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Strategic Management Process And Performance Of Commercial Banks In Nakuru County, Kenya

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Abstract:

***Aim:** Commercial banks, in particular, face ongoing hurdles that impact their operational stability and customer retention. Many banks have crafted strategic solutions to counter these issues, yet the sector has seen either stagnating or declining performance, highlighting the need for continuous improvement in strategic management. This study looked at how strategic management processes affect the performance of commercial banking entities in the Kenyan state of Nakuru.*

***Methods:** The research project used descriptive research design; the study targeted 145 employees across 29 commercial banks in Nakuru County. Owing to the small population, an inventory strategy has been established to guarantee complete access to information. The information is gathered using a semi-structured approach, which is verified by a first check to ensure accuracy. Additionally, descriptive and infernal statistical techniques are used to analyze the collected data.*

***Results:** The findings highlight a strong link between effective strategy formulation and improved bank performance. By developing clear strategies, banks can establish a solid direction, enhance competitive positioning, manage potential risks, and better measure success. Additionally, the study underscores the importance of strategy implementation, which helps banks meet their objectives through efficient resource allocation and progress tracking. Properly executed strategies enable banks to streamline operations, which in turn fosters performance gains. Moreover, the study reveals that ongoing strategy evaluation is vital, as it allows banks to assess their performance outcomes, make well-informed decisions, and promote continuousimprovement.*

***Conclusions:** The study concluded that strategic management processes affects the financial performance of commercial banks in Nakuru County positively.*

***Recommendations:** First, banks should conduct detailed situational analyses and set clear objectives during strategy development, supported by strategic frameworks. Second, banks should ensure that action plans for strategy implementation are detailed and that resources are well-aligned with strategic goals. Finally, routine strategy evaluation is essential; by setting performance indicators and conducting regular comparative analyses, banks can identify areas for improvement and adapt to changing conditions, driving sustained performance enhancements.*

***Keywords:** Strategic Management Process, Strategy Evaluation, Strategy Formulation, Strategy Implementation, Return on Shareholders and Net Loan Portfolio*

I. INTRODUCTION

Enterprises are vital for societal functioning and crucial for the economic advancement of developing countries. Jones, George, and Hill (2019) note that modern management faces a significant hurdle: maintaining high productivity and performance. They argue that strategic management is key to improving efficiency in production and distribution, thereby enhancing performance and competitiveness. This process affects not only service and manufacturing sectors but also financial stability and overall economic growth. Smith (2021) suggests that competition drives innovation, cost reduction, and improved quality of goods and services, benefiting consumers by widening their options and enhancing their well-being.

During post-crisis period between 2008 and 2010, the banking industry in the United States experienced varied outcomes. Subsequently, it witnessed a significant slowdown, with the global rate of growth of top one thousand banks predicted to be 3% (Gartner, 2010). Overall, the unpredictable nature of the environment poses challenges in maintaining and leveraging excellent performance. To enhance customer experience and strengthen customer relationship management, the banking industry has observed new trends in global markets. For instance, there is a growing adoption of internet-based banking solutions, particularly in areas such as payment processing (Analoui, 2013).

Kenyan banks often grapple with fluctuating profitability due to factors such as interest rate volatility, high operating costs and competition (Omonov, 2023). Non-performing loans (NPLs) remain a significant issue for Kenyan banks, driven by factors such as economic downturns, inadequate credit risk assessment and governance issues. Despite efforts to improve financial inclusion, a significant portion of the population in Kenya remains unbanked or under banked, limiting banks' potential customer base and revenue streams (Okoth, 2023). With the increasing adoption of digital banking services, cyber security threats pose a significant risk to banks in Kenya, including data breaches, phishing attacks, and ransom ware incidents. Banks in Kenya must comply with stringent regulatory requirements which can be complex and costly to implement and maintain (Zhang, 2021).

Performance refers to the results attained by efficiently utilizing a company's resources to generate revenue through its regular business operations (Adams, 2005). Maseko (2011) describes Performance as the effectiveness and efficiency with which individuals, teams or organizations accomplish tasks, meet objectives or achieve desired outcomes. It is often measured against specific goals or standards of excellence. Teruel (2008) suggests High performance is characterized by consistency, timeliness, and quality of outcomes, often exceeding expectations. It is measured through key performance indicators (KPIs) or metrics that assess productivity, quality, and overall contribution to organizational success or personal achievement.

