aims, styles, and cultural norms; as a result, it became

crucial for the ongoing success of a firm's strategy implementation. Additionally, it keeps everyone on the same page, keeps them from caught off guard, and empowers staff members to take ownership of the process, all of which lead to better outcomes. The study come to conclusion that management needed to be capable of managing opposition to strategy implementation and ensuring proper strategy objective setting.

In the end, an organization's growth and success determined by how well it performs in relation to the objectives it has set for itself. Since strategic planning must become a strategic business partner assisting top management in creating an organization that is beneficial not just for the now but also for the future, it is a major factor in organizational growth. It is currently collaborating with upper management to advance the company. The finest strategic planning processes in large corporations examined, and companies should cease focusing on what is happening with other strategies and instead analyze their own strategic planning (Davenport, 2011).

Cakmak and Tas (2012) looked into Turkish contractor companies' strategic management techniques. According to the report, the majority of contractor firms understood the meaning of strategy and strategic management. Awino et al. (2012) looked into how planning results and strategic planning affected bank performance. The results of the study showed a strong positive relationship between organizational performance and strategic planning. This study is significant because it has made a significant contribution to the body of knowledge, particularly in the area of strategic planning, where the study's primary variables have individually connected to organizational success.

#### 1.1.4 Islamic Banks in Kenya

A bank that chooses to abide by both the law of the land (Kenya's Jurisdiction) and the

Islamic Law (Shari'ah) referred to as an Islamic bank. Due to this, Islamic bankers have access to both traditional "lawyers" and "Shari'ah Councils" for legal advice (Marotta, 2021). Islamic finance entwined with its faith, and this influences the financial sector in two significant ways: Islam seeks to establish a just socioeconomic system and views economic activity as a means, not an end, in and of itself. It urges Muslims to use the natural resources that Allah (God) has entrusted to them for doing what is good, but it detests exploitation and inequality in wealth and income that is the result of human activity. "The issue of economic growth is one that Islam is quite concerned with, but it sees it as a smaller component of a larger one: the issue of overall human development. Islam's main goal is to direct human growth in the proper directions and along the appropriate lines. It addresses every area of economic development, but it does so always within the context of overall human development and never in a way that separated from it (Marotta, 2021).

Islamic banking serves the same functions as conventional banking, with the exception that it operates in line with the Fiqh al-Muamalat (Islamic laws on transactions) of Shari'ah. The prohibition of riba (usury/interest) and the sharing of profit and loss constitute the fundamental tenets of Islamic banking. Profit sharing (Mudharabah), safeguarding (Wadiah), joint venture (Musharakah), cost plus (Murabahah), and leasing (Ijarah) are among the terminology frequently used in Islamic banking. Rather than loan the buyer money to purchase the item, a bank in an Islamic mortgage transaction, buy the item straight from the seller and resale it to the buyer at a profit, allowing the consumer to pay the bank in installments. Since it is impossible to determine the bank's profit, there are no further penalties for late payments. The bank sets strict requirements for collateral to protect itself against default. The goods or land registered in the buyer's name from the outset of the transaction. This contract called a murabaha. Another tactic that is similar to leasing real estate is Eljara wa Elqtina. Islamic banks

handle auto loans similarly to normal banks, selling the vehicle to the debtor for a price higher than market value while retaining ownership of the vehicle until the loan is repaid (Ali, 2020).

## 1.2 Problem Statement

The global financial crisis, diminishing interest margins that have an impact on the sector's asset performance in particular, new rules, a decline in trade volumes, and the mobilization of deposits are some of the issues facing Kenya's Islamic banking industry (Francis, 2021).

According to Kiyalu (2022), First Community Bank (FCB) revealed a deficit in core capital over Sh1 billion, indicating the severity of the crisis that forced the bank's owners to sell a majority ownership in the bank to a lender based in Mogadishu in order to survive. According to the small lender's most recent books of accounts, its core capital fell from Sh1.65 billion in September to a negative Sh331 million in December, putting it in violation of the Central Bank of Kenya's (CBK) statutory capital strength ratios. Its owners were forced to sell a 62.5% stake to Premier Bank Limited (Somalia) in Mogadishu for Sh2.8 billion in 2019 due to the unexplained decline in core capital, that occurred within three months.

Premier Bank received an offer of 10.8 million new shares, worth Sh2.8 billion, to strengthen FCB's finances. As of December 2020, FCB needed to raise more over Sh1 billion to comply with CBK regulations—a 16% increase. It anticipated that the deal finalized by last week. Following a net profit of Sh416.6 million the previous year, FCB experienced a net loss of Sh224.57 million in the year that ended in December (Islam, & Rana, 2017).

Customer deposits at FCB, which saw panic withdrawals the previous year, decreased by 36% in 2021 to Sh13.74 billion from Sh21.48 billion. During the year, there was a decline in deposits of Sh7.74 billion, of which more than half (Sh4.43 billion) occurred in the final three months of the year, during which a brief bank run occurred (Islam & Rana, 2017). The panic

withdrawals happened in October of last year, and the institution attributed them to a glitch in the system that affected how it operated.

Consumers who queued up to get their money said the bank was restricting check transactions and only allowing withdrawals of less than Sh1 0,000 each day. The bank's issues made public when it announced that system failures were causing a backlog in most of its services (Kiyalu, 2022). Panic withdrawals resulted from this, sparking worries that a fullfledged bank run was imminent. In January 2022, FCB's core capital to total risk-weighted assets ratio was zero percent, as opposed to the minimal requirement of 10.5%.

The aforementioned data indicates that there are numerous obstacles to overcome in the process of implementing a strategy, including insufficient funding, poor communication, cultural norms, and policy issues. Thus, this study therefore will seek to fill the gap by investigating an evaluation of planning strategies on Islamic banks' performance: case of First Community Bank Limited Kenya.

### 1.3 Objectives of the Study

#### 1.3.1 General Objective

The general objective of this study was an evaluation of planning strategies on Islamic banks' performance, case of first community bank limited Kenya.

#### 1.3.2 Specific Objectives

- i. To identify the influence of strategic communication on the Islamic Banks' performance case of First Community Bank Limited.
- ii. To find out the effect of organizational structure on the Islamic Banks' performance case of First Community Bank Limited.
- iii. To examine the outcome of resource allocation on the Islamic Banks' performance case of First Community Bank Limited.

IV. To analyze the impact of strategic leadership on the Islamic Banks' performance case of First Community Bank Limited.

#### 1.4 Research Questions

The study guided by the following research questions:

- i. What is the influence of strategic communication on the Islamic Banks' performance case of First Community Bank Limited?
- ii. What is the effect of organizational structure on the Islamic Banks' performance case of First Community Bank Limited?
- iii. What is the outcome of resource allocation on the Islamic Banks' performance case of First Community Bank Limited?
- iv. What is the impact of strategic leadership on the Islamic Banks' performance case of First Community Bank Limited?

#### 1.5 Significance of the study

Kenyan banks can benefit from this study's insights, particularly with regard to offering Islamic banking products. The study's conclusions can shed light on how Islamic banking providers can become more competitive. Decision-makers might utilize the insights it would offer on the competitive landscape and growth patterns of Kenyan Islamic banks when organizing, developing, and implementing initiatives aimed at boosting the competitiveness of their financial institutions.

Government decision-makers in Nairobi County and the nation as a whole would also profit from it since it provides guidance on how to develop better regulations that support the competitive market of the Islamic banking industry in the nation and county. Academic institutions and other researchers stand to gain as result of the recommendations made for

additional research, which will help them conduct studies in the same field. The public should take considerable notice of this study. The results can assist the public and investors in making wise and knowledgeable choices regarding shariah-compliant investments.

#### I.6 Study Scope

The research was done in Nairobi County. It targeted Islamic Banks specifically; First Community Bank Limited. Strategy planning evaluated in terms of strategic communication, organizational structure, resource allocation and strategic leadership. Employees working with First Community Bank Limited took part in this study. A questionnaire utilized for data collection. Performance of Islamic banks based on the last 5 years' period (2021 — 2023).

#### I.7 Study Limitations

The study might face some challenges. The respondents' propensity to be wary of the researcher may have had an impact on how much information they were willing to share. This issue was resolved up front by giving the respondents the required reassurance and using the university's school identity card. Since confidentiality is such a delicate topic, it expected to be a barrier. The researcher however, reassures the respondents that all of the information only used for the purposes that had disclosed.

The unwillingness of certain respondents to swiftly complete questionnaires and others who failed entirely could possibly be a limitation on the research. The response rate was so constrained. However, the researcher tried to reassure the participants by outlining the possible advantages of the study. The methods employed in this study have a significant impact on its limitations. Due to the research's limits, which limit it to only Islamic commercial banks registered with the Central Bank of Kenya, the data gathered is only applicable to this segment of the public. This study placed more emphasis on a quantitative than a qualitative approach.

Dealing with the busy managers, some of whom did not have time to complete surveys, was the study's other constraint. It was hard to get enough information out of these people. The majority of the responders, however, were either too busy or unable to complete the questionnaire in the allotted period, so the researcher allowed them plenty of time to do so.

### 1.8 Delimitation of the Study

The geographical coverage of the study was Nairobi Kenya. First Community Bank Limited head office and its branches are all within Nairobi Metropolitan Area. To ensure that the limitations addressed, the researcher gave a surety that the information they gave purely for academic purposes. For confidentiality, the researcher advised the respondents that their names would be anonymous and the data kept safe by the university. For this, the researcher urged the respondents to answer all question truthfully. The respondents were presented by a later of introduction so that they would choose whether to answer or not and they would not be forced.

### 1.9 Operationalization of Critical Terms

**Strategic communication:** according to the study, Strategic communication refers to policymaking and guidance for consistent information activity within an organization and between organizations. According to Kibe (2020), the study of how organizations or communicative entities communicate deliberately to reach set goals. Although the term "strategic communication" has been in use for years, scholars are only now fully engaged in defining the field and its theoretical influences.

**Organizational Structure:** as per the study, organizational structure is the hierarchy of the business's teams, leaders, managers, and individual contributors. According to Mintzberg (1972), Organizational structure is the framework of the relations on jobs, systems, operating. Process, people and groups making efforts to achieve the goals

Resource Allocation: the study defines resource allocation as the process of identifying all your available resources—whether it's labor or monetary—for a project and then strategically assigning them to tasks that enable them to do their best work.

Strategic Leadership: the study shows that strategic leadership is managers use their creative problem-solving skills and strategic vision to help team members and an organization achieve long-term goals.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The theoretical literature that is pertinent to the current study created in this chapter. It offers a critical examination of pertinent works that connected to this research. Saucer, Lewis, and Thornhill (2020) state that the literature review serves as the foundation for the research since it fosters a thorough comprehension of pertinent prior research and developing patterns. The material in the literature is pertinent to the particular field of study. Books, journals, periodicals, and prior study findings are all included. This project examines the effectiveness of planning strategies for Islamic banks, using First Community Bank Limited in Kenya as a case study.

#### 2.2 Theoretical Framework

Four opposing theories that have put forth by different scholars were the subject of the study in an effort to explain the relationship between strategic planning and performance. The study built on the four theories below that explain the relationship between the variables and outlines past similar studies.

### 2.2.1 Profit and loss sharing (PLS) Theory

PLS instruments, Mudarabah, and Musharakah are regarded by Islamic scholars as being the three main pillars of the Islamic banking paradigm. In Mudarabah banking, the Islamic bank takes deposits from customers while dividing the risk (Mohammed, et al., 2023). The Islamic bank either extends these assets to business owners on a risk-sharing basis or invests them directly in lucrative investments. The Islamic bank distributes to its depositors any profit or loss from mudarabah ventures. In musharakah banking, the Islamic bank invests the money from the depositors in a venture that they have with the customer (an entrepreneur).

