INVESTIGATING INFLUENCE OF STRATEGIC LEADERSHIP ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The defining feature of Strategic Leadership, in corporate governance is the establishment of a clear road map which defines the purpose and future of the corporation. Central Bank of Kenya financial reports showed a declining trend during the period 2015-2019. Returns on Assets (ROA) declined from 4.51% to 3.84% and Returns on Equity (ROE) from 29.4% to 25.6%. The Study sought to critically analyze influence of Strategic Leadership on Financial Performance of Commercial banks in Kenya. The study targeted 112 respondents from 8 commercial Banks in Tier 1 of the Central Bank of Kenya (CBK) Classification. The researcher used Exploratory Research Design for undertaking the study. Primary data were collected by use of both a closed-ended and open-ended questionnaire. Data analysis was done by use of both descriptive and inferential statistics. The analyzed data were presented using tables. The finding of the Study was that there was a significant positive correlation between Strategic Leadership and Financial Performance of Commercial Banks in Kenya. The study recommended that Strategic Leadership be entrenched in corporate governance in commercial banks to improve financial performance. The findings of this study were generalized and recommended for use in the banking industry in Kenya.

KeyWords: Strategic Leadership, Vision, Mission, Returns on equity (ROE), Returns on Assets (ROA), Financial Performance

INTRODUCTION

Strategic leadership is grounded on the capacity of a leader to influence followers to perform voluntarily towards achieving collective goals of the organization (Rowe & Nejad, 2009). Three pillars define strategic Leadership, namely; defining the vision and mission of the organization, capacity development among employees and effective management of resources.

The primary role of commercial banks remains one of mobilizing resources from surplus units and allocating such resources to deficit units. The achievement of this task requires that commercial banks, which operate in a competitive environment, have a definite focus and a set of strategies designed to reach that focus. Strategic Leadership strategy is a critical ingredient of corporate governance which helps commercial banks to achieve their corporate goals.

Background of the Study

The failure of many organizations to achieve their profitability objectives may be attributed to limited or no application of strategic leadership skills (Carmeli, et al, 2011). The competitive environments in which commercial banks operate demand that the corporate level cadre of management is equipped with strategic leadership knowledge and flexibility to recognize viable
opportunities in which to commit the banks’ scarce resources and also to recognize when strategic decisions are not working in the interest of shareholders and other stakeholders and thus relocate the resources to more profitable ventures (Pierce & Robinson, 2011).

Strategic Leadership is essential during this time and age when shareholders and other stakeholders are alive to their interests and rights. The ever growing demands of shareholders and other stakeholders that organizations be managed to maximize value addition calls for those charged with corporate management to embrace strategic leadership so that effectiveness and efficiency are maintained by aligning resources to objectives (Carter & Greer, 2013).

Strategic Leadership has been viewed as the ability of the leaders to develop a vision for the organization and influence subordinates to work diligently to achieve the vision (Rowe & Nejad, 2009). According to Slawinski (2007) Strategic Leadership involves motivating, inspiring, encouraging, persuading and effectively communicating strategic decisions across the depth and the breadth of the organization. In Slawinski’s (2007) definition of Strategic Leadership, the creation of clear vision and mission statements, as well as the development of human capital and the efficient management of resources, are the three primary characteristics. Palladan, Abdulkadir, and Chong (2016) defined the following five characteristics of strategic leadership: setting corporate direction, maintaining control over resources, building an effective culture for the firm, and instilling ethical conduct within the workforce.

The structure of corporate governance, upon which the day-to-day operations of commercial banks revolves, consists of shareholders, management, corporate board and other stakeholders (Acharya, 2013). Effective formulation and implementation of strategies demands that top level decision makers be endowed with both managerial and strategic leadership skills so they can serve as stewards, without coercion, towards achieving the goals of the banks.

**Statement of the Problem**

In an ideal situation the core function of commercial banks is to mobilize financial resources from surplus units, the lenders and allocate the surplus resources to deficit units, the borrowers. Effective and efficient discharge of this function leads to credit creation and the ultimate growth of the economy.