Performance metrics are essential for evaluating the effectiveness, efficiency and success of various processes, systems or individuals within an organization. This metric quantifies the percentage growth in revenue during a defined period, typically month-over-month or year-over- year (Aina & Atan, 2020). It offers insight into the company's capacity to generate increased income and is vital for evaluating business expansion. Customer acquisition is a measures monetary investment needed to acquire a new customer (Teruel 2008). Customer acquisition cost is determined by dividing the total expenses linked to acquiring customers within a specified timeframe. The percentage of consumers that cancel their subscription or stop using a service within a predetermined window of time is known as the churn rate (Anwar & Abdullah, 2021). A high churn rate signifies potential customer dissatisfaction or ineffective retention strategies. It offers valuable insights into customer sentiment and can assist in forecasting future business growth (Okoth, 2023). The Employee Turnover Rate assesses the proportion of employees who exit a company within a designated timeframe. High turnover rates may reflect challenges such as poor management, employee dissatisfaction, or insufficient opportunities for career progression, all of which can adversely affect productivity and workplace morale (Tengiz, 2020).

Strategy formulation stands as a pivotal stage in the strategic process of commercial banks, concentrating on defining the vision, mission, goals and strategic initiatives of an institution to attain competitive advantage and secure long-term success (Hamann & Schiemann 2021). Strategy evaluation involves assessing the clarity, relevance and achievability of the vision. An effective vision statement inspires stakeholders, guides decision-making and serves as a benchmark for evaluating progress towards long-term goals. The mission statement defines the bank's purpose, specifying its target market, primary products or services and key stakeholders. Evaluation of the mission statement involves assessing its alignment with the bank's vision, relevance to current market conditions, and effectiveness in guiding strategic priorities and actions Gunawan & Widodo (2023).

Strategy evaluation includes assessing the extent to which the bank's actions and behaviors reflect its stated core values. Consistency between espoused values and actual practices is crucial for building trust and credibility with stakeholders. External environmental analysis involves evaluating factors outside the bank's control that could impact its operations and strategic objectives. This includes assessing macroeconomic trends, industry dynamics, regulatory changes, technological advancements, competitive landscape and social and cultural factors (Gunawan & Widodo 2023).By effectively formulating strategies, commercial banks set the foundation for successful execution and performance evaluation. Strategy formulation serves as a critical indicator of the strategic process, reflecting the bank's ability to analyze its internal and external environment, define strategic direction, and develop actionable plans to achieve its long- term objectives (Ali & Mogindol, 2023).

Strategy evaluation process is a crucial component of the strategic process in commercial banks, involving the systematic assessment of the effectiveness and performance of strategic initiatives and plans. It serves as a key indicator of the strategic process, providing insights into the bank's ability to achieve its goals, adapt to changing market conditions, and sustain competitive advantage (Guerrero, 2023). Assessing customer needs entails determining if the bank's products, services, and overall customer experiences meet the changing preferences and expectations of its clients. Indicators of strategy evaluation in this aspect include customer satisfaction scores, feedback mechanisms, and market research insights. Positive trends in customer satisfaction and loyalty indicate that the bank's strategies are effectively addressing customer needs, fostering long-term relationships, and enhancing competitiveness (Tengiz, 2020). Standard practices refer to established industry norms, regulatory requirements, and best practices within the banking sector. Strategy evaluation involves assessing the bank's compliance with regulatory standards, adherence to industry best practices, and alignment with ethical and governance frameworks. Indicators may include regulatory compliance ratings, audit findings, and benchmarking against industry peers. Consistent adherence to standard practices indicates sound risk management, regulatory compliance, and ethical conduct, enhancing trust and credibility with stakeholders (Pedersen, 2020).

Commercial banks in Nakuru County providers essential financial services to individuals, businesses and industries in the region. Nakuru County, located in the Rift Valley region of Kenya, is a major economic hub with a diverse range of economic activities. Commercial banks offer a wide array of banking services, including deposits, loans, mortgages, investment products and business banking solutions (Central Bank of Kenya, 2021). Individuals and businesses can deposit their surplus funds in banks, providing a source of funds for lending to borrowers. Commercial banks play a crucial role in mobilizing savings and channeling them into productive sectors through loans and credit facilities (Central Bank of Kenya, 2021). This promotes investment, entrepreneurship and economic growth in Nakuru County. They serve as a safe and convenient platform for individuals to save their earnings, make transactions, and access credit facilities. This helps in promoting a savings culture and expanding financial access to previously unbanked or under banked populations in the county at large.