Typically, an Islamic bank gives its client full control over all aspects of a Musharakah firm. The client and the Islamic bank split any gains or losses from the Musharakah investment.

In a typical PLS structure, a firm with experienced managers in charge of making strategic and operational decisions receives the risk capital from an Islamic bank. The bank is responsible for all losses and shares in the gains. If the bank is able to observe the company's business operations and permitted to do so, there are no significant issues with this arrangement. However, suitable oversight mechanisms have yet to be developed for PLS, particularly in the case of Mudaraba, which does not grant the financier (in this case, the Islamic bank) any control rights. Fiqh literature on this topic is seriously out of date and needs to be updated. Saleh (1986), for instance, provides the financier's three rights and one obligation under a Mudaraba agreement. The rights include the opportunity to monitor the borrower entrepreneur's compliance with the agreement, profit sharing, and limited responsibility in the event of loss. The capital of Mudaraba is turned over; that is your only obligation. He also lists the borrower's two rights and two obligations.

The rights include making accounting judgments and operating the business with a sufficient level of flexibility. The obligations include adhering to the agreement's provisions and closing down the Mudaraba company after its expiration. A more thorough definition of rights and

obligations is certainly needed for the present usage of mudaraba as a financing method. Construction of standardized PLS contracts or by-laws is required in light of Muslim countries' legal systems. Definitions of the rights and obligations of different officers or groups within the organizational structure should be a key component of these by-laws. Similar by-laws should outline the provisions relating to how the borrowing firm performs in comparison to other businesses in the same industry and, maybe, other businesses.

### 2.2.2 Leadership Contingency Theory

Fiedler (1964) put this idea forth, and it one of the theories that guided this inquiry. This theory holds that knowing how a leader's ability to lead is impacted by a range of contextual factors, such as the skill level of the team members, the leader's actions, preferred style, and abilities, is essential to implementing strategies effectively. However, Peters, Hartke, and Pohlmann (2019) point out, the theory proposed that a leader should choose a style that works best in the given situation and promotes employee performance right away.

Establishing clear leadership standards, in the opinion of Kriger and Seng (2019), will foster people's basic maturity and values toward their roles and duties, leading to the successful and efficient implementation of strategy for enhanced organizational performance. The theory is relevant because it implies that an effective leader has an obligation to counsel and educate team members in order to improve performance, teach them how to maintain work quality while a project carried out, and provide the team members with the necessary support in carrying out such a big responsibility.

### 2.2.3 Structural Contingency Theory

Donaldson (1996) brought it up, and his key argument is that in order to preserve and increase efficiency, organizations need to manage their processes to accommodate contingent aspects. The structural contingency hypothesis states that there is not a single, efficient structure in any

organization. In the absence of this, a firm should set up its operation such that it can appropriately adapt to changing conditions and the environment, according to Donaldson (1996). Strategy, scale, mission, unpredictability, parent agency, disclosure to the public, important assets, and technology are examples of contingency variables.

Bubeck et al. (2021) claim that the idea of structural contingency shows how environmental changes affects commercial banks. Any mismatch between the layout and the unforeseen conditions results in less efficiency. The fundamental idea of structural contingency theory is the adaptive transition—the movement from misfit to fit. This theory is essential to the study since it says that when the framework matches the circumstances, the organizational structural design is most effective. In order to prevent output loss resulting from this deception, commercial banks usually employ strategic choice, creating a special structure that accommodates the recently added contingency level element.

#### 2.2.4 Agency theory

Ross and Mitnick were the first academics to formally suggest and initiate the development of a theory of agency (1993). Though the fundamental ideas that underpin both theories are similar, Ross credited with creating the economic theory of agency, while Mitnick is responsible for the institutional theory of agency. The ways that the techniques employ comparable ideas under various assumptions can really considered as complementary. In summary, Ross presented the study of agency in terms of contracting agency problems, which viewed as essentially incentives problems.

Mitnick popularized the now widely accepted theory that, in reaction to the fundamental flaw in agency interactions, institutions develop around agency and adapt to deal with it: Since it does not pay to make behavior perfect, it never happens, as the principal would like. Instead, society forms structures to address these faults, controlling or buffering them, adjusting to

them, or allowing them permanently affect behavior. Thus, we need both streams to see the institutional structures and the incentives order completely understand agency. According to agency theory, in order for management and stakeholders to effectively collaborate and work toward a shared objective, there should be proper synergy between them. However, the agency issue in mudaraba and musharakah contracts recently been brought up by a number of writers, including Kirimi (2011) in the field of Islamic finance. Conflicts of interest can occur when professional managers oversee a company instead of the owner or capital provider (shareholder). The manager serves as the agent of the firm owner. When utility rises, managers will prioritize maximizing their own utility over maximizing the wealth or utility of the owners or shareholders.

They have an incentive to raise their own pay, benefits, and other benefits, which creates a conflict of interest and could push them to prioritize their own interests over company objectives like increasing profit margins for shareholders. The most prevalent issue facing all firms or businesses run by agents as opposed to shareholders or debt holders is this dilemma. Considering how commonplace it is, it is crucial to examine its implications for mudaraba and musharaka. A joint venture profit-sharing firm involving two or more parties in which the Islamic bank is a significant partner or stakeholder known as a musharaka mode of financing. The bank depends on the other partner or partners to run the company and make daily decisions under musharaka.

The bank could hire outside auditors and experts to keep an eye on how the company managed, but that would come with extra expenses. As a result, the bank forced to rely on outside partners or professional managers to run the companies, even if these managers can be motivated to maximize their own benefits at the expense of the owners. In the context of mudarabah/musharakah finance, the Islamic bank abstains from direct involvement in managerial choices. Instead, it is entirely dependent on the trustee or entrepreneur of the

commercial endeavor. Due to the trustee's obvious role as an Islamic bank representative, an agency conflict of interest naturally exists. Thus, the Islamic bank faces the agency problem and related expenses under both mudarabah and musharakah.

When banks lack consistent financial reporting standards and procedures, they have limited access to reliable accounting information, exacerbating the agency problem. These Islamic finance forms' profit-sharing features complicated by the agency problem and the absence of credible financial data, which inadvertently promote debt financing (murabahah and ijarah) over equity financing (musharakah and mudarabah). By properly drafting the Agreement on Profit and Performance Bonus Sharing between the Bank and the Entrepreneur, the agency problem in musharakah and mudarabah can be mitigated to some degree. Additionally, the bank takes part in the election of the company's executives and board in the event of musharakah, which should lessen the agency issue even more.

## 2.3 Empirical Literature

### 2.3.1 Strategic Communication and Performance

Ifeoma (2021) conducted research on effective communication and organizational performance. most cases, secondary data used in conjunction with a survey research methodology. Successful communication shown to solution for efficient and successful staff management in an organization the study concluded that every firm must develop a strategic plan for storing information and efforts, and that good communication is a crucial component of management plans.

Organizational performance and strategic communication were the subjects of a study conducted in 2022 by Shonubi and Akintaro. This research was done among Nigerian manufacturing companies. The results of this study showed that good communication was essential to the operation of an organization. According to the study, in order to improve

performance effectiveness and efficiency, management should adopt clear concepts before speaking; they should also have a thorough awareness of the physical and human environments, as well as the reasons behind communication. Top-down and bottom-up communication are taken into account while designing communications. Both explicit and implicit facts taken into account, and the message's tone and content should carefully analyze. When speaking, one must ensure that the other person understands the language used and that the message being sent is clear. All parties involved in the conversation should make sure they listen well, and they should take and complete immediate action. Effective feedback and follow-up procedures are essential to guaranteeing the success of the communication process as a whole. Due to contextual bias, the study's conclusions not extended to Kenya's Financial and Commercial State Corporations.

Chepkosgei, et al. (2020) looked into how employee communication affected the productivity of Kenyan horticultural companies. All of Naivasha's flower farms were included in this study. This study used a cross-sectional survey research design as its methodology. Using a stratified random sampling technique, study participants selected from the target population. Data collected in both qualitative and quantitative forms. To determine the link between the variables, inferential analysis used, which included regression and correlation analysis. The study emphasized the necessity for efficient communication techniques after finding that staff communication is a critical factor in determining the organizational performance of flower farms.

In a case study on the Kenya Ports Authority, Kibe (2020) examined the impact of communication strategies on organizational performance. Four communication techniques that is likely to affect an organization's performance—formal channels of communication, organizational structure, teamwork, and open-door policies empirically assessed. The sample

size was 121, and an explanatory design used. The study found that clear communication lines are necessary for a company to have high performance and that communication is a critical component of organizational performance.

Yuniati et al. investigated effective communication and organizational success in 2021. most cases, secondary data used in conjunction with a survey research methodology. Successful communication shown to be the solution for efficient and successful staff management in an organization. According to the report, every firm should develop a strategy plan for storing information and efforts and include efficient communication as a crucial component of its management plans.

The impact of communication on the performance of Ghana Revenue Authority employees investigated in Otoo's (2019) study. The research centered in Kumasi. The major data collection method involved the use of questionnaires. Participants chosen by simple random sampling. The findings of the study demonstrated a correlation between numerous employee performance metrics and effective corporate communication. Further improvements in employee performance are possible if impediments to communication systems minimized or eliminated.

Organizational performance and strategic communication were the subjects of a study conducted in 2023 by Shonubi and Akintaro. This research was done among Nigerian manufacturing companies. The results of this study showed that good communication was essential to the operation of an organization. According to the study, in order to improve performance effectiveness and efficiency, management should adopt clear concepts before speaking; they should also have a thorough awareness of the physical and human environments, as well as the reasons behind communication. Top-down and bottom-up communication are taken into account while designing communications. Both explicit and implicit facts taken into account, and the message's tone and content should carefully analyze. When speaking, one

must ensure that the other person understands the language used and that the message being sent is clear. All parties involved in the conversation should make sure they listen well, and they should take and complete immediate action. Effective feedback and follow-up procedures are essential to guaranteeing the success of the communication process as a whole. Due to contextual bias, the study's conclusions not extended to Kenya's Financial and Commercial State Corporations. Otieno, Waijo, and Njeru (2021) looked into how employee communication affected the productivity of Kenyan horticultural companies. All of Naivasha's flower farms were included in this study. This study used a cross-sectional survey research design as its methodology. Using a stratified random sampling technique, study participants selected from the target population. Data collected in both qualitative and quantitative forms. To determine the link between the variables, inferential analysis used, which included regression and correlation analysis. The study emphasized the necessity for efficient communication techniques after finding that staff communication is a critical factor in determining the organizational performance of flower farms.

### 2.3.2 Organizational Structure and Performance

The study by Mehrabi, Soltani, Alemzadeh, and Jadidi (2019) looked at the relationship between the organizational structure and the aspects of learning organizations. Using the Morgan table, random sampling used to generate a sample size equal to 140 people. The findings of the Pierson correlation coefficient test showed a strong negative relationship between the degree of organizational structure and learning organizations' fulfillment. There is a noteworthy correlation between the relationship and all aspects of organizational effectiveness.

In order to maximize both the speed and quality of the decision-making process, Hafsi and Baba (2023) contend that the ideal authority and decision-making model for an organization must constantly incorporate a balance between the centralized and decentralized

organizational structures. In their research study, Leita0 and Franco (2021) provided empirical evidence about the relationship between organizational structure and financial and non-financial performance, which evaluated using balanced scorecard techniques. The results indicated a significant positive correlation between the two variables. The number of tiers in the hierarchy, the degree of authority centralization, and the degree of horizontal integration all specifically determined by the organizational structure of a multinational conglomerate with multiple businesses. This explained as multifaceted framework that configures the division of labor, particularly individual duties related to specialization and departmentalization choices, for the benefit of the entire company enterprise.