Kenyan banks experienced the problem of declining financial performance in the period 2015-2019 during which time Returns on Assets (ROA) declined from 4.51% to 3.84% and Returns on Equity (ROE) from 29.4% to 25.6% (CBK, 2020). The implication of the unchecked decline was that commercial banks would no longer perform their core function of financial intermediation leading to a decline in economic growth and the general wellbeing of the Kenyan population. The researcher was of the view that part of the reason for this decline in performance had to do with failure by commercial banks to effectively harness the benefits of strategic Leadership.
reverse this decline the researcher recommended implementation of Strategic Leadership strategy in corporate governance practices of commercial banks.

Objective of the Study

The objective of the study was to investigate influence of Strategic Leadership on Financial Performance of Commercial Banks in Kenya.

Study Hypothesis

The following was the Study Hypothesis:
Ho: Strategic Leadership had no significant influence on Financial Performance of Commercial Banks in Kenya.

Justification of the Study.

This Study was conducted among the 8 Commercial Banks in Tier 1 classification of the Central Bank of Kenya, with a market share of 74.7% (CBK 2020) and an impressive resource and infrastructure base capable of facilitating a study of this magnitude. The view of the researcher was that the 8 commercial banks had similar internal and external environments which inhibited the existence of bias and gave sufficient justification for the Study.

The Scope of the Study.

The parameters defining the scope of the study were Population, Geographical, Content and Theoretical Framework. The population parameter comprised of 112 corporate level managers from eight large commercial banks listed in Tier 1 of the CBK classification. The geographical parameter was Nairobi where the eight large commercial banks had their head offices. The Content parameter consisted of Strategic Leadership, the independent variable. Financial performance, measured by ROA and ROE, served as a proxy for the dependent variable. The theoretical parameter included three theories: the Agency Theory, the Stewardship Theory, and the Financial Intermediation Theory. The Explanatory Research design, which entailed an in-depth investigation of an issue in order to get a deeper understanding of the subject was used.

LITERATURE REVIEW

This section contains a survey of scholarly work related to Strategic Leadership. Specifically, it contains a review of theories that explain the variables used in the study, namely; Agency Theory, Stewardship Theory and Financial Intermediation Theory. Empirical review of scholarly work related to Strategic Leadership, and Conceptual Framework have also been addressed in this section.
The Agency Theory

The basis of the Agency theory is the Principal-Agent relationship. The theory was propounded by Stephen Ross and Barry Mitnick (Mitnick, 2013). According to this theory, companies have two elements; a Principal and an Agent. The principal, who owns the company, hires an Agent to establish policies and strategies that help in maximizing his wealth (Investopedia, 2018).

Due to the different roles of the principal and the managers in the company there is differential access to information, called information asymmetry which at times precipitates conflicts of interest between them (Ingram, 2009). The Agency Theory serves as a remedy to these conflicts. In commercial banks boards of directors are appointed by shareholders to supervise and ensure that managers do not develop conflicts of interest and lose track of their basic function of maximizing shareholder value.

The Stewardship Theory

The Stewardship Theory is grounded on the belief that managers are pro-organizational and obedient servants who will act responsibly in the interests of the organization (Flynn, 2018). In corporate governance Structure Company executives serve as stewards who work to achieve the objectives of shareholders. The primary objective of the Stewardship Theory is to develop a successful company from which the owners may maximize their wealth (Flynn, 2018). The relevancy of the Stewardship Theory in corporate governance in commercial banks is that it confers stewardship to the management cadre of the corporation. Managers, under the Stewardship Theory are assumed to be subservient to their employers, the shareholders and perform their duties and obligations diligently to safeguard and maximize benefits accruing to shareholders. The Stewardship Theory considers the role of Strategic Leadership, that of motivation of managers as a key ingredient of corporate governance in raising corporate performance.