Commercial banks play a vital role in supporting Small and Medium Enterprises (SMEs) by providing essential financial services that facilitate growth and sustainability. They offer various financing options, including loans, credit lines, and overdraft facilities, which enable SMEs to access the capital needed for operational expenses, expansion and investment in new technologies. Additionally, commercial banks provide financial advice and expertise, helping SMEs navigate complex financial landscapes, manage cash flow and make informed business decisions. Through tailored products and services, banks can assist SMEs in building credit histories, improving financial literacy, and enhancing their overall financial management. Moreover, banks often engage in initiatives aimed at promoting entrepreneurship, such as specialized programs and grants, which further empower SMEs. By fostering a conducive financial environment, commercial banks not only contribute to the growth of individual SMEs but also stimulate economic development, job creation, and innovation within local communities (Nakuru County Government, 2021).

In addition to serving individual customers and businesses, these banks also play a role in supporting major industries and sectors. Agriculture, manufacturing, trade, and services are prominent sectors in the county (Nakuru County Government, 2021). Commercial banks providespecialized financial services and products to these sectors, such as agricultural financing, asset- based lending, trade finance solutions, and project financing. By offering tailored financial solutions, banks support the growth and expansion of key industries in Nakuru County, thereby driving economic development and employment opportunities.

Furthermore, commercial plays a key role of upholding integrity of the financial system. They adhere to regulatory guidelines set by the Central Bank of Kenya to ensure sound banking practices and risk management (CBK, 2021). Presence of well-regulated commercial banks instills confidence in depositors and investors, fostering a stable financial environment for economic activities in the region. Nakuru County have many banks as well as branches and few studies have been done on commercial banks in Nakuru County, Kenya.

A. STATEMENT OF THE PROBLEM

The evolving trends and changing landscape of the financial sector necessitate that commercial banks develop competitive strategies to enhance their chances of thriving in the marketplace (CBK, 2022). Recently, intensified competition within the banking industry has led to fluctuations in market share and performance among institutions. Technological advancements have empowered customers with access to a wealth of information about competing products, previously unavailable to them. In this context, Kenya Commercial Bank, like its competitors in the financial sector, is striving to capture market share while facing substantial challenges. These challenges stem not only from fierce competition among traditional banks but also from mobile phone service providers introducing innovative alternatives to conventional banking products and services (CBK, 2021). As a result, banks must adapt to these pressures by enhancing their offerings and finding new ways to meet customer expectations to remain competitive in this rapidly evolving environment.

Kenyan commercial banks have responded to competition by expanding their operations, including opening more branches and extending beyond the country's borders (Kungu, Desta, and Ngui, 2014). Despite these efforts, the World Bank (2017) reported a consistent decline in their financial performance, particularly in return on equity (ROE). For instance, ROE fell from 23.10% in 2011 to 21.99% in 2012, further declining to 20.94% in 2022, 20.88% in 2023, and reaching 17.39% in 2015. The downward trend continued into 2016, largely due to the introduction of the interest rate capping law in Kenya. In 2017, Cooperative Bank experienced a 10.4% reduction in revenue compared to the previous year. Similarly, Diamond Trust Bank saw a 10.1% drop in profit after tax, totaling Kshs 6.4 billion. Their financial report also showed a significant 97% increase in non-performing loans, amounting to Kshs 14.8 billion (CBK, 2017). These figures highlight the overall weak performance of many Kenyan commercial banks during this period. The ROE for larger banks also continued to decrease, falling from 25.89% in 2015 to25.70% in 2019 (CBK, 2020).

Over the past five years, the performance of commercial banks in Nakuru County has faced mixed outcomes, with notable challenges affecting their growth and profitability. Despite being a crucial hub for banking activity in the region, the sector has struggled due to factors like increasing non-performing loans (NPLs), regulatory pressure and fluctuating economicconditions. According to CBK data, NPLs have been rising steadily, reaching an average of 14.5% by 2023, up from 12.7% in 2019 (Central Bank of Kenya's annual supervision report for 2019–2023). This increase has negatively impacted the banks' asset quality, limiting their lending capacity

(Ndungu & Bosire, 2020). Moreover, the COVID-19 pandemic exacerbated loan defaults as businesses in the county faced financial stress, reducing repayment ability. Another problem has been the decline in interest income due to interest rate caps imposed by the CBK in earlier years. Though these caps were lifted in 2019, the residual effects still lingered, slowing the banks' recovery. Regulatory pressures, such as the push for digital compliance, also strained operational costs. Despite these challenges, there has been some recovery, with banks adopting digital banking services to attract younger customers, improving operational efficiency and customer reach since 2022 (Otieno &Moronge, 2021).