According to Nwachukwu and Chladkova (2019), the organizational structures that oil and gas marketing companies in Nigeria adopted had a positive impact on their market share. Empirical evidence also indicated a positive correlation between the number of hierarchical layers in these structures and the performance of the corresponding companies. According to the study, successful businesses within the same industry had well defined organizational structures, but less successful businesses did not. The aforementioned results are consistent with a research study conducted by Zachary B. Awino (2023), which contended that an organization's organizational structure has a major impact on the accomplishment of its strategic goals, growth direction, and predetermined objectives.

Sidhi (2021) examined the relationship between organizational structure and performance, using Mbarara University of Science and Technology as the study's premise. Information gathered by questionnaires and interviews, and during the exercise, stratified and random sampling used. A sample of seventy respondents selected. Both qualitative and quantitative research approaches applied. According to the study, there is a relationship between service delivery and organizational structure, and the structure of Mbarara University of Science and Technology has an effect on its financial management.

Nwosu's (2020) study looked at the relationship between organizational structure and learning organizations' aspects. Using the Morgan table, random sampling was used to obtain a sample size equal to 140 people. The findings of the Pierson correlation coefficient test showed a strong negative relationship between the degree of organizational structure and learning organizations' fulfillment. There is a noteworthy correlation between the relationship and all aspects of organizational effectiveness.

Jung (2022) conducted study on the relationship between organizational structure and an organization's success and trustworthiness. The population was a sample of employees of companies in Fars, Iran, that were involved in large and medium-sized businesses. The results showed a strong relationship between organizational structure and trust measures. Moreover, a substantial association found between effectiveness and organizational structure, but not between the mechanistic structure of the effectiveness dimension and effectiveness.

In her research study on the decision-making processes in multinational manufacturing organizations, Karlsson (2012) argued that the organization structure always fosters the development of a shared vision among management and all employees, which is crucial to the success of such organizations. She went on to say that all organizational hierarchies needed to hear the vision expressed in a clear, consistent, and continuous manner. In the context of this study, consistency refers to the application and replication of strategic decisions throughout all business units, whereas clarity specifically refers to the clear communication of corporate goals to all stakeholders within the organization. In their study on the effect of organizational structure on performance, Maduenyi, Oluremi, and Fadeyi (2015) concluded that an organization's organizational structure directly affects its financial and non-financial performance. In their analysis of corporate organizational structures in China and Austria, Hao, Kasper, and Muehlbacher (2012) discovered that organizational structure had a direct and indirect impact on performance. They went on to say that in order for multiple companies to

outperform one another in the marketplace, their organizational structures continuously changed. Many corporate organizations have as their primary goal achieving superior business excellence, and successful strategy formulation and execution have identified.

### 2.3.3 Resource Allocation and Performance

In China, Wu (2019) did an assessment of the role that institutional investors play as far as the resource allocation in infrastructure projects in the country are concerned. By exclusively relying on review of the available literature, it was shown that institutional investors are key sources of financing most infrastructure projects in China. One of the relevant infrastructure projects funded by these institutional investors includes the road systems. These institutional investors are large corporate entities with large funds that are able to bridge the gap of budgetary shortfalls of the government.

Choi, and Kumar, (2021) did a study on allocation of technological resources in the firms that are diversified. The inquiry was supported by the influence cost theory and the managerial opportunism theory. The study focused on the manufacturing industries of US within the period of 1996 all through to 2017. The study noted that firms that diversified do generate technological resources that have less application on their operations. This study, although focused on technological resource allocation, it failed to link it with performance of the M&E system hence the gap to filled by the proposed study

The 2019 study by Mwai, Namada, and Katuse looked at the relationship between organizational resources and effectiveness. A survey instrument utilized during the process of collecting data. Both descriptive and inferential statistics used to evaluate the data. It discovered that the manner in which funds allocated to various strategic operations and activities as well as fundraising initiatives affects the degree of organization process efficiency. Staff empowerment has a negative but considerable impact on process efficiency. However, an

exploratory design was used, which uses a limited sample size; hence, it is usually not possible to generalize the results to the entire population.

Lemarleni et al. (2021) investigated the effects of resource distribution on the Nairobi County Kenya Police Service. Stratified sampling utilized to choose 49 of Nairobi's highest-ranking police officers as a sample. The use of descriptive statistics used. Primary data gathered using a questionnaire. Inferential statistics used to measure quantitative data. The technology and human resources showed a substantial and positive link, respectively.

Ng'ang'a, Waiganjo, and Njeru (2021) examined the relationship between organizational resources portfolio and organizational performance in the tourism industry. The study employed a cross-sectional methodology to investigate the impact of resource portfolio on the performance of tourist government agencies. The study population consisted of management and non-management employees. Stratified sampling used to choose a sample size. Descriptive and inferential statistics used for data analysis. It was determined that resources were essential to a firm's performance. Resources with the greatest influence in organizations and tourism agencies were those with technological, physical, and human skills.

Sopha and Asih's (2018) study concentrated on how human resources distributed in humanitarian organizations. The claim that human resources thought to be the most important component when it comes to how humanitarian organizations conducted their business served as the foundation for the investigation. The main goal of the investigation was to highlight the crucial human resource allocation policy in these kinds of businesses. The investigation used the systematic dynamics technique to develop a simulation model that guides the humanitarian entities' human resource allocation policy. The investigation created and examined two instances: the continual relief demand and the empirical relief demand. Several experiments conducted to reveal the different policies applied in the distribution of human resources in these two scenarios. It demonstrated that there was a trade-off in the distribution of human resources

between the humanitarian organizations' relief efforts and their capacitybuilding initiatives. Accordingly, the study concluded that allocating human resource capacity is essential to the long-term viability of humanitarian groups' aid efforts. Despite covering HR allocation difficulties, this study did not establish a connection between these issues and the M&E systems' performance, which accounts for the gap.

Arias, Saavedra, Marques, Munoz-Gama, and Sepúlveda (2018) conducted research on the distribution of human resources in the context of managing business processes. A review of earlier papers and magazines spanning the years 2005 through 2016 provided support for the findings. 75 articles out of the 2,370 that were reviewed for this study were chosen to be included in the investigation. The study's conclusion was that validation and evaluation are the two primary types of research in the still-emerging field of human resource allocation. Two primary approaches of evaluation used in the field of human resource allocation are simulation and case studies. Kwizera (2018) investigated the impact of strategic HRM strategies on staff performance using a case study of United States International University Africa. The study's variables included company culture, manager attitudes, and financial rewards. The study's conclusions indicated that organizational culture, manager attitudes, and monetary compensation all had an impact on worker performance. The study examined strategic HRM practices and their relationship to employee performance, where HR allocation could only be a part of the total. The purpose of this study was explicitly examined HR allocation and how it relates to the M&E system's performance.

#### 2.3.4 Strategic Leadership and Performance

The study conducted by Kabetu and Iravo (2019) assessed the impact of strategic leadership on the functioning of international humanitarian organizations in Kenya. The research design used was descriptive. The target group included 197 UN Habitat lower, mid, and top-level

managers. To collect data, self-administered questionnaires used. The study found that communication of strategic direction has a significant impact on UNHabitat's success in Kenya.

The study conducted by Kitonga (2022) examined the correlation between the organizational performance of not-for-profit institutions and the strategic leadership approaches employed in Nairobi County. A straightforward random sampling technique used to determine the sample size, and a convergent mixed method study design implemented. Survey questions used to collect quantitative data, and interview guides used to collect qualitative data. According to the study's findings, there is a general favorable and significant correlation between strategic leadership practices and organizational success.

The impact of strategic leadership techniques on Kenyan County Governments' service delivery investigated in the Shimengah (2023) study; the researcher analyzed prior research. The study focused on how ethical behavior and core skills might improve service delivery, drawing on previous research findings. It has demonstrated that strategic leadership techniques can improve service delivery. The appointment and election of highly competent county leaders who exhibit the fundamental qualities of a leader expedites the achievement of devolution objectives by reducing bureaucracy, increasing public participation, and improving resource management.

As per Lamb (2019), strategic leadership plays a significant role in enhancing performance by optimizing the organization and its operations to achieve both short-term financial health and long-term growth and survival. Building the company's capabilities and resources is a top priority for strategic leaders who want to become competitive in the market. Strategic leaders understand that focusing on the here and now at the expense of critical issues impacted by the unstable environment may result in organizational collapse (Lamb, 2009). This strikes a solid balance between immediate success and long-term viability. Strategic leaders place a great deal

of effort into maintaining the well-being of their workforce because they view human capital as a critical component of innovation and creativity (Harris, 2023).

According to Singh et al. (2020), in their research on organizational leadership, a firm's ability to realize its potential greatly depends on its leadership. When a company first starts out, the top management is in charge of marketing, general operations, and the delivery of goods or services. As the company expands and matures, the management assigns lower-level staff members to handle operational tasks while placing greater attention on developing strategic direction. In order to guarantee improved business growth and operational excellence, the management hires personnel with specific capabilities. Diversifying the market and product line is necessary to boost sales revenue (Breene and Nunes, 2022). The relationship between skills and value creation, which impacts a firm's performance, is understood by the leader (Breen and Nunes, 2021). Value creation is converting an idea about what the client wants into a clever fusion of organizational processes and skills that meet the needs at a reasonable price.

Gaturu, Waiganjo, Bichang'a, and Oigo (2022) investigated how strategic control affected the operations of mission hospitals located in Kenya. Research using both qualitative and quantitative methodologies was encouraged. The research design utilized in the study was a descriptive cross-sectional survey. The employed populations in mission hospitals included the chief medical officers, nursing staff, finance managers, human resource managers, hospital administrators, and senior level managers. According to the Kenya Medical Directory (2014), there were fifty-eight mission hospitals listed in Kenya. The study's finding was that mission hospitals in Kenya operate better when they have strategic control. Methods that strategic leaders use to motivate their followers to improve an organization's overall performance known as strategic leadership practices Additional strategic leadership techniques can affect decision-making to improve organizational performance and maintain short-term financial

sustainability. According to Serfontein (2021), strategic leadership techniques help businesses operate at a high level even in volatile markets. Additionally, (Wang, Tsui, & Xin, 2021) observed that an organization's success is closely correlated with the behavior of its leaders. It is clear that the results of an effective leader's strength are what make them known.