The Financial Intermediation Theory

As financial institutions, commercial banks serve as intermediaries between lenders and borrowers. The Financial Intermediation Theory attempts to explain this essential role (Andries &Cuza, 2009). This hypothesis is founded on the premise that lenders and borrowers of capital have varying levels of information asymmetry (Allen & Santomero, 2019). As a result, financial intermediaries fill the void by offering solutions that meet the needs of both lenders and borrowers. Depositors of money have a tendency to avoid risk and are unsure about their future consumption demands, but borrowers are fully aware of their financial requirements for investment (Allen & Santomero, 2019). Commercial banks therefore bridge the gap between depositors and borrowers by playing the intermediation role.
Empirical Literature Review on Strategic Leadership and Firm Performance

Empirical review of literature is about reviewing original research based on observations and experiences (Abao, 2017). The researcher's job in empirical review is to compile abstracts of prior studies that are relevant to the topic under investigation (Abao, 2017).

Empirical researches around the world exist to show how strategic leadership impacts bank performance. The following are some of these researches:

Witts (2016) found that financial sector businesses were unable to meet their financial goals due to lack of strategic leadership. Witts (2016) gathered data by interviewing 12 members of the bank's board of directors who had at least three years of senior managerial experience. The resource-based perspective paradigm identified strategic leadership qualities as independent factors. The modified Van Kaam method was used to examine the data. Bank profitability was found to be positively correlated with leadership qualities.

In another study by Kitonga (2016), 305 people from 1475 different organizations in Nairobi took part as respondents. Human resource development, ethical conduct, and strategic controls were all used as independent factors. SPSS was used for the analysis of the collected data. The study concluded that strategic leadership was a key factor in a company's success.

In a study in Nigeria, Kehinde, Jegede, and Akinlabi (2012) conducted a survey on 200 branch managers from selected financial institutions to determine whether strategic leadership qualities had an influence on bank performance. The findings of the research showed that companies functioned better when they had access to a pool of leadership skills and knowledge.

Nyamu conducted a research on the importance of leadership in Kenya's competitive banking sector (2017). Human capital, leadership style in organizations, and the expression of strategic purpose and vision were all considered as independent factors. The dependent variables in this study were profitability, productivity, and market share. Organizational leadership style, the articulation of the company's vision, and the effective use of human resources were shown to contribute to an increase in earnings, productivity, and market share.

Nyangoka (2016) performed a research on the influence of strategic leadership on bank profitability. A total of 42 banks, 33 of which replied, were used. Human resource, operations, and finance managers were selected from 33 banks that answered to the questionnaire. Proxies for Strategic leadership included a well-trained staff, a well-articulated corporate strategy and clear and concise vision and purpose statements. Return on assets (ROA), and return on equity (ROE) were indicators of bank success. Strategic leadership was shown to be a key factor in determining the success of a bank.

Nthini (2013) examined the performance of 48 state businesses in Kenya to see whether corporate strategic direction, organizational controls, and efficient resource management had a role. Employee turnover, Net profit margin, and customer happiness were indicators of performance. The study found that strategic leadership had a substantial impact on results.

Kabetu (2018) utilized a descriptive survey approach to investigate whether strategic leadership benefited the development of the tourism industry. There were 197 UN Habitat employees that participated in the survey. In order to acquire primary data, questionnaires were used. The study
discovered that the success of UN Habitat workers in Kenya was mostly dependent on strategic leadership.
Nganga (2018) employed 420 respondents from six government agencies, including 109 managers and 311 non-managers, in an attempt to determine if strategic leadership direction contributed to the expansion of Kenya's tourism sector. Data was gathered using questionnaires. The result of the study showed that, the Tourism Industry's performance was boosted by a better strategic direction and better resource portfolio.

**Conceptual Framework**

The Conceptual Framework of a study serves as a road map for conducting the study and defines the variables that the researcher needs to investigate (Regoniel, 2015). This study used three variables; independent, dependent and moderating variable. The independent variable was Strategic Leadership, while the dependent variable was Financial Performance. The third variable, the moderating variable was government regulations. Although this variable can be measured (Tsang, 2015), it wasn’t in this study as it was used as a dummy. Its purpose in research is to determine how strongly the dependent variable was linked to the independent variable. (Tsang, 2015).