Naomi (2021) investigated the influence of strategic management practices, on the performance of the National Government Constituency Development Fund within Taveta Constituency. This study assessed organizational performance through metrics such as cost, timeliness, efficiency, effectiveness, and project quality. In contrast, this research will evaluate performance using Return on Assets, Net loan portfolio, Return on Shareholders, and Return on Equity. Deborah (2020) investigated strategic management practices, and their performance in selected travel and tour agencies within Nairobi City County. While her study focused on travel agencies, this research will concentrate on commercial banks in Nakuru County. Pateman (2019) analyzed the influence of strategic intent on knowledge development and sharing within the logistics sector in Australia, employing both qualitative and quantitative methods for data collection. This research specifically investigates the performance of commercial banks operating in Nakuru County, Kenya. Furthermore, local research by Njagi and Kombo (2021) shows that strategy implementation significantly impacts the performance of commercial banks operating in Kenya. Mbithi (2021) highlighted the importance of focusing on strategy implementation to enhance company performance, underscoring its vital role in strategic management. Similarly, Sorooshian et al. (2023) explored the connection between strategy implementation and performance in small and medium enterprises (SMEs) in Iran, showing that implementation directly affects performance. However, given that this research took place in Iran, its results may not be directly applicable to commercial banks in Nakuru County, Kenya. Consequently, this research aims to explore how strategic management process affect the performance of commercial banks operating within Nakuru County, Kenya.

B. OBJECTIVE OF THE STUDY

The general objective of this study is to evaluate how the strategic management process affectsthe performance of commercial banks operating within Nakuru County, Kenya.

The specific objectives of the study were:

- ✓ To analyze the impact of strategy formulation on the performance of commercial banksin Nakuru County, Kenya.
- ✓ To evaluate the influence of strategy implementation on the performance of commercialbanks in Nakuru County, Kenya.
- ✓ To investigate the effect of strategy evaluation on the performance of commercial banksin Nakuru County, Kenya.

II. LITERATURE REVIEW

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A. THEORETICAL FRAMEWORK

a. RESOURCE BASED VIEW THEORY OF THE FIRM

The Resource-Based View theory, developed by Penrose in 1959 and posits that a company's distinctive array of resources and capabilities constitutes the primary driver of its performance and success in the market. This research aims to investigate how the Resource-Based View (RBV) theory informs various aspects of strategy formulation, such as analysis, formulation, and implementation (Schroeder, 2002). By recognizing and understanding these resources, businesses can assess their strengths and weaknesses relative to their competitors (Pearce & Robinson, 2007). The RBV highlights that resources are not equally valuable, rare, or hard to imitate, stressing the importance of resource heterogeneity the differences among firms. Through meticulous analysis, firms can discern which resources are genuinely rare and valuable, laying the groundwork for sustained competitive advantage (Ainnuddin, 2007).

The term “resource” in RBV encompasses various tangible and intangible assets that a company controls, including but not limited to financial assets, technology, patents, brand reputation, and human capital. To leverage these resources effectively, RBV posits that the resources must meet certain criteria known as the VRIN criteria

Furthermore, the RBV acknowledges that certain resources are challenging to transfer or replicate across firms due to factors like historical circumstances, unique organizational practices, or socially intricate resources like reputation and culture. Understanding resource immobility aids firms in identifying potential hurdles to imitation by competitors (Ainnuddin, 2007). The RBV suggests that firms should prioritize the cultivation and utilization of core competencies bundles of resources and capabilities fundamental to a firm's strategy and difficult for competitors to replicate. Crafting strategy around these core competencies enables firms to allocate resources toward activities where they possess a competitive edge, ultimately driving superior performance (Gerhart & Feng, 2021).

By ensuring strategic alignment, firms can devise a coherent and potent strategy that capitalizes on their unique strengths (Ainnuddin, 2007). The RBV recognizes that competitive advantage is dynamic and necessitates continuous adaptation and evolution of resources and capabilities to remain competitive (Pearce & Robinson, 2007). The RBV also suggests that firms shouldstructure their organizations to leverage and bolster their unique resources and capabilities (Ainnuddin, 2007). This may involve organizing the company around core competencies, fostering a culture that values resource development and innovation, and incentivizing behaviors that contribute to the company's strategic objectives (Zahra, 2021). Recognizing that firms may lack all the resources and capabilities required to compete effectively in every market or industry, the RBV encourages firms to form strategic alliances and partnerships to access complementary resources and capabilities. Effective implementation of an RBV-based strategy may entail identifying and establishing alliances with firms possessing resources or expertise that the focal firm lacks (Pearce & Robinson, 2007).