#### 2.4 Conceptual framework

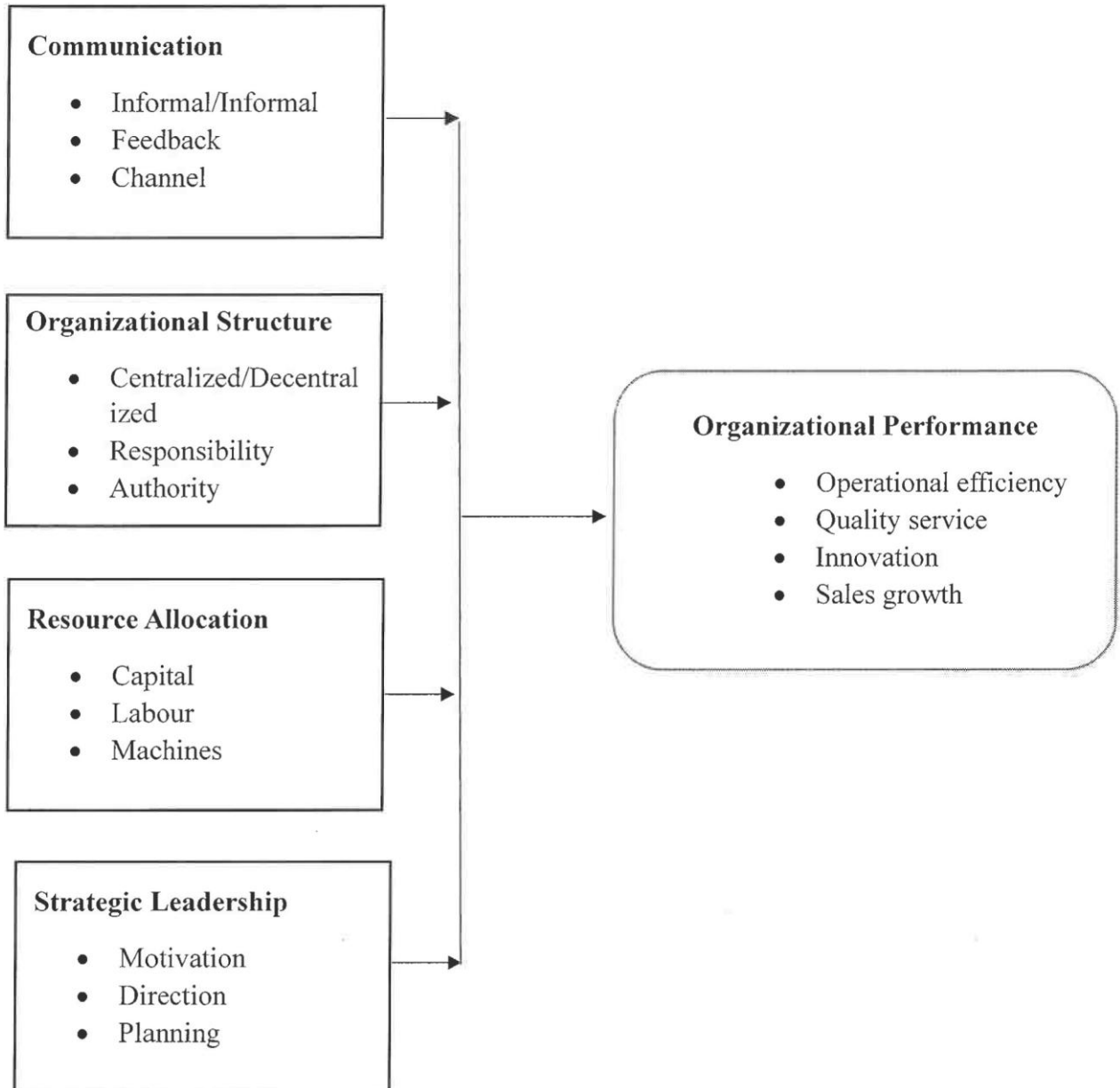
A conceptual framework, according to Odhiambo and Waiganjo (2014), is a graphical depiction of the study variables' postulated interrelationships. On the other hand, Ravitch and Riggan (2011) emphasized that the conceptualization of variables in any research is crucial since it serves as the foundation for hypothesis testing as well as for drawing conclusions and generalizing the study's main findings. Consequently, Figure 2.1's conceptual framework seeks to illustrate how the predictor variables affect the response variable.



Mount Kenya University

Dependent Variable

Independent Variable



Source: (Research 2023)

Figure 2.1: Conceptual framework

## 2.5 Critique of the existing literature

Organizational performance and strategic communication were the subjects of a study conducted in 2022 by Shonubi and Akintaro. The results of this study showed that good communication was essential to the operation of an organization. This research was done

among Nigerian manufacturing companies. Chepkosgei, et al. (2020) looked into how employee communication affected the productivity of Kenyan horticultural companies. All of Naivasha's flower farms were included in this study. This study used a cross-sectional survey research design as its methodology. The impact of communication on the performance of Ghana Revenue Authority employees investigated in Otoo's (2022) study. The research centered in Kumasi. The major data collection method involved the use of questionnaires.

Simple random sampling chose participants.

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The organizational performance of not-for-profit organizations and strategic leadership techniques in Nairobi County examined in the Kitonga (2019) study. A straightforward random sampling technique used to determine the sample size, and a convergent mixed

method study design implemented. Survey questions used to collect quantitative data, and interview guides used to collect qualitative data.

The above studies implemented in different sectors and different countries. They also used different methodology and research design. This study therefore sought to fill the gap by investigate an evaluation of strategic planning on Islamic banks' performance: case of First Community Bank Limited Kenya.

## 2.5 Summary

In a case study on the Kenya Ports Authority, Kibe (2020) examined the impact of communication strategies on organizational performance. Four communication techniques that is likely to affect an organization's performance—formal channels of communication, organizational structure, teamwork, and open-door policies empirically assessed. The sample size was 121, and an explanatory design used.

In order to maximize both the speed and quality of the decision-making process, Hafsi and Baba (2023) contend that the ideal authority and decision-making model for an organization must constantly incorporate a balance between the centralized and decentralized organizational structures. In their research study, Leitao and Franco (2021) provided empirical evidence about the relationship between organizational structure and financial and non-financial performance, which evaluated using balanced scorecard techniques. The results indicated a significant positive correlation between the two variables.

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As per Lamb (2019), strategic leadership plays a significant role in enhancing performance by optimizing the organization and its operations to achieve both short-term financial health and long-term growth and survival. Building the company's capabilities and resources is a top priority for strategic leaders who want to become competitive in the market. Strategic leaders know that focusing on the here and now at the expense of the important problems impacted by the tumultuous environment will ultimately result in organizational collapse (Lamb 2019).

## 2.6 Research Gaps

Organizational performance and strategic communication were the subjects of a study conducted in 2022 by Shonubi and Akintaro. This research was done among Nigerian manufacturing companies. In order to maximize both the speed and quality of the decisionmaking process, Hafsi and Baba (2023) contend that the ideal authority and decision-making model for an organization must constantly incorporate a balance between the centralized and decentralized organizational structures. Choi and Kumar (2016) conducted a study on the distribution of technological resources in diversified enterprises. Both the managerial opportunism theory and the influence cost theory provided support for the investigation. The US industrial sectors from 2019 through 2022 were the focus of the study. The study conducted by Kabetu and Iravo (2019) assessed the impact of strategic leadership on the functioning of international humanitarian organizations in Kenya. The research design used was descriptive. The target group included 197 UN Habitat lower, mid, and top-level managers. The aforementioned studies conducted in various industries and nations. This study therefore sought to fill the gap by investigate an evaluation of strategic planning on Islamic banks' performance: case of First Community Bank Limited Kenya.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter provides an elaborate account of the research methodology that implemented by the author for the current investigation. Included in this chapter's methodology are the research design, the target population, the sampling procedure and design, the instrument and methods of data collection, and the data analysis.

### 3.2 Research design

Research organized according to a research design. It facilitates the articulation of the necessary data, its source, and the manner in which it addresses the research inquiries. It addresses issues that deviate from logistical and logical principles. This research utilized a descriptive survey methodology, which interprets relationships and compares study variables with descriptions. By utilizing the research design, the scholar would be able to acquire a comprehensive depiction of the current state of affairs (Mugenda & Mugenda, 2003).

### 3.3 Population

This collection of components is the subject of an investigation. The obtained results subjected to testing in order to determine their generalizability. A population defined as a collection of individuals who share comparable attributes (Mugenda and Mugenda, 2003). In Nairobi County, the First Community Bank was the focus of the study. There are 115 employees in FCB (First community bank employee directory. 2022) 115 participants were targeted; they included top, middle and lower management employees from this bank.

### 3.4 Sample and sampling technique

According to de Assis Lage et al. (2020), sampling techniques are crucial for determining whether a sample is representative for generalization purposes. The selection of respondents conducted using a straightforward random sampling method, while stratified sampling employed to ensure that all cases adequately represented. In descriptive research, a sample size of 10 to 50 percent is representative of the entire population, according to Mugenda and

Mugenda (2003). A 30% sample size representation of the 115-member study population yielded a sample size of 62 participants. Table 3.2 illustrates this precisely.

Table 3.1: Sample

Bank	Population	Sample Size (30%)
Top management employees	33	20
Middle management employees	29	16
Lower management employees	53	26
Total	115	62

Source: HRM Report of (2020)

### 3.5 Instruments

For collection of data, a questionnaire used. The survey consisted of five sections (A-E).

Following a section on the demographics of the respondents, the remaining sections contained details on the dependent variables. Each participant was provided with a questionnaire, which they completed by marking the appropriate boxes corresponding to the questions posed and the appropriate responses.

### 3.6 Testing for Reliability and Validity

#### 3.6.1 Reliability

Reliability ensures that research tools are consistent and dependable, producing reproducible results whenever used (Cooper & Schindler, 2009). To ensure the reliability of the research instruments, a pilot test conducted. The pilot test will verify the reliability of the research tools before commencing the actual data collection process. Any mistakes identified during the pilot test, such as spelling errors, duplicated questions, unclear questions, or irrelevant items, corrected before proceeding with the main data collection phase. To ensure the robustness of the questionnaire, it will undergo pilot testing, during which the responses

obtained used to compute Cronbach's alpha coefficient. A reliability coefficient of 0.7 or higher, as established by Saunders et al. (2009), considered satisfactory for any study. Reliability, as defined by many scholars, refers to the dependability of a research tool in providing consistent results each time it administered. It degree to which research tool yields same result under similar conditions with same subjects. The study used Cronbach's Alpha Coefficient to determine the reliability of the research tools. Cronbach's Alpha Coefficient ranges from negative one to positive one, with values closer to one indicating stronger internal consistency of the instrument. In this study, a Cronbach's Alpha Coefficient value of 0.7 considered the minimum threshold, with variables showing a Cronbach's Alpha Coefficient value of 0.7 or higher deemed reliable.

### 3.6.2 Validity

According to Rahman (2023), validity refers to accuracy and significance of inferences based on study outcomes. It also denotes extent to which study tools measure what they intended to and how well data represents the phenomenon studied. To ensure a high level of content validity, research tools subjected to thorough examination by experts in the field as well as the supervisor. These experts and the supervisor evaluated the statements in the research tools for relevance and meaningfulness. The study tools adjusted to align with their recommendations before the final data collection process. Additionally, the questionnaire guided by the conceptual framework constructs to achieve construct validity. Validity, on the other hand, assesses the degree to which the measuring tool, such as a questionnaire, accurately reflects genuine differences among the individuals evaluated. In this study, the test-retest method employed to verify the validity of the research instruments. Furthermore, content validity evaluated by comparing the pilot testing responses to the research objectives

### 3.7 Data collection procedure

The authorization to conduct research at the designated financial institution requested from the bank's management. The researcher, who provided them with a two-week period to complete the questionnaires, individually administered the participant questionnaires. In order to achieve a high response rate, the researcher notified the participants of the significance of completing the questionnaire during a visit to each individual..

### 3.8 Data Processing and analysis

Mahmud et al. (2020) argue that in order to derive meaning from raw data, descriptive statistical tools such as diagrams and tables transformed. The collected data was encoded into a statistical program (version 24 of SPSS) in order to conduct the evaluation for this study.

Means, frequencies, and percentages tabulated in the format of quantitative data analysis. Inference-based statistics made use of correlation and regression. In order to assess the influence of independent variables on the dependent variable, regression analysis utilized.

The following regression model employed to test the

$$\text{hypotheses: } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y = Performance

X<sub>1</sub> Strategic Communication

X<sub>2</sub> =Organizational Structure

X<sub>3</sub> Resource Allocation X<sub>4</sub>

Strategic Leadership e = error

term.

### 3.8 Ethical Considerations

The participants were given a consent form (appendix B) outlining the purpose of the study and asking them to sign it before any data was collected. The form gave assurances on a number of important topics, including that participation is entirely voluntary, that it can be withdrawn at any time during or even after completing the questionnaires, that respondent personal information is treated in complete anonymity, that the information provided is confidential, that data is protected, and that the information is only used for academic research projects.

