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ASSESSMENT OF STRATEGIC RESPONSES TO INSTITUTIONAL PRESSURES ON PERFORMANCE OF COMMERCIAL BANKS IN NAKURU CENTRAL BUSINESS DISTRICT, KENYA

Austine Oduor Ochieng

Jomo Kenyatta University of Agriculture & Technology,
School of Human Resource Development, Kenya
austineochieng93@gmail.com

Josphat Kwasira
School of Human Resource Development,
Jomo Kenyatta University of Agriculture & Technology, Kenya
jkwasira@gmail.com

Abstract

The performance of the banking industry in Kenya faces increased institutional pressures. Thus, this study assessed the strategic responses to institutional pressures (coercive, social normative and mimetic) on the performance of commercial banks in Nakuru CBD. Institutional and strategic response theories were adopted. A descriptive research design was employed with a target population of 260. Stratified random sampling was adopted to select 72 respondents. Structured questionnaires were used to collect data. The data was coded and analyzed descriptively and inferentially by SPSS 23. The response rate was 95.6%. CBK regulations was found to affect bank performance (mean 4.15),fierce competition ensure banks are efficiently run(mean 4.11), banks respond to contemporary practices to gain stability (mean 4.44),banks imitate and adopt practices to gain legitimacy (mean 4.34). The study concluded that coercive pressure, social normative pressures and mimetic pressures affects the performance of banks in Kenya. The study recommends that banks should be ready to adopt new regulatory frameworks and innovations to gain stability and legitimacy and plan for uncertainty and risk.

Keywords: Banking; Coercive; Normative; Mimetic; Pressure; Social; Performance; Strategic; Institution; Responses

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INTRODUCTION

The banking industry all over the world continue to experience many challenges emanating from the impact of deregulation, advances in information systems and technologies and global financial crisis (Wignall & Atkinson 2010). According to Price Waterhouse Coopers (2009), the speed and intensity with which the banking industry has changed has led to phenomenal growth in international transactions, expansion of banking operations across borders, and the restructuring and consolidation of banks. Additionally, Cobb and Innes (2002) posited that such growth in turn has prompted banks to seek new sources of income, use complex tools for risk assessment and mitigation and have greater awareness of their costs and the productivity gains. As a result, banks have increasingly become subjected to immense institutional pressures to improve performance, cut operation costs, enhance corporate governance and sharpen their customer centric initiatives (Helliar et al. 2002; Lapavitsas & Santos, 2008).

Consequently, significant transformation of banks has been witnessed in respect to organizational structures, systems and strategies (Geyfman, 2005). The institutional theory suggests that institutional pressures make organizations adapt in order to gain legitimacy. Pressure on banks to introduce change has been found to occur in three forms namely coercive, mimetic and normative. These institutional pressures eventually forces banks into isomorphism which is the process of increasing homogeneity in their operations. As espoused by DiMaggio & Powell (1983), coercive isomorphism is the response to both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organization functions. Coercive pressure forces banks to change their systems and procedures directly as a consequence of changing legislation and regulations by Central Banks.

Commercial banks experience institutional pressures from various organizational fields or sets of organizations with similarities as well as differences but operating in the same field (Scott, 2004). Typical examples are Government departments, critical exchange partners, trade establishments which exert coercive, normative and mimetic pressures and influence organizations (Scott, 1995). According to Brint and Karabel, (1991), field organizations are the arenas of power relations where multiple fields compete over the definition of issues and form of institutions. The governance structure of the field is based on rules, values and systems of cultural meaning. Further, coercive pressures have a significant effect on the non-financial measures (Hussain & Gunasekaran, 2002).

The Central Banks as one of the coercive pressures has a positive effect on the economic performance, particularly in achieving lower inflation rates, cushioning the impact of political cycles on economic cycles, boosting fiscal discipline without any additional costs or

sacrifices in terms of reduced economic growth (Laurens, 2005). Thus, banks have increasingly been subjected to enormous pressure by their stakeholders, society and Central Bank to improve performance (Lapavitsas & Dos Santos, 2008).Normative pressures describe the effect of professional standards and the influence of professional communities on organizational characteristics (Ashworth, Boyne & Delbridge, 2007). Normative pressure is further categorized into professional normative pressures and social normative pressure. Professional normative pressure stems from the increased number of professionals being employed (Slack & Hinings, 1994).