B. EMPIRICAL REVIEW

Gabow (2019) conducted research on how commercial banks in Nairobi City County, Kenya, formulate their strategies and how this impacts their performance. The research used a descriptive approach and focused on employees from various commercial banks across Kenya. Using stratified random sampling, the study selected management-level staff for data collection. Researchers analyzed both primary data gathered from questionnaires and secondary data obtained from document reviews. The highlighted the importance of thorough environmental scanning by bank management to enhance the organization's ability to optimize and leverage strategic choices. While Gabow (2019) treated strategic intent and strategic control as independent variables, this study focuses on strategic formulation, implementation, and evaluation.

Karugu (2019) investigated the influence of strategy formulation on the performance of firms listed on the Nairobi Securities Exchange (NSE) in Kenya. The research aimed to evaluate how strategic planning and decision-making contribute to improved corporate outcomes within Kenya's dynamic financial market. Specifically, the objectives were to assess the role of environmental analysis, goal setting, and resource allocation in enhancing organizational performance and to identify any challenges in implementing strategic initiatives within these companies. The research utilized a descriptive survey design, gathering data from primary and secondary sources. Structured questionnaires were distributed to senior management in NSE- listed firms to gain insights into their approach to strategy formulation. A sample size of 45 companies was analyzed, focusing on their strategic planning processes, market positioning, and financial performance over time.

Maina (2020) carried out a study to explore how strategy formulation influences the performance of state corporations. Top management actively involved employees in decision-making and delegated authority and responsibilities, which had a positive impact on leadership. Regarding mission and vision, the organizations had formal missions aligned with stakeholder interests. In

terms of firm resources, the organizations were identified as learning organizations with well- understood cultures embedded in values. Environmental scanning included considerations of ethnic and tribal inclinations, cultural practices, and utilization of various information sources. The study concluded that state corporations should embrace effective leadership, mission and vision alignment, resource management and environmental scanning to enhance performance. While the study focused on state corporations, the current research centers on commercial banks in Nakuru County.

Santura (2021) studied the relationship between the creation of strategies and the effectiveness of public organizations in the government of Isiolo County. The study encompassed all management employees, including department heads of the county government, with a population consisting of 63 managerial staff involved in the study. The findings suggested that successful formulation of strategic plans has become ingrained within county governments, although there was a lack of leadership training focused on strategic formulation. Return on equity served as a performance metric in the study, while this research utilizes return on assets to evaluate the performance of commercial banks.

Ahmed (2022) explored the function of strategy formulation in enhancing the effectiveness of manufacturing companies in Kenya, with focusing on how strategic planning contributes to competitive advantage and operational success. The research sought to evaluate the effects of environmental scanning, goal alignment, and resource allocation on firm performance, particularly in terms of profitability, market growth, and production efficiency. Through a mixed-methods approach, Ahmed gathered, both quantitative and qualitative data via interviews and surveys with senior managers from a sample of 30 Kenyan manufacturing firms. The results showed that firms with strong strategy formulation practices achieved greater profitability and efficiency, attributed to proactive environmental analysis and effective resource deployment. Nonetheless, challenges like insufficient funding for strategic initiatives and inconsistent management support were noted as barriers to optimal performance. Ahmed concluded that adaptive, well-funded strategies are essential to strengthening competitiveness in Kenya's manufacturing industry.

Murunga and Karugu (2019) conducted a study on how organizational performance is linked to strategy implementation in higher education institutions in Kiambu County. A descriptive research design was utilized, with data gathered via surveys administered to 300 employees across five commercial banks. Questions focused on communication practices, resource allocation, and leadership involvement in strategy execution. Banks that effectively allocated resources, maintained transparent communication channels, and adapted strategies to market dynamics saw increased profitability, customer retention, and employee satisfaction. For their research, the current study will apply the McKinsey 7S Model, similar to the previous study, which utilized institutional theory to support strategy implementation. By using this model, the research aims to further understand how these elements work together to enhance performance in higher education institutions. This approach will help identify key areas for improvement and facilitate better strategy execution.