This corroborated by the presentation of approval from the Ethics Review Committee (ERC) and letters from the University Graduate Studies and NACOSTI. When conducting interviews, the researcher made sure to respect and be truthful about people's rights, prioritize confidentiality and privacy, and avoid harming the respondents in any way. Additionally, considerable care taken precisely transcribe the data and to sensitively and honestly evaluate the results.

The American Psychology Association (APA) required correct citation and reference, and a plagiarism check conducted throughout the project and final report to guarantee that intellectual property rights upheld. After the investigation was over, the researcher published the findings in reputable and legitimate journals to spread the word about the findings. Giving unrestricted access to the body of knowledge

## CHAPTER FOUR

### RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

#### 4.1 Introduction

This segment delineates the presentation, analysis, and discourse on the field data. The presentation includes the rate response, background information of the participants, descriptive statistics, and inferential statistics.

#### 4.2 Response Rate

Using a drop-and-pick procedure, 62 participants were distributed the questionnaires; the response rate is detailed in Table 4.1 .

Table 4.2: Response Rate

Source: Field Data (2024)

Category	Frequency	
Responded	58	93
None response	4	7
Total	62	100

Source: Field Data (2024)

According to the data presented in Table 4.1, 58 out of 62 respondents (93.5 percent) completed the surveys; the remaining 7 did not return the questionnaires, for a non-response rate of 6.4 percent. A 50% response rate is sufficient for analysis and reporting; 60% is acceptable; and a response rate of 70% or higher is exceptional (Mugenda and Mugenda, 2003). As stated, 93.5 percent of the participants acted as representatives and deemed competent in drawing conclusions.

### 4.3 Background Information

The background information provided by the respondent included their highest level of education, gender, age bracket, and duration of service at the bank. The following is a discussion of this:

#### 4.3.1 Gender Response

Respondents requested to indicate their gender. The results are as indicated below

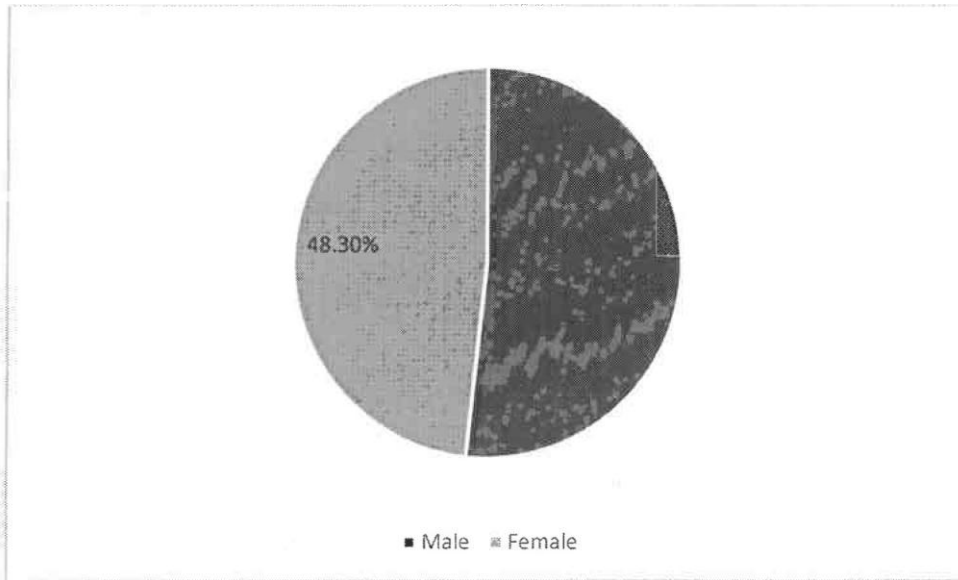


Figure 4.2: Participants' Gender

Source: Field Data (2024)

From the results above, majority of the people who responded to this study were male with a cumulative percentage of 51.70% and the female had a cumulative percentage of 48.30%. The findings suggest that the research was not susceptible to gender bias, as the number of participants of each gender was nearly equivalent, as illustrated in the figure preceding this one.

#### 4.3.2 Age Bracket

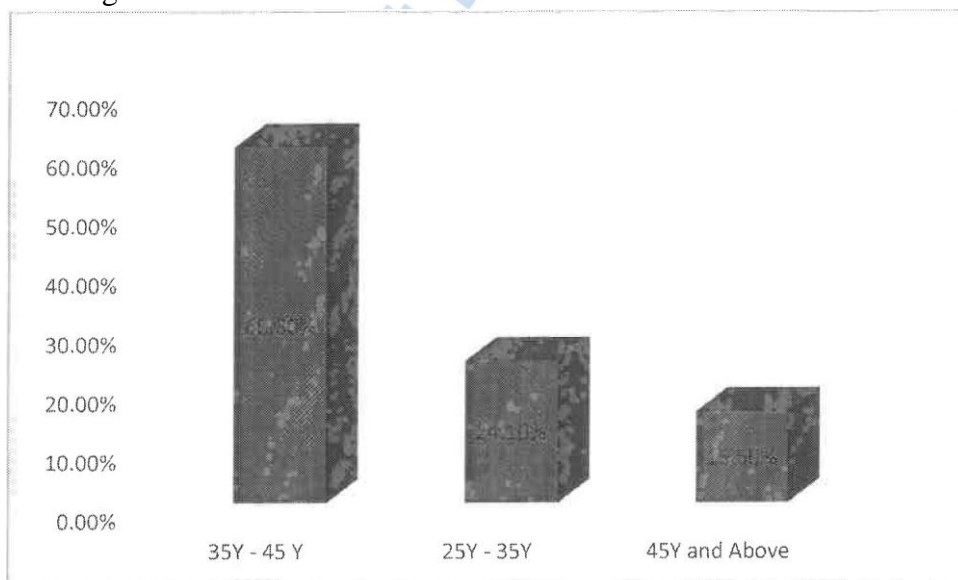


Figure 4.3: Respondents' Age Bracket

Source: Field Data (2024)

From the results above, majority of the people who responded to this study were in the age bracket of between age of 35 years and 45 years with a cumulative percentage of 60.30%. Participates that followed had a cumulative percentage of 24.10% were between the age of 25 years and 35 years. Finally, those between the ages above 45 years had a percentage of 15.50%. This suggests that the participants chosen from a diverse range of age cohorts.

#### 4.3.3 Working duration at the Bank

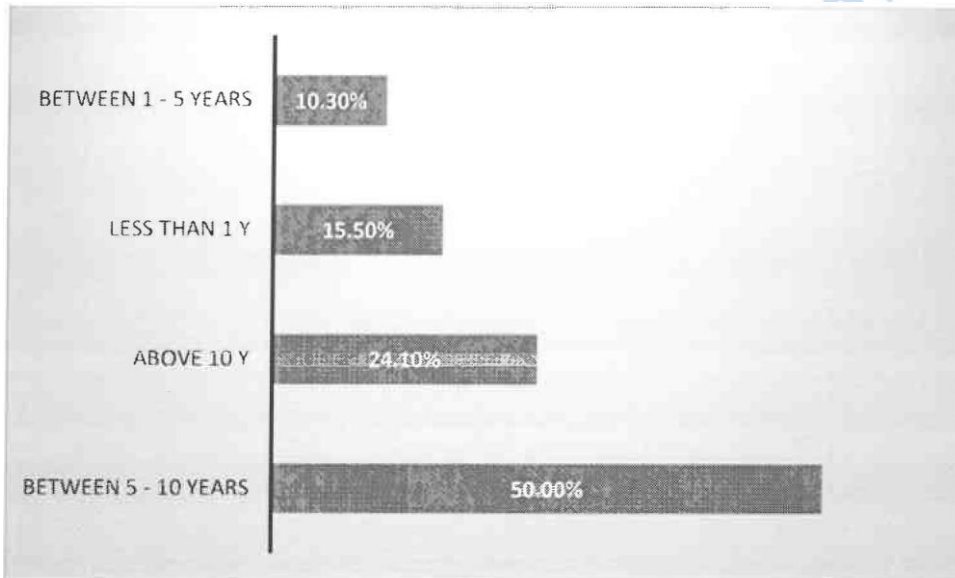


Figure 4.4: Respondents' working duration at the Bank

Source: Field Data (2024)

From the results above, majority of the participants who responded to this study had been working in the bank for a period between 5 and 10 years with a cumulative percentage of 50.0%. Respondents who had been working in the bank for above 10 years followed with a cumulative percentage of 24.10%. respondents with a cumulative percentage of 15.50% followed with a working duration of less than a year. Finally the other respondents who had been working there for a period between 1 to 5 years had a cumulative percentage of 10.30%.

It indicated that the majority of respondents had a plethora of experience and could supply the study with sufficient data.

#### 4.3.4 Highest Academic qualification

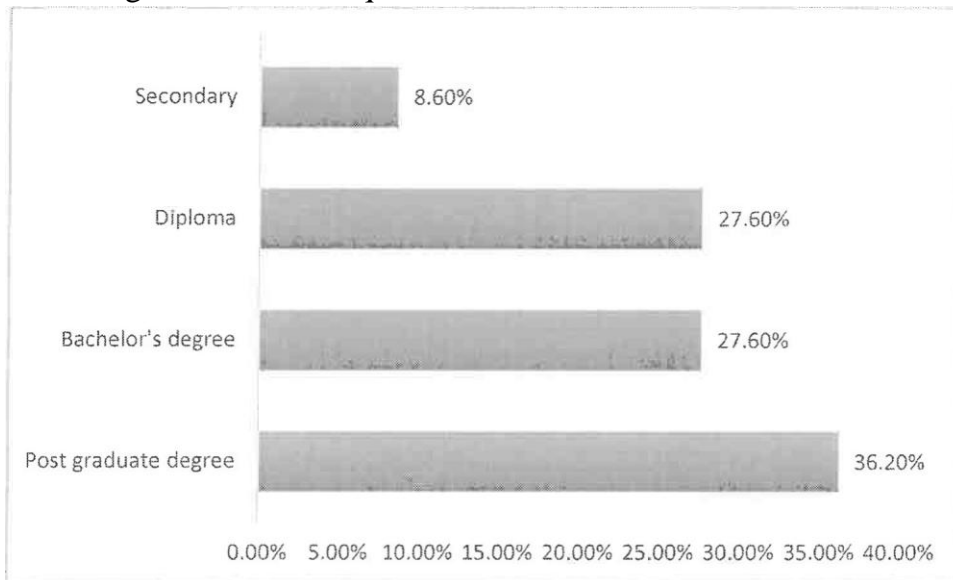


Figure 4.5: Highest Academic qualification

Source: Field Data (2024)

From the results gathered, the majority of the participants indicated that their highest level of education was postgraduate degree with a percentage of 36.20. Those with a bachelor's degree and diploma had a cumulative percentage of 27.60 respectively. Those who had a secondary certificate had a percentage of 8.6. The majority of the participants in the study possessed a high level of academic qualification.

#### 4.4 Descriptive Statistics Results

Using SPSS Version 24.0, data were analyzed in accordance with the study's specific objectives by employing standard deviation (SD) and mean (M). Below is a summary of the findings presented:

#### 4.4.1 Strategic Communication

Respondents requested to indicate the extent to which they were in agreement with these statements relating to Strategic communication and performance. All the 58 responses recorded from the data collected and the SPSS output indicated the frequencies at which they agreed with in form of a table as shown below.