The Conceptual Framework the researcher used in undertaking this research is represented in the following diagram.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Leadership</td>
<td>Financial Performance</td>
</tr>
<tr>
<td>- Developing Vision/Mission statements</td>
<td>- ROE</td>
</tr>
<tr>
<td>- Formulation of corporate strategy</td>
<td>- ROA</td>
</tr>
<tr>
<td>Developing human capital</td>
<td>Government Regulations</td>
</tr>
<tr>
<td>- Direct controls by Government</td>
<td>- CBK</td>
</tr>
<tr>
<td>Monetary Policy Guidelines</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Researcher (2021)*
METHODOLOGY

Research Design

A research study design is the process in which data is gathered, analyzed, evaluated, and communicated (Creswell, 2013). The research design used in this study was the exploratory design which is an in-depth examination of a research issue carried out in order to have a better grasp of the topic under consideration (Yousaf, 2019). The advantage with this design was that it helped get the relationship between the dependent and the independent variables. Despite several investigations, no breakthrough had been made in identifying the true cause of the problem of diminishing performance in commercial banks. The use of this design helped to facilitate future study of the subject.

Target Population

The study targeted all 9 commercial banks in Tier 1 Classification (CBK, 2020). 14 respondents from one of the 9 banks were selected for piloting of the study instrument, while 112 respondents drawn from the other 8 commercial banks were used for the main study. The findings from these respondents were generalized to the whole of the banking population in Kenya.

Sampling Procedure

The population of 40 registered commercial banks in Kenya were categorized into three tiers, namely; Tiers 1, 2, and 3 (CBK, 2020). Of the three tiers the researcher focused on the nine Tier 1 banks for this study. The choice of the 9 banks was based on the fact that the 9 banks held, between them 74.7% of market share in Kenya's banking industry and had the requisite financial and human resources to implement the corporate strategies suggested in this study. The researcher chose 14 members of the apex managerial staff from 14 common functional departments from each of the 8 commercial banks as respondents making a total of 112 members for the main study.

The following is a list of the 14 divisions of the eight banks whose managers were selected for this research.
Table 1: Corporate Level Managers (CLM)

<table>
<thead>
<tr>
<th>Corporate Level Managers</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Managing Director, MD (CEO)</td>
<td>8</td>
</tr>
<tr>
<td>2 Chief Finance Officer (CFO)</td>
<td>8</td>
</tr>
<tr>
<td>3 Company Secretary and Head of Legal Affairs</td>
<td>8</td>
</tr>
<tr>
<td>4 Director Internal Audit</td>
<td>8</td>
</tr>
<tr>
<td>5 Director Operations</td>
<td>8</td>
</tr>
<tr>
<td>6 Director Corporate Banking</td>
<td>8</td>
</tr>
<tr>
<td>7 Director Risk management</td>
<td>8</td>
</tr>
<tr>
<td>8 Director Retail Banking</td>
<td>8</td>
</tr>
<tr>
<td>9 Director Marketing</td>
<td>8</td>
</tr>
<tr>
<td>10 Director Credit Management</td>
<td>8</td>
</tr>
<tr>
<td>11 Director Branch Banking</td>
<td>8</td>
</tr>
<tr>
<td>12 Director Investment Banking</td>
<td>8</td>
</tr>
<tr>
<td>13 Director Human Resource Management</td>
<td>8</td>
</tr>
<tr>
<td>14 Director IT</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
</tr>
</tbody>
</table>

Source: Extracts from published reports of Executive Management Committees of Commercial Banks in Kenya (CBK, 2020).

Data Collection Procedure

Upon acceptance of the research proposal by Mount Kenya University the researcher sought and was granted clearance by National Commission for Science, Technology and Innovation (NACOSTI) to collect data from Commercial Banks in Tier 1 classification. The researcher and his two assistants then visited the head offices of each of the 8 Commercial Banks to build rapport with the respondents and arrange when to deliver research questionnaires for filling. The greatest challenge in the data collection process was that it was not possible to meet the respondents in each bank as a group, for briefing about the research, due, ostensibly to their commitments. The researcher and his two research assistants had to contend with delivering the questionnaires to the head offices of the banks where they were received by the HRM (Human Resource Managers), who promised to deliver them to individual respondents and brief them accordingly. It was then agreed that the filled questionnaires be collected after two weeks. 85 filled questionnaires were collected after four weeks, giving a response rate of 76.5%.