Maika (2020) researched how organizational culture influences strategy implementation in water boards in Kenya. The primary objective was to evaluate the impact of organizational culture on the effectiveness of strategy implementation within these boards. The review synthesizes findings from quantitative studies, including surveys of academic and administrative staff, and qualitative research through interviews with university leadership. Data collection focused on strategic alignment, resource allocation, and performance measures. Key findings indicate that institutions with clear strategic goals, aligned organizational structures, and robust leadership practices experience enhanced academic outcomes, increased student satisfaction and higher enrollment rates. Moreover, effective communication and stakeholder engagement were identified as critical factors influencing the successful execution of strategies. Unlike Maika's study, this research utilizes both primary and secondary data sources.

Karimi (2021) researched how the KCB Group in Kenya implements its strategies and how this affects performance. The study focused on senior managers at KCB Group and used a case study approach. Data was collected through interviews, which were then analyzed for content.It was also found that the level of staff participation significantly impacted how well strategies were put into action. KCB Group promoted staff commitment by involving them in the strategy process, considering their feedback, and helping them understand challenges outlined in the plan. The study highlighted the importance of effective communication and consensus-building by senior management during strategy implementation. Additionally, it described strategies that KCB Group used to overcome challenges in implementing their strategies, which positively influenced their performance. Overall, the study emphasized that successful strategy implementation is vital for improving organizational performance. While Karimi's research focused only on KCB Group, this current study includes all banks in Nakuru.

Musyoka (2023) conducted research on the implementation of strategies and their impact on performance at the Nairobi City Water and Sewerage Company (NCWSC) in Nairobi City County. Quantitative data offers insights into operational and financial outcomes, while qualitative data highlights organizational challenges and perceptions regarding strategy effectiveness. Findings reveal that while NCWSC has established a strategic framework to improve water access and infrastructure, implementation challenges such as resource limitations, organizational resistance, and bureaucratic inefficiencies hinder performance. Studies recommend enhancing employee training, securing funding, and improving stakeholder engagement to boost strategic alignment and achieve performance goals and ultimately improving service delivery for Nairobi City residents. While the study spanned a ten-year period,this research covers a five-year timeframe.

(Jael (2021) examined how strategy evaluation affects the performance of Chemilil Sugar Company. The target population consisted of 60 respondents occupying various positions, including departmental heads, sectional heads, superintendents, and foremen. Data collection was conducted through a census. It was concluded that enhanced strategy evaluation contributes to organizational alignment with the vision, streamlining operations towards specific objectives or targets. Moreover, strategy evaluation was found to inspire and motivate employees by providing them with performance measurement tools. The study recommended that organizations align their strategies completely with the overall strategic direction for enhanced performance. While this research focused on the Sugar Company in Kisumu County, the current research concentrated on the banking industry in Nakuru County.

Miriti, (2021) conducted research at the Auditor General's Office on strategy execution, evaluation, and control impact on performance. The purpose was to ascertain how executing strategy, assessment, impacts performance at the Auditor General Office using the descriptive approach. The population of interest included 438 staff from the Auditor General's Office, including middle managers, frontline managers and supervisors. The data was quantitatively analyzed. The ability to accurately assess, analyze and relate success to incentives, as well as the ability to institutionalize a results-oriented culture and, ultimately, greater accountability for results had a negligible influence on the performance of an organization. This research concentrated on organizational performance, whereas the current study focuses on commercial bank performance.

Makori (2022) investigated how strategy evaluation affects the performance of private hospitals in Kenya. The study aimed to identify challenges hospitals face in implementing systematic strategy evaluations. Hospital administrators and department heads were surveyed on their strategy evaluation practices, and interviews provided insights into practical challenges and successes with evaluation frameworks. Statistical tools analyzed the quantitative data to assess the connection between strategy evaluation and performance. The results showed that private hospitals regularly evaluating their strategies reported improvements in operational efficiency, financial performance, and patient care standards. However, challenges such as limited budgets, lack of trained personnel, and resistance to change hindered comprehensive evaluation efforts. Makori recommended capacity-building initiatives and improved resource allocation to support more effective strategy evaluations in the healthcare sector.

III. RESEARCH METHODOLOGY

The research project used descriptive research design; the study targeted 145 employees across29 commercial banks in Nakuru County. Owing to the small population, an inventory strategy has been established to guarantee complete access to information. The information is gathered using a semi-structured approach, which is verified by a first check to ensure accuracy. Additionally, descriptive and infernal statistical techniques are used to analyze the collected data.