Table 4.3: Strategic Communication

Source: Field Data (2024)

Statement	Mean	Std. Deviation
Concerns raised by subordinate staff regarding performance are duly acknowledged and addressed by the bank.	4.551	0.50166
The duties and obligations of every member of staff with regard to the achievement of the organization's objectives are efficiently conveyed by the leadership team.	4.172	0.93917
Effective communication of the organization's resources required to disseminate information regarding the implementation of strategic plans.	4.015	1.41421
Elements of the Strategic Plan are communicated efficiently and comprehensively throughout the organization.	3.879	0.83933
Performance-related decisions rendered by upper management are promptly disseminated to staff.	3.862	0.86751

The aforementioned results demonstrate that the participants believed the Bank listened to and addressed concerns regarding the performance of junior staff (Mean=4.5517). This high mean indicates strong agreement among respondents, suggesting that the bank effectively acknowledges and addresses staff concerns. Std. Deviation: 0.50166 the low standard deviation implies that most responses were close to the mean, indicating consistency in this perception. Additionally, the participants indicated that the leadership team effectively communicates the duties and obligations of all staff regarding the achievement of organizational objectives

(Mean=4.1724). This mean shows general agreement, suggesting that staff feel the leadership team effectively communicates duties and obligations. Std.

Deviation: 0.93917 the relatively higher standard deviation indicates some variability in responses, suggesting mixed experiences or opinions. Additionally, with a mean score of

4.0156, this mean indicates moderate agreement, implying that while communication about resource allocation considered adequate, there is room for improvement. the participants demonstrated that the communication of organizational resources required for the distribution of information regarding the execution of strategic plans is efficient. With a mean score of

3.8793, this mean reflects moderate agreement, suggesting that communication of strategic plan elements could be more effective. the participants indicated that matters pertaining to strategic plans effectively communicated throughout the enterprise. In conclusion, the participants noted that timely information is provided to staff regarding performance-related determinations reached by upper management (Mean=3.8621). This mean point to moderate agreement, indicating that there may be delays or issues in communicating performance-related decisions. This is consistent with the findings of a study on strategic communication and organizational performance conducted by Shonubi and Akintaro (2022). The research conducted within the manufacturing sector of Nigeria. According to the results of this research, efficient communication was crucial to the success of an organization. The study suggests that in order to enhance performance effectiveness and efficiency, management should adopt transparent concepts prior to communication and possess a comprehensive comprehension of both the physical and human environment, as well as the identified motivations for communication. Additionally, Chepkosgei, et al. (2020) looked into how employee communication affected the productivity of Kenyan horticultural companies. All of Naivasha's flower farms were included in this study. This study used a cross-sectional survey research design as its methodology. Using a stratified random sampling technique, study participants

selected from the target population. Data collected in both qualitative and quantitative forms. The study emphasized the necessity for efficient communication techniques after finding that staff communication is a critical factor in determining the organizational performance of flower farms.

#### 4.4.2 Organization Structure

Respondents requested to indicate the extent to which they were in agreement with these statements relating to Organization Structure and performance. All the 58 responses recorded from the data collected and the SPSS output indicated the frequencies at which they agreed with in form of a table as shown below.

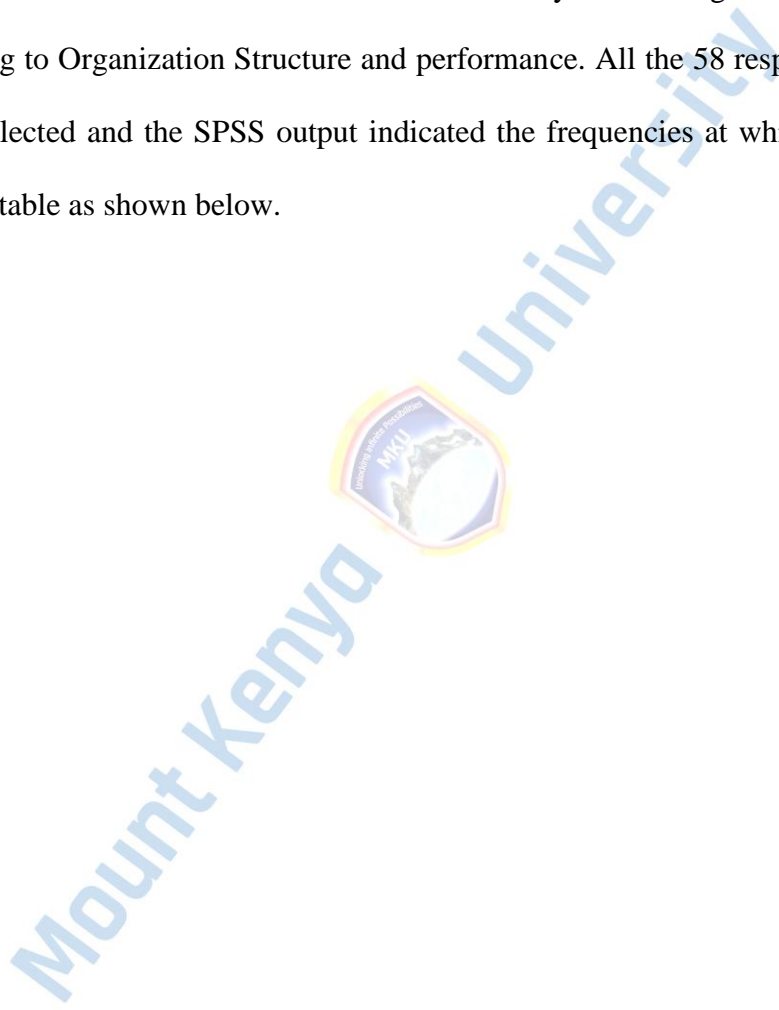


Table 4.4: Organization Structure

Source: Field Data (2024)

Statement	Mean	Std. Deviation
A vertical organizational structure improves the coordination of organizational activities and expedites decision-making, leading to enhanced performance.	4.448	0.5017
As a result of improved employee cooperation, an informal organizational structure is advantageous for the business.	4.241	0.9044
A horizontal organizational structure groups members according to their functions or skills, which facilitates learning by ensuring that employees can easily communicate with one another.	4.069	1.1060
A functional or departmentalized structure increases efficiency and accountability across all banks.	3.655	0.6636
The duties of each employee are unambiguously delineated within a formal organizational structure, thereby ensuring the efficient and methodical operation of an organization.	3.017	1.5159

The aforementioned results demonstrate that the participants held the belief that a vertical organizational structure led to enhanced coordination of organizational activities and expedited decision-making, resulting in improved performance (Mean=4.448). This high mean suggests that respondents strongly agree that a vertical structure is beneficial for coordination and decision-making. Conversely, the respondents indicated that an informal organizational structure fostered better employee cooperation, thereby benefiting the organization (Mean=4.241). This mean indicates general agreement, suggesting that respondents see value in an informal structure for promoting cooperation. Lastly, they stated that a horizontal structure brought individuals together on a broader scale. Additionally, they stated that a departmentalized or functional structure fosters accountability and efficiency in all banks (Mean=3.655). This mean shows moderate agreement, indicating that respondents recognize the benefits of a horizontal structure for communication and learning. Lastly, they stated that a

formal organizational structure clearly defines the responsibilities of each employee, resulting in the smooth and systematic operation of an organization (Mean=3.017). This lower mean indicates neutral or slightly less than moderate agreement, suggesting that respondents may have mixed feelings about the clarity provided by a formal structure. These findings align with a study conducted by in order to maximize the speed and quality of the decision-making process, the optimal authority and decision-making model for an organization, according to Hafsi and Baba (2023), must constantly achieve a balance between centralized and decentralized organizational structures. According to Nwachukwu and Chladkova (2019), the organizational structures that oil and gas marketing companies in Nigeria adopted had a positive impact on their market share. Empirical evidence also indicated a positive correlation between the number of hierarchical layers in these structures and the performance of the corresponding companies. According to the study, less successful businesses in the same industry lacked clearly defined organizational structures, but successful businesses did.

#### 4.4.3 Resource Allocation

Respondents requested to indicate the extent to which they were in agreement with these statements relating to Resource Allocation and performance. All the 58 responses recorded from the data collected and the SPSS output indicated the frequencies at which they agreed with in form of a table as shown below.

Table 4.5: Resource Allocation

Source: Field Data (2024)

Statement	Mean	Std. Deviation
The bank always employs individuals who possess the necessary skills and experience to maximize the use of the resources entrusted to them.		

Sufficient financial resources are allocated to ensure that strategic plans are effectively implemented.

The allocation of duties and obligations of all personnel in relation to performance evaluations is unambiguously delineated.

Staff rewards, remuneration, and promotions are well-designed.

The bank frequently provides incentives to motivate personnel. Sufficient human resources are allocated in accordance with the bank's performance.

The bank always employs individuals who possess the necessary skills and experience to maximize the use of the resources entrusted to them.

Sufficient financial resources are allocated to ensure that strategic plans are effectively implemented.

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	4.190	0.9264
	3.966	1.0591
	3.448	0.9942
	3.431	1.5572
	3.103	1.2522
	2.379	1.0732

---

The findings above suggest that respondents agreed that the bank consistently recruits individuals who possess the necessary skills, experience, and capacity to optimize the resources entrusted to them (Mean=4.190). Additionally, they agreed that sufficient financial resources are allocated to support the execution of strategic plans (Mean=3.966). Lastly, they

expressed agreement that the tasks and responsibilities of all personnel, as well as the manner in which they are distributed in relation to performance plans, are unambiguously delineated (Mean=3.448). In conclusion, they claimed that sufficient personnel are allocated in accordance with the bank's performance (Mean=2.379). The aforementioned conclusions corroborated by a research study conducted by Choi and Kumar (2021) regarding the distribution of technological resources in diversified firms. The investigation reinforced by the theories of managerial opportunism and influence cost. The research centered on the manufacturing sectors of the United States from 1996 to 2017. The research observed that diversified businesses produce technological assets that are less applicable to their operations. Lemarleni et al.'s (2021) investigation went deeper into the ways that resource distribution affected the Nairobi County Kenya Police Service. Stratified sampling utilized to choose 49 of Nairobi's highest-ranking police officers as a sample. The use of descriptive statistics used. Primary data gathered using a questionnaire. Inferential statistics used to measure quantitative data. The technology and human resources showed a significant and positive association, respectively.

4.4.4 Strategic Leadership

Respondents requested to indicate the extent to which they were in agreement with these statements relating to Strategic Leadership and performance. All the 58 responses recorded from the data collected and the SPSS output indicated the frequencies at which they agreed with in form of a table as shown below.

Table 4.6: Strategic Leadership

Source: Field Data (2024)

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Statement	Mean	Std.
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		Deviation
In regard to the execution of strategic plans, the leadership team delineates the duties and obligations of every member of staff.	4.310	0.6271
Employees are cognizant of their entitlements subsequent to attaining targets established by the bank's management.	3.897	1.2381
The bank leadership routinely reinforces with staff members the necessary standards that must be upheld in the execution of their responsibilities.	3.483	1.2174
The leadership team communicates strategic plans and performance to the entire organization.	2.845	1.2397
The leadership group allocates sufficient resources to ensure the bank's success and the achievement of the organization's objective.	2.655	1.1011

The findings presented in the table above indicate that the participants expressed that the leadership team clearly delineates the tasks and responsibilities of all staff in relation to the execution of strategic plans (Mean=4.310). Additionally, they stated that employees are aware of the rewards to which they are entitled upon meeting targets set by the bank's management (Mean=3.897) and that they are consistently reminded by the bank leadership of the standards that must be upheld while performing their duties (Mean=3.483). In conclusion, they stated that the leadership team effectively distributes sufficient resources to support the bank's operations and achieve the objectives of the organization (Mean=2.655). The influence of strategic leadership practices on the service delivery of county governments in Kenya was the subject of a study by Shimengah (2023); the researcher conducted a literature review. Drawing upon previous research investigations, this study specifically examined the ways in which ethical practices and core competencies can augment service delivery. The study conducted by Kitonga (2022) also looked into the connection between strategic leadership practices in Nairobi County and the organizational performance of not-for-profit institutions. A straightforward random sampling technique used to determine the sample size, and a

convergent mixed method study design implemented. Survey questions used to collect quantitative data, and interview guides used to collect qualitative data. According to the study's findings, there is a general favorable and significant correlation between strategic leadership practices and organizational success.