Social normative pressure has forced banks to respond to socio-cultural and political environment rules and requirements to which individual organizations must conform if they are to gain support and legitimacy (Scott, 2001). The basic idea is that organizations exist within fields in which organizations are aggregated. Therefore institutions face pressure to conform to the externally defined belief systems and related practices that predominate. If organizations do not yield to these isomorphic pressures, they lose legitimacy and jeopardize their external support and survival. As a result, the banks are now investing in social corporate responsibility initiatives though they are not under any legal obligation to do so (Holme & Watts, 2000). Acquisition of legitimacy is the reaction and response to the different pressures exerted on the organization by its institutional environment. This response explains how important the social fitness is by being a part of legitimate structure in the same environment. Mimetic pressure or isomorphism is based on the contention that uncertainty is a powerful force that drives firms to imitate other firms in order to gain legitimacy (DiMaggio & Powell, 1983).

Barreto and Baden-Fuller (2006) noted that recent studies have examined mimetic behavior on issues that include corporate acquisition choices, entry into new markets, adoption of new technologies and products. This adherence to pressure helps the banks to secure economic resources and legitimacy. In the process, the banks have developed strategies to respond to institutional pressure. As Scott (2001) argues, imitations have a major turn in the pressure towards isomorphism. Pressures towards homogenization by banks can be forceful or inviting, but are exerted due to the cultural expectations in society.

Accordingly, conforming to institutional pressures by banks is not an exclusive option, even if it might be tempting in order to gain legitimacy. The possibility of achieving gains through resistance is also argued to exist. Thus, it is argued that an organization makes an active response to institutional pressures with the extreme option being to either conform or resist (Munir, Perera & Baird., 2011).Banks employs the acquiescence strategy to passively respond to change efforts, compliance to norms, values or institutional requirements. Such acquiescence is a strategic response that concurs with the idea of mimetic isomorphism. Alternatively, banks

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use compromise strategies to actively respond to institutional pressures by applying balancing tactics. Banks also use pacifying tactics by monitoring a minor level of resistance to institutional pressure.

There are 44 commercial banks in Kenya out of which 31 are locally owned, while 13 are foreign owned. Three of the locally owned banks are publicly owned by shareholders while twenty eight are private. Nine of the foreign owned banks are locally incorporated. In addition to the 44 financial institutions, there are seven representative offices of foreign banks (CBK, 2014).In terms of asset holding, foreign banks accounted for about 35% of the banking assets as of 2011. In Kenya, the financial sector is dominated by commercial banks and any failure in the sector has an immense implication on the economic growth of the country. This is due to the fact that any bankruptcy that could happen in the sector has a contagion effect that can lead to bank runs, crises and bring overall financial crisis and economic tribulations. Despite the good overall financial performance of banks in Kenya, there are a couple of banks declaring losses (Oloo , 2011). Kenya in the last two decade has been improving. However, this doesn't mean that all banks are profitable, there are banks declaring losses (Oloo, 2010).

Statement of the Problem

The banking industry in Kenya continues to grow and expand rapidly. However, the banks still face a number of institutional pressures in form of coercive, social normative and mimetic pressures. Banks experience coercive pressure from increased regulations and requirements by the central bank and the government at large. Social normative pressure forces banks to conform to externally defined belief systems and related practices that predominate to avoid losing legitimacy and jeopardizing their external support and survival. Corporate social responsibility is one such force which is driving banks to consider giving back to the community and supporting charities. Margolis, Elfenbein and Walsh (2007) established that 27% of CSS activities have a positive effect on performance, 58% has a non-significant effect while 2% has a negative effect on performance. Okiro, Omoro and Kinyua (2013) found that only 11% of banks sustained growth by investing in CSR activities. Karuti, Rukangu and Shano (2015), 95% of the banks recorded a growth rate of less than 5% in profit for five years as a result of investing in environmental conservation. Mimetic pressure based on the contention that uncertainty is a powerful force continues to drive banks to imitate other banks in order to gain legitimacy and survive the competition. Banks imitate one another on product innovation, marketing strategies, profitability trends and technological innovations. Examples are the mobile money banking, agency banking, branding, extended banking hours and customized preferential services for corporate clients. Failure to effectively respond to institutional pressure has led to bank failures

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namely Community National Bank and First Southern Bank in USA in 2010, Imperial bank of Kenya in 2016, Dubai bank 2016, Chase bank 2016, and Trust bank in 1998. Studies have been done on the strategic responses to institutional pressures in other sectors such as public universities (2015), Telecom Kenya (2001) and petroleum industry (2001) but none has been done exhaustively in the banking industry. As a result, this study assessed the strategic responses of institutional pressures on performance of commercial banks in Nakuru central business district.

General Objective of the Study

The study assessed the strategic responses to institutional pressures on performance of commercial banks in Nakuru Central Business District

Specific Objectives of the Study

1. To establish the relationship between strategic responses to coercive pressure and the performance of commercial banks in Nakuru central business district.
2. To assess the relationship between strategic responses to social normative pressure and the performance of commercial banks in Nakuru central business district.
3. To analyze the relationship between strategic responses to mimetic pressures and the performance of commercial banks in Nakuru central business district.

LITERATURE REVIEW

Theoretical Review

According to Silverman (2000), theories underline and provide the impetus for research. Theories also help arrange a set of concepts to define and explain some phenomenon. Concepts are essential to define a research problem. This study will be guided by both the institutional and the strategic response theories. The institutional theory was developed from the works of Meyer and Rowan (1977) and DiMaggio and Powell (1983). The theory states that organizations are bound to conform to the institutions within which they operate. According to the institutional theory, institutions are described as regulatory structures and public opinion (Scott, 1987).The institutional theory stipulates that powerful institutional rules and practices function as rationalized myths, which organizations bring on board in order to gain legitimacy, resources, stability and enhanced survival prospects. It is asserted that institutional theory argues that besides being financially successful, organizations are supposed to be legitimate in order to survive. The institutional theory brings to focus various elements of institutional pressures.

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Regulative pressures focus in organizations being obliged to abide with set rules and regulations; social normative pressures are concerned with wider societal norms; professional normative pressures are interested in professional norms; while mimetic pressures focus on least equal competitors' performance (Zucker, 1988). In the same light, DiMaggio (1983) underscores the importance of complying with institution pressures. Some of the accruing benefits from the said compliance include enhanced prestige, stability, legitimacy, social support, internal and external commitment, access to resources, attraction of personnel, fit into administrative categories, acceptance in professions, and also invulnerability to reproach.

While recognizing the tension brought about by competitive and institutional pressures, organizations are expected to balance between the degree of conformity and the level of differentiation from competitors (Boon, Paauwe & Hartog, 2009).

According to Handgraaf (2012) as cited in Scott (2001) and posited that the institutional theory describes institutions as social structures which encompasses legal authorities, judicial authorities, administrative agencies, government agencies, regulators, and organizations that enforce behavior; competitors, professions, interest groups, educational systems and indeed public opinion and society at large. Institutions act as kinds of forces upon organizations by creating pressures and limitations, they form boundaries for what is accepted and not accepted (Hoofman, 1999). According to the theorist, organizations respond from conformity to resistance out of the organizational interest.

In this study, the institutional theory was used to explain how banks as institutions respond to regulations from Central bank of Kenya, stakeholders/shareholders and other institutions in the banking industry. In addition, the theory aided the study to explore how banks gain legitimacy, resources, stability and enhance their survival prospects in the banking industry. The institutional theory is applicable in the context of commercial banks given that, just like other organizations, they are prone to institutional pressures. Such response may take different forms varying from unconscious habit-like adherence to rules or values to conscious compliance to norms, values or institutional requirements. Such acquiescence is a strategic response that concurs with the idea of mimetic isomorphism. For example, most small local/domestic banks are likely to imitate the practices of major banks and foreign banks.

Alternatively, banks may take more active responses to institutional pressures (i.e. compromise strategy). Where inconsistencies exist between institutional expectations and objectives of the bank, banks are likely to apply balancing tactics (attempt to achieve parity among or between multiple stakeholders and internal interest), or pacifying tactics (monitoring a minor level of resistance to institutional pressure), or bargaining tactics (Oliver, 1991). Such responses are likely to arise particularly in relation to banks operating internationally. Bank

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branches located overseas might face a situation where the host banking sectors objectives are in dissonance with the organizational objective of the bank. For example, in the late 1990s the Bank of America, J.P. Morgan and the Credit Agricole Indosuez banks pulled out of their operations in most of the East Asian countries (Fuller 1999).The theory helped explain the strategic responses of the banks to normative, coercive and mimetic pressure to survive the stiff competition in the industry in terms of product ranges offered and technology adoption. A case in point is the use of the mobile money transfer platforms in collaboration to Safaricom's Mpesa product and the implementation of the agency banking network (Equity, KCB Mtaani and Family Bank Pesa Pap agents) by the banks in Kenya.

Empirical Review

Strategic Responses to Coercive Pressure on performance of commercial banks

The coercive pressures are the most powerful factor in the institutional forces influences