IV. FINDINGS

A. INFERENTIAL STATISTICS

The following table shows Pearson Correlation Matrix.

		Performance	Strategy Formulation	Strategy Implementation	Strategy Evaluation
Performance	R Sig	1			
Strategy Formulation	R Sig	.564** .000	1		
Strategy Implementation	R Sig	.478** .000	.579** .000	1	
Strategy Evaluation	R Sig	.450** .000	.293** .000	.201** .000	1

***. 2-tailed correlation with significance at 0.01 level. (2 tailed)*

Table 4.1: Pearson Correlation Matrix

Table 4.1 indicates that in a two-race evaluation, strategy and performance show a linearly positive correlation of 0.564, which is significant in the medium. This shows a significant correlation between these two factors, indicating that putting an effective strategy into action is essential to improving the outcomes. Furthermore, with a correlation coefficient of 0.478 and a significance level of 0.000, a notably positive correlation has been found between the strategy's implementation and the results. Additionally, a Pearson correlation coefficient of 0.450 and a significance level of 0.000 are used to value the outcomes and strategies. In conclusion, these findings show that an effective strategy, its implementation and its evaluation. These results contrast sharply with the results of Karimi (2021), who reported a significant positive correlation between strategy formulation and financial performance in organizations. Karimi's research suggests that firms that develop effective strategies are more likely to achieve superior financial outcomes. Likewise, Kamau et al. (2018) uncovered a noteworthy positive relationship between strategy implementation and the growth of selected small and medium-sized enterprises (SMEs) in Bungoma County. This indicates that well-executed strategies can play a crucial role in fostering business expansion within the SME sector.

Additionally, Gakure (2019) identified a strong positive connection between strategy evaluation and financial performance among commercial banks in Kenya. This finding underscores the importance of conducting regular evaluations and reviews of strategies to ensure financial success in the banking industry. Similarly, Ojwang (2018) reported a significant positive correlation between strategy evaluation and financial performance at Airtel Kenya, reinforcing the notion that assessing strategies is vital for enhancing a company's financial stability.

Despite the positive implications of strategy formulation, implementation, and evaluation highlighted in previous studies, the findings from this study reveal some discrepancies, particularly in terms of the specific contexts and variables investigated. For example, while earlier research points to the benefits of strategic management practices across various sectors, the current study indicates variations that warrant further examination.

These discrepancies suggest that while the fundamental principles of strategic management remain consistent, their impact can differ based on the unique characteristics of the organizations and their operating environments. This observation aligns with Ojwang's (2018) conclusions regarding the critical role of strategy evaluation, emphasizing the complexities and variations inherent in different organizational settings.

The study's results offer a deeper understanding of the interplay between strategy and performance, illustrating that effective strategic practices are essential for achieving desired outcomes. Organizations should remain adaptable and responsive to their specific contexts to maximize the effectiveness of their strategic initiatives. By recognizing the importance of context-specific factors, organizations can better align their strategies with performance goals, ultimately enhancing their overall effectiveness and sustainability in a competitive landscape. Future research should explore these dynamics further to provide insights that can help organizations refine their strategic practices and improve their performance across different sectors.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

A. SUMMARY OF FINDINGS

The goal of this research was to investigate how management of strategy affects the performance of commercial banks operating within Nakuru County, Kenya. To analyze the hypotheses, the researchers used regression and correlation analysis techniques. Out of the 145 surveys that were distributed, 121 were completed and returned, representing a significant 83.4% of the total. Based on the research's findings, the analysis produced an adjusted R2 value of 0.407, meaning that 40.7% of the variations in bank profitability resulted from the strategic formulation, application, and evaluation processes. 59.03% of the performance progression is related to other factors that were not considered in this regression model. These results emphasize the critical role of the strategy management process in enhancing the operational effectiveness of commercial banks in the region. They also point to the importance of exploring additional factors that may influence performance outcomes, suggesting that a comprehensive understanding of these dynamics is necessary for improving overall effectiveness in the banking sector. This understanding can guide future strategies aimed at optimizing performance in this competitive industry.

The research aimed to investigate the impact of strategy formulation on the performance of commercial banks operating within Nakuru County, Kenya. The findings from the regression analysis showed a significant correlation between strategy formulation, and the performance of these banks, highlighting the importance of effective strategy development in enhancing their operational outcomes. By developing and implementing effective and innovative strategies, banks can significantly enhance their overall performance, underscoring the critical role that strategic formulation plays in achieving better results and driving positive outcomes in the banking sector. This emphasizes the necessity for banks to prioritize strategic planning to improve their effectiveness and competitiveness.