#### 4.5. Regression Analysis

Multiple regression analysis employed in the study to ascertain the correlation between the predictor variables and performance. The regression statistics generated in SPSS version 24 subsequent to the data cleansing and coding process conducted in the field. The coefficient of determination utilized to illustrate how variations in the independent variables can account for the variation in the dependent variable. Performance was the dependent variable in the present study, whereas the independent variables were as follows: strategic communication, organization structure, resource allocation and strategic leadership.

##### 4.5.1. Model Summary

Model synopsis of the correlation between the predictor variables and performance presented in the table below. The results presented in Table 4.7.

Table 4.7: Model Summary

Model R	Adjusted		Std. Error of the Estimate
	R Square	Square	
1	.651	.636	.45796

- a. Predictors: (Constant), strategic communication, organization structure, resource allocation and strategic leadership.
- b. Dependent Variable: performance

According to the data in the table,  $R^2 = 0.651\%$ , which indicates that the independent variable in the model accounts for a 65.1% variance in performance. Nevertheless, the

remaining 34.9% of the unexplained variance in performance attributed to additional unaccounted variables in the regression model. Based on the data presented in the table above, it concluded that the model demonstrates satisfactory performance and employed for estimation purposes.

#### 4.5.2 ANOVA Results

The ANOVA results pertaining to the correlation between the predictor variables and performance presented in the table below. The results presented in Table 4.8.

Table 4.8: ANOVA of the Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.500	6	.583	2.782	.001b
Residual	17.617	84	.210		
Total	21.117	90			

a. Dependent performance

b. Predictors: (Constant), strategic communication, organization structure, resource allocation and strategic leadership.

The obtained significance value of 0.001, which is below the conventional threshold of 0.05, indicates that the model's prediction regarding the influence of strategic leadership, organizational structure, strategic communication, and resource allocation on the performance of Islamic institutions is statistically significant. At a significance level of 5%, the F critical value was 2.782. The fact that F calculated is greater than F critical indicates that the model

as a whole was significant.

#### 4.5.3 Coefficient of Determination

The coefficient of determination regarding the correlation between the predictor variables and the performance of Islamic banks presented in the table below. The results presented in Table 4.9.

Table 4.9: Coefficient of Determination

Model		Coefficients		Sig.
		Unstandardized Coefficients	Standardized Beta	
1	(Constant)	6.856	1.682	4.078

a. Dependent Variable: Performance of Islamic banks

A straightforward regression analysis performed in order to ascertain the performance of Islamic institutions. As shown in the table generated by SPSS below, the regression equation.

$$(Y = + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + f)$$

Becomes:

$$(Y = 6.856 - 0.094 - 0.153 - 0.295 + 0.058 + t)$$

The performance of Islamic institutions calculated to be 6.856 based on regression analysis in which the independent variables (strategic communication, organizational structure, resource

Strategic communication	-.094	.186	-.060	-.509	.002
Organization structure	-.153	.714	-.059	-.214	.011
Resource allocation	-.295	.360	-.237	-.821	.004
Strategic planning	.058	.158	.046	.366	.000

allocation, and strategic leadership) were held constant at zero. The results of the analysis also indicated that, holding all other independent variables constant, a one-unit increase in strategic communication is associated with a 0.094 decrease in the performance of Islamic banks; a one-unit increase in resource allocation results in a 0.295 decrease in performance of Islamic banks; and a one-unit increase in strategic leadership contributes to a 0.058 increase in performance of Islamic banks. Thus, strategic communication appears to have the greatest impact on the performance of Islamic institutions, with organizational structure following suit. Strategic communication, organizational structure, resource allocation, and strategic leadership all had a significant impact on the performance of Islamic institutions at a 5% level of significance and 95% level of confidence.

#### 4.6 Discussion of Summary

In summary, the results demonstrate that the participants believed the Bank listened to and addressed concerns regarding the performance of junior staff. Additionally, the participants indicated that the leadership team effectively communicates the duties and obligations of all staff regarding the achievement of organizational objectives. Additionally, with a mean score of 4.0156, the participants demonstrated that the communication of organizational resources required for the distribution of information regarding the execution of strategic plans is efficient. With a mean score of 3.8793, the participants indicated that matters pertaining to strategic plans effectively communicated throughout the enterprise.

The aforementioned results demonstrate that the participants held the belief that a vertical organizational structure led to enhanced coordination of organizational activities and expedited decision-making, resulting in improved performance. Conversely, the respondents indicated that an informal organizational structure fostered better employee cooperation, thereby benefiting the organization. Lastly, they stated that a horizontal structure brought individuals together on a broader scale. Additionally, they stated that a departmentalized or functional structure fosters accountability and efficiency in all banks. Lastly, they stated that a formal organizational structure clearly defines the responsibilities of each employee, resulting in the smooth and systematic operation of an organization.

The findings suggest that respondents agreed that the bank consistently recruits individuals who possess the necessary skills, experience, and capacity to optimize the resources entrusted to them. Additionally, they agreed that sufficient financial resources allocated to support the execution of strategic plans. Lastly, they expressed agreement that the tasks and responsibilities of all personnel, as well as the manner in which they distributed in relation to performance plans, unambiguously delineated. In conclusion, they claimed that sufficient personnel allocated in accordance with the bank's performance

The findings indicated that the participants expressed that the leadership team clearly delineates the tasks and responsibilities of all staff in relation to the execution of strategic plans (. Additionally, they stated that employees are aware of the rewards to which they are entitled upon meeting targets set by the bank's management and that they consistently reminded by the bank leadership of the standards that must be upheld while performing their duties.



## CHAPTER FIVE:

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

In this section, a summary of the findings, policy and practice recommendations, conclusions, and suggestions for future research presented.

#### 5.2 Summary

The study examined, in general, how strategy planning affects the performance of Islamic banks, with FCB serving as an example. The primary objective of the research was to analyze the impact of strategic leadership, organizational structure, resource allocation, and strategic communication on performance. The following are the results obtained:

This research endeavored to determine the impact of strategic communication on the performance of Islamic banks, with a specific focus on FCB in Nairobi, Kenya. The findings of this study indicated that strategic communication had a significant and deleterious influence on performance. The Bank actively considers and responds to concerns raised by subordinate staff regarding the execution of strategies. Additionally, the leadership team ensures that sufficient resources allocated to facilitate the distribution of information pertaining to the execution of strategic plans.

The research aimed to ascertain the impact of organizational structure on the performance of Islamic banks, specifically focusing on FCB in Nairobi, Kenya. The findings of the study revealed that organizational structure had a significant and deleterious influence on performance. A top-down management structure improves the coordination of organizational activities and expedites decision-making, leading to enhanced performance. Conversely, an

informal organizational structure fosters greater employee cooperation, which further benefits the organization.

This study investigated the impact of resource allocation on the performance of Islamic banks, with a specific focus on FCB in Nairobi, Kenya. The findings of this research indicated that resource allocation had a significant and deleterious influence on performance. The bank regularly provides incentives to encourage staff participation, ensures that all staff have clearly defined tasks and responsibilities related to the execution of strategic plans, maintains a well-structured system for staff rewards, remuneration, and advancements, and consistently recruits individuals with the necessary skills and experience.

The purpose of this study was to determine the impact of strategic leadership on the performance of Islamic banks, with a specific focus on FCB in Nairobi, Kenya. The results of this research demonstrated that strategic leadership had a significant and positive influence on performance. The leadership team ensures that strategic plans and their execution efficiently communicated throughout the organization, that employees informed of the rewards they are eligible to receive upon reaching their objectives, and that employees consistently reminded of the standards that upheld while performing their responsibilities.

### 5.3 Conclusions

The study made a conclusion that to determine the effectiveness of the entire strategy planning resource allocation is a critical component of the procedure. The allocation of resources towards strategic planning has a substantial impact on the performance instance of FCB in Nairobi, Kenya, which is an Islamic bank. To this end, financial and human resources are adequately allocated for strategic planning, existing physical resources are utilized appropriately, all bank-allocated resources are audited and monitored, and the bank staff is well-trained to support the implementation of strategic plans.

Strategic leadership enhances the daily and long-term performance of Islamic banks (FCB) in Nairobi, Kenya, according to the study's findings. This accomplished by fostering an environment in which each employee is committed to a single vision and is aware of the means to achieve it. Achieving success in strategic leadership contributes to the progress of an institution and its ability to raise funds. Strategic leadership invariably entails a component of transformation and predicated on the formulation of a vision that propels the institutions away from their present state

The study's findings indicate that strategic communication facilitates the realization of an organization's purpose, mission, and values by aligning expectations, behaviors, and actions with business objectives. Effective communication facilitates alignment among personnel across all departments and promotes the development of a culture that values collaboration. Effective strategic communication plays a pivotal role in facilitating employees' comprehension of the significance of their benefits and in motivating them to make informed decisions regarding their own benefits.

Establishing and implementing a comprehensive management-training program to preserve a solid managerial core facilitated by a well-structured organization, according to the findings of the study. Departments may collaborate on a strategic strategy to promote the training of managerial candidates throughout the organization. A robust organizational structure enables a company to concentrate more intently on a single set of objectives, as opposed to each group operating autonomously to accomplish its own agenda. Effective employee training administration facilitated by a well-designed organizational structure that allows for adaptable training in response to organizational changes.

#### 5.4 Recommendations

This study suggests that the management of FCB Kenyan Islamic banks should formulate approaches to acquire additional resources and maximize the utilization of existing resources in order to enhance the performance of the banks. Additionally, the management should implement a policy that offers avenues for employee leadership development. This will empower them actively participate in initiatives that enhance the strategic performance of the organization in a creative and intimate manner. Additionally, the study suggests that management of Islamic institutions should demonstrate a dedication to empowering employees and invest in staff development in preparation for potential future vacancies.

In FCB Islamic institutions in Kenya, the study suggests that responsibilities distributed at all levels so that strategic leaders may have the opportunity to participate in decision-making. Banks' upper management must ensure that their executives possess a comprehensive understanding of the situation in order to enable them to make well-informed decisions.

The management of FCB Islamic institutions should promote two-way feedback channels, recognize that employee communications are fundamental to their role, and provide management with a channel for strategic communications through which they can set the tone for other managers and employees to follow. Assess various engagement metrics in order to determine the efficacy of communication. Promote collaboration across departments and locations.

It recommended that the management of FCB Islamic bank in Nairobi, Kenya, establish an organizational chart and delineate the various functions of their business in order to ensure adequate staffing. For each level of the chain of command, appoint a direct superior manager. Additionally, the study suggests that banks convene a meeting to elucidate the rationale behind the establishment of the structure, the potential benefits for the organization, the hierarchical structure of reporting, and the protocols for handling complaints.

The research examined the impact of strategy execution on the operational outcomes of FCB Islamic Banks in Nairobi County. In terms of strategic leadership, strategic communication, and resource allocation, the planning process assessed. Therefore, additional research recommended that concentrates on assessing the impact of strategic planning on organizational performance, process design, employee training and development, and organizational culture. Furthermore, it is imperative that additional research conducted with a specific emphasis on commercial banks in Kenya, in addition to Islamic banking.