Data Analysis and Presentation

Data collected were analyzed by both Descriptive Statistics and Inferential Statistics. Qualitative data obtained from open-ended responses were analyzed by use of thematic analysis in which similar patterns running through the data were identified and grouped into themes. The data were then grouped in summaries and presented using percentages, frequencies, means and standard deviations.
Inferential statistical analysis was based on the regression equation; \( Y = \alpha + \beta X + \varepsilon \), where \( Y \) - Financial Performance, \( X \), Strategic Leadership, \( \alpha \) and \( \beta \) are constants. The constant \( \alpha \) represents the financial performance generated when there was no strategy employed. \( \varepsilon \) is the error term, also called the residue and represents the difference between the predicted and the observed results. The findings were presented by use of tables.

**Study Findings**

**Descriptive Statistical Analysis**

**Descriptive Analysis of Strategic Leadership on Financial Performance of Commercial Banks in Kenya.**

Qualitative data on were converted into quantitative data by use of a 5--1 Likert Scale indicating the extent of agreement with given statements, with 5 representing strong agreement and 1 representing strong disagreement. The findings of the Study are shown on Table 2.

**Table 2: Strategic Leadership and Financial Performance of Commercial Banks, Kenya.**

<table>
<thead>
<tr>
<th>Strategic Leadership</th>
<th>5-SA</th>
<th>4-A</th>
<th>3-N</th>
<th>2=D</th>
<th>1=SD</th>
<th>Mn</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear vision and mission statements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>65</td>
<td>76.5</td>
<td>20</td>
<td>23.5</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.80</td>
<td>1.1</td>
</tr>
<tr>
<td>Board formulates strategies</td>
<td>68</td>
<td>80.0</td>
<td>14</td>
<td>16.5</td>
<td>3</td>
<td>3.5</td>
<td>0.0</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear policy on human capital</td>
<td>43</td>
<td>50.5</td>
<td>30</td>
<td>35.2</td>
<td>12</td>
<td>14.1</td>
<td>0.0</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources aligned to corporate objectives</td>
<td>37</td>
<td>43.5</td>
<td>30</td>
<td>35.2</td>
<td>14</td>
<td>16.4</td>
<td>0.0</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are often consulted before decisions</td>
<td>26</td>
<td>30.6</td>
<td>9</td>
<td>10.6</td>
<td>32</td>
<td>37.6</td>
<td>8.4</td>
</tr>
<tr>
<td>are taken</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers have Equal voting rights.</td>
<td>41</td>
<td>48.2</td>
<td>14</td>
<td>16.4</td>
<td>15</td>
<td>17.6</td>
<td>10</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Field Data (2021)
Respondents were asked to show the degree of agreement or disagreement with the statements given on influence of Strategic Leadership on Financial Performance of Commercial Banks in Kenya. The findings in Table 1 indicate that 76.5% of the respondents were in strong agreement that most of commercial banks in Kenya had clear vision and mission statements indicating the direction and purpose of their banks. 23.5% also agreed with the statement. None of the respondents dissented as was confirmed by a mean of 4.80 and a standard deviation of 1.1.

On whether boards of directors formulated strategies to guide the performance and development of the banks the majority of respondents (80%) strongly agreed while 16.5% also agreed with the statement. A mere 3.5% were undecided. There were no dissentions. These were confirmed by a mean of 4.27 and a standard deviation of 1.9.

On whether the commercial banks in Kenya had a clear policy on the development of human capital the study found that 85.7% agreed or strongly agreed with the statement and only 14.1% being undecided on the matter. On the question of whether banks ensured that resources were effectively managed by being aligned to corporate objectives the study found that 43.5% strongly agreed while 35.2% also agreed with the statement. 16.4% were undecided and 4.7% strongly disagreed with the statement.

Varying results were given on whether employees working in commercial banks that participated in the study were often consulted before decisions affecting them were taken. 30.6% strongly supported the statement while 10.6% also concurred. Of the more than 50% who did not support the statement 37.6% were indifferent while 9.4% disagreed and 11.8% strongly disagreed with the statement. The implications of these responses were that the concept of inclusivity in management was not firmly entrenched in commercial banks in Kenya as more than 50% of the responds were either indifferent or did not support the statement on inclusivity.

Regarding the question of whether all stakeholders had equal voting rights, the majority of the respondents agreed with the statement with 48.2% showing strong agreement while 16.3% also showed agreement. 17.6% of the respondents neither accepted nor showed dissention.

**Allocation of Financial Resources in Commercial Banks in Kenya.**

The researcher wanted to find out in what ways banks ensured that financial resources were optimally allocated. The findings in Table 3 are a response to this question.

**Table 3: Allocation of Financial Resources in Commercial Banks, Kenya.**
Emerging themes from the study, in Table 2, indicated that the most important strategy for achieving efficient and effective allocation of financial resources was Budgeting, at 47%. Performance reviews followed with 18.8%. Other strategies were; A needs Analysis (9.4%), Audits (14.1 %), and Cost Control Measures (10.6%).

### Influence of CEO Life Style on financial Performance of commercial Banks

The researcher intended to determine whether the life styles of CEOs had an impact on financial performance of Commercial Banks in Kenya.

The findings of the Study are contained in Table 4.

**Table 4: Leadership Styles and Financial Performance of Commercial Banks in Kenya**

<table>
<thead>
<tr>
<th>Variables</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effect of Leadership Style</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attracting depositors</td>
<td>16</td>
<td>18.8</td>
</tr>
<tr>
<td>Motivating employees</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>Attracting borrowers</td>
<td>16</td>
<td>18.8</td>
</tr>
<tr>
<td>Inspiring workers</td>
<td>15</td>
<td>17.6</td>
</tr>
<tr>
<td>No effect</td>
<td>4</td>
<td>4.7</td>
</tr>
</tbody>
</table>

**TOTAL** 85 100

Source: Field Data (2021)

On whether lifestyles of CEOs influenced financial performance, emerging themes from the respondents, in Table 3 were that Leadership Styles did indeed influence bank performance in
the following ways: Attracting depositors (18.8%), Motivating employees (40%), attracting borrowers (18.8%), Inspiring workers (17.6%) and No influence on performance (4.7%).

**Inferential Statistical Analysis of Data**

The purpose of inferential statistical analysis was to find out whether there was a relationship between Financial Performance of Commercial banks and Strategic Leadership. The analysis consisted of encoding quantitative responses from the Likert Scale onto the SPSS-26 editor and carrying out operations which resulted in the coefficient of determination, $r^2$. The magnitude of the term $r^2$ showed the strength of the relationship between Strategic leadership, X and Financial Performance, Y as shown in the regression equation, $Y = \alpha + \beta X + \epsilon$.

The results of the regression analysis are indicated in the Table 5.

**Table 5: Standardized Beta Coefficient Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.112</td>
<td>3.010</td>
<td>1.190</td>
<td>.120</td>
</tr>
<tr>
<td>Strategic Leadership,</td>
<td>0.774</td>
<td>0.043</td>
<td>0.812</td>
<td>2.811</td>
</tr>
</tbody>
</table>


**Source:** Field Data (2021)

The value of the Standardized Beta Coefficient represents the impact of the independent variable on the dependent variable. From the results in Table 4 Strategic Leadership had a Beta value of 0.812 $t =2.811$, $p <.05$. The interpretation for this result was that 81.2% of the variation in Financial Performance of Commercial Banks in Kenya was accounted for by influence of Strategic Leadership, which was statistically significant.

**Research Summary**

The finding from the Study was that Strategic Leadership is a critical component of financial performance of Commercial Banks in Kenya. Bank management at the corporate level should therefore infuse strategic leadership skills in their management to help maximize profits and hence the shareholder value.
Conclusion and Recommendation

The regression analysis undertaken to find out whether there was a correlation between Strategic Leadership and Financial Performance of Commercial revealed that the correlation indeed existed with a Beta value of 0.812. The interpretation was that Strategic Leadership produced a variation of 81.2% in the financial performance of commercial banks in Kenya.

Following this strong showing by Strategic Leadership the researcher recommends that Strategic Leadership be entrenched in corporate governance policies and practices to enhance the financial performance of commercial banks in Kenya.

REFERENCES


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