The study analyzed the impact of strategy implementation on the performance of commercial banks operating within Nakuru County, Kenya. The findings from the regression analysis indicated a significant relationship between the execution of strategies and the performance levels of these banks. This results emphasizes the critical role that effective strategy implementation plays in enhancing the operational success of financial institutions in the region, suggesting that well-executed strategies are vital for achieving desired performance outcomes. By successfully executing their strategies, banks can ensure that all strategic processes operate efficiently, resulting in improved overall performance and effectiveness in achieving their business objectives. This highlights the importance of diligent strategy execution in driving positive outcomes within the banking sector.

The study's goal was to investigate how strategic evaluation affects the performance of commercial banquets in Kenya's Nakuru County. The results of the regression analysis showed a strong correlation between the evaluation of strategies and the performance of local banques. Given the need to enhance the overall performance and operational effectiveness of financial institutions in this sector, this analysis emphasizes the significance of a regular strategy review.

By continuously assessing their strategies, banks can ensure that all strategic processes align effectively, thereby enabling them to achieve their objectives and improve overall performance. This evaluation not only helps identify areas for enhancement but also ensures that the banks remain responsive to changing market conditions and customer needs.

B. CONCLUSION

The research focused on understanding the influence of strategy formulation and the effectiveness of commercial banks operating within Nakuru County, Kenya. The results from theregression analysis demonstrated a notable connection between effective strategy formulation and the performance levels of these banks, underscoring the essential function that well- structured strategies contribute to enhancing operational success in the financial sector. By developing strategic processes, banks gain essential guidance and direction, enhance their competitive advantage, effectively manage risks and improve their performance measurement.

This highlights the significance of strategy formulation in fostering improved outcomes for banks in the region, highlighting its role in providing a structured approach to navigating the complexities of the banking environment.

Results from the regression analysis revealed a strong correlation between strategy implementation and the banks' performance. Effective execution of strategic initiatives enables banks to reach their objectives, optimize resource allocation, and track performance while gathering feedback. This underscores the vital importance of strategy implementation in improving overall performance, allowing banks to adapt to the rapidly changing banking landscape and achieve their goals efficiently. Consequently, the study emphasizes the significance of thoroughly executed strategies as a critical factor in promoting success within the banking sector. By highlighting these relationships, the findings advocate for a strong focus on the implementation phase of strategic management to enhance operational effectiveness and competitiveness in the industry.

The results from regression analysis revealed a significant statistical connection between strategy evaluation and the performance of these banks. By regularly assessing their strategic management processes, banks can enhance their performance evaluation, make data-driven decisions, and cultivate a culture of continuous improvement. This underscores the necessity of consistent strategy evaluation for boosting operational efficiency and adapting to evolving market dynamics, ultimately playing a crucial role in the success of these financial institutions in the region.

C. RECOMMENDATIONS

The research revealed that strategy formulation significantly affects the performance of commercial banks in Nakuru County, Kenya, highlighting its essential role in enhancing operational effectiveness within the financial sector. As a result, it is recommended that these banks create comprehensive strategies to improve their performance. This can be accomplished through detailed situational analyses, setting specific and measurable objectives, and utilizing suitable strategic frameworks to inform their operations and decision-making. These steps are essential for achieving better outcomes in the competitive banking landscape**.**

The research found that strategy implementation has a substantial effect on the performance of commercial banks in Nakuru County, Kenya, emphasizing its critical importance in driving success within the financial industry. Therefore, it is recommended that these banks focus on executing their strategies effectively to enhance overall performance. This can be accomplished by creating a comprehensive action plan and ensuring that resources and capabilities are properly aligned with the strategic objectives. By doing so, commercial banks can optimize their operations and achieve better outcomes in a competitive environment.

The research pointed out that strategy valuation has a crucial function in influencing the performance of commercial banks in Nakuru County, Kenya. As a result, it is advised that these banks focus on assessing their strategies to improve overall performance. This can be accomplished by establishing clear key performance indicators (KPIs) and engaging in comparative analyses to measure effectiveness and identify areas for improvement. Prioritizing these evaluations will contribute to better decision-making and operational success within the banking industry. By implementing these practices, commercial banks can better assess their strategic effectiveness and make informed adjustments, leading to improved outcomes in their operations and overall performance.

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