### 5.5 Recommendation of further research

Conduct studies comparing the strategic planning approaches of First Community Bank with those of other Islamic banks in Kenya or in the region to identify commonalities and best practices that contribute to enhanced performance. Implement a longitudinal study to assess how changes in planning strategies over a specific period affect the bank's financial and operational performance. This would provide insight into the long-term effectiveness of various strategic measures. Include research on how customers perceive the effectiveness of the bank's strategic planning and its impact on service delivery and satisfaction levels. This could highlight areas where planning strategies align with customer needs and expectations. Study the integration of technological advancements into the strategic planning process and their influence on the bank's efficiency, communication, and competitive advantage. Analyze the alignment of strategic plans with Sharia principles and how this alignment influences the bank's reputation, customer loyalty, and market growth. Conduct case studies on specific successful implementations of strategic plans within the bank to understand factors contributing to success and replicated.

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## APPENDICES

### APPENDIX A: INTRODUCTION LETTER

Dear Respondent, I am a master's student at Mount Kenya University doing a study titled AN EVALUATION OF PLANNING STRATEGIES ON ISLAMIC BANKS' PERFORMANCE CASE OF FIRST COMMUNITY BANK LIMITED KENYA. You have been selected based on your job position with one of the Islamic Banks in Kenya and I will appreciate your input. Confidentiality of the obtained information will be ensured and will be used strictly for academic purposes.

Thanking you in advance,



Yours faithfully,

MERCY MUENI KELI

### APPENDIX B: CONSENT FORM FOR RESPONDENT

You are kindly requested to participate in a study titled: An Evaluation Of Planning Strategies On Islamic Banks' Performance, Case Of First Community Bank Limited Kenya. You have been selected as respondent and your consent to this is key to the success of this study. Please read the statements below, if you agree, acknowledge and willing to participate, please sign at the end of the form.

- 1 . Participation to this study is on voluntary basis; you have the right to participate or decline.
2. Even after you agree to participate, you can withdraw at any stage or decide not to answer some or all questions and there will be no consequence whatsoever.
3. The purpose for this data collection has been clarified to be exclusively for academic purpose on the subject matter: An Evaluation of Planning Strategies on Islamic Banks' Performance, Case Of First Community Bank Limited Kenya, and you had opportunity to get more details for further understanding.
4. Any use of the collected data for other purpose other than the one stated, consent has to be sorted from you and you have the right to grant or reject.

5. There are no benefits pledged or attached to this data collection that influenced your acceptance to participate in this study.
6. The collected data will be treated with utmost confidentiality, data protection and protect your rights as participant.
7. Personal details and identity will be anonymously used in the research report by applying codes that will not reveal any personal details or opinions that can personally identify you.
8. The opinions and answers to you provide the question without concealing your identity will be cited in various platforms such as conferences, journal publication, thesis reports in soft and hardcopies.
9. Any potential risks affecting you or any other respondent shared with the researcher can be reported to the relevant authorities.
10. This consent form when it is duly filled and signed will be sole property of Mount Kenya University and you have the right to access by request to the Directorate of Graduate studies.
11. Once the findings are published, you have the right to access like any other persons as part of knowledge dissemination through the right to information.
12. You are provided with contact details of the researcher to seek any further clarifications needed: Mercy Keli email: [mercikel.mk@gmail.com](mailto:mercikel.mk@gmail.com), phone number 0722416126
13. For any complaints or wish to share information, you can reach the university: Ethics Review Committee (ERC), Mount Kenya University, P.o Box 342 0100 Thika, Kenya.

I, \_\_\_\_\_ declare to have read the points above, understood, and accept to voluntarily without any persuasion participate to provide answers to the questionnaire for this study and hereby grant an informed consent.

Signature \_\_\_\_\_ (participant):Date: \_\_\_\_\_

Acknowledged/witnessed the informed consent by the researcher: \_\_\_\_\_ Signature: \_\_\_\_\_  
 Date : \_\_\_\_\_

APPENDIX c: QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION

1. Gender  Male

Female

2. Kindly indicate your age Below 25 years  25 years to 35 years  35 years and 45 years

45 years and above

3. Duration of working at the Bank

Less than 1 year

Between 1 and 5 years

Between 5 and 10 years

Above 10 years

4. Which is your highest Education level?

Post Graduate Degree

Bachelor's Degree

Diploma

Secondary Certificate

SECTION B: STRATEGIC COMMUNICATION

5. Do you think strategic communication

Yes

affects how FCB performs annually?

Give a brief explanation of how

banks in Kenya.

strategic communication affects performance of Islamic

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6. To what extent are you in agreement with these statements relating to Strategic communication and performance?

Statement	5	4	3	2	
Strategic Plan issues are effectively communicated across the business.					
Communication of organization resources needed for the dissemination of information concerning the performance of strategic plans is effective.					
Tasks and responsibilities of all staff about performance of organization goals are effectively communicated by leadership team.					
Decisions made at the top management level on performance are communicated to employees in good time					
Issues arising from junior employees on performance are listened to and acted upon by the Bank					

affects how FCB performs annually?

Give a brief explanation of how

banks in Kenya.

### SECTION C: ORGANIZATION STRUCTURE

7. Do you think organization structure

Yes [ ]

8. organization structure affects performance of Islamic

---

---

---

9. To what extent are you in agreement with these statements relating to organization structure and performance?

Statement	5	4	3	2	1
A vertical organizational structure results to better organizational activities coordination and a faster decisionmaking thus performance improvement.					
A horizontal structure brings people together on the basis of their functions or skills making communication among the employees easy hence facilitating learning.					

affects how FCB performs annually?

Give a brief explanation of how

banks in Kenya.

Employees cooperate better through informal organizational structure hence the organization benefits				
The job to be done by every employee is clearly spelt out by formal organizational structure hence an organization's smooth and systematic functioning				
A structure that is departmentalized or functional creates accountability and efficiency in all Banks				

SECTION D: RESOURCE ALLOCATION

10. Do you think resource allocation

affects how FCB performs annually?

Give a brief explanation of how

banks in Kenya.

11.

resource allocation affects performance of Islamic

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12. To what extent are you in agreement with these statements relating to Resource Allocation and performance?

Statement					
Adequate financial resources are allocated for the implementation of strategic plans.					
Adequate human resources are assigned for the performance of the bank.					
Tasks and responsibilities of all staff and how they are allocated towards performance plans are clearly defined.					
The bank always hires people with adequate skills and experience and can maximize the resource allocated to them					
The bank frequently gives Incentives to motivate employees					
The bank has a well-designed system of rewards remuneration and promotions of staff					

**SECTION E: STRATEGIC LEADERSHIP**

13. Do you think strategic leadership affects how FCB performs annually?

14. Give a brief explanation of how strategic leadership affects performance of Islamic banks in Kenya.

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15. To what extent are you in agreement with these statements relating to strategic leadership and performance?

Statement	5	4	3	2	1
Leadership team effectively communicates strategic plans and its performance across the business.					
Leadership team allocates adequate resources needed for performance of the bank and accomplishment of the organization goal.					
Tasks and responsibilities of all staff towards performance of strategic plans are clearly outlined by leadership team.					
Employees know what they are entitled to after achieving targets given by the management of the bank					
Employees are regularly reminded by the bank leadership on the required standards to be maintained when carrying out their duties					

**SECTION E: STRATEGIC PLANNING**

16. Do you think strategic planning affects how FCB performs annually?

Yes [ ]

17. Give a brief explanation of how strategic planning affects performance of Islamic banks in Kenya.

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18. Tick a suitable respond on the scale of 1-5

Statement					
Improved operational efficiency					
Improved quality service					
Improved innovation					
Growth of sales					

Thank you!!

#### APPENDIX D: INTERVIEW GUIDE FOR TOP MANAGEMENT

1. Tell us about the types of banking accounts in your bank
2. How Has Technology Changed the Banking Sector thus improving performance of FCB?
3. How do Islamic banks make profits when they underperform?
4. What would be your reaction if you notice an employee is not performing well?
5. Talk about a time you handled a sensitive financial situation due to under or over performance.
7. How would you manage your duties as a bank manager to ensure good performance?
8. What are the areas of banking that you feel need adjustments in order for the bank to perform?

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APPENDIX F: ERC

# Mount Kenya University



REF:MKU/ISERC/3877

Date: 09 July 2024

TO. MERCY MUENI KELI

REG• MBAP 12/01269

Dear Sir, Madam,

RE: AN EVALUATION OF PLANNING STRATEGIES ON ISLAMIC BANKS'  
PERFORMANCE: CASE OF FIRST COMMUNITY BANK LIMITED KENYA

This is to inform you that Mount Kenya University has reviewed and approved your above tesimal proposal. Your application approval number is 2897. The approval period is 09/07/2024 - 08/07/2025.

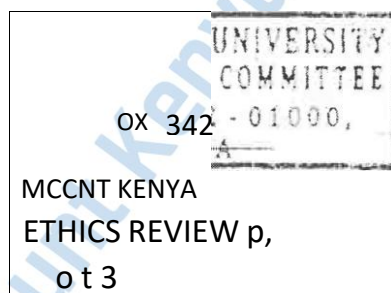
This approval is subject to compliance with the following requirements:

i. Oniv approved documents including informed consents, study instruments, MTA wilt be used it Ail changes including arnendments, deviations and violations are subrnit ted for review and approval oy Mount Kenya University iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to Mount Kenya University within 72 hours of notification iv Any changes, anticipated or otherwise that rmay increase the risks or affect the safetv or welfare of study participants and othtB{ß or affect the integrity of the research must be reporfed to Mount Kenya University withthin 72 hours v. Clearance for export of biological specimens must be obtained from elevanti institutions vi Submission of a requesi for renewal of aprovai at least 60 days prior to exoity of the approval perioa. Attach o comprehensive proaress (eport to support the renewal

Vil e Submission of an executive sum.noary {sport within 91) days upon completion of the study to Mount Kenya University

Prior to commencing your study; you will be expected to obtain a tearch license from National Commission for Science, Technology and Innovation (NACOSTI) and also obtain other clearances neeaed

Yours sincerely?



Dr. Alfred Owino, PhD  
Chairman, Mount Kenya University ISERC  
APPENDIX G: RESEARCH PERMIT NACOSTI



REPUBLIC OF KENYA



NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

RefNo: 987475

Date of Issue: 18/October/2024

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This is to Certify that Ms. MERCY MUENI KELI of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: AN EVALUATION OF PLANNING STRATEGIES ON ISLAMIC BANKS' PERFORMANCE: CASE OF FIRST COMMUNITY BANK LIMITED KENYA for the period ending : 18/October/2025.

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  - iv. Result in exploitation of intellectual property rights of communities in Kenya;
  - v. Adversely affect the environment;
  - vi. Adversely affect the rights of communities;
  - vii. Endanger public safety and national cohesion;
  - viii. Plagiarize someone else's work.
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# Mount Kenya University

## DIRECTORATE OF GRADUATE STUDIES

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MBA/112/01269/2

9<sup>th</sup> October, 2024

National Commission for Science Technology & Innovation (NA COSTI)  
Off Waiyakt Way, upper Kabete,  
P.O Box 30623- 00100 NAIROBI,  
KENYA

Dear Sir Madam,


**RE: MERCY MUENI KELI- REGISTRATION NO. MBA/11%/01269**

The purpose of this letter is to introduce the above named student who is pursuing Master Of Business Administration in the department of Accounting and Finance in the school of Business and Economics.

The title of the research is "An Evaluation of Planning Strategies on Islamic Banks' Performance: Case of First Community Bank Limited Kenya." It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between October, 2024 and December, 2024.

Any assistance accorded to the student will be highly appreciated.

Thank you.

  
**Dr. Samuel M. Karenga, PhD**  
**Director, Graduate Studies**

Enc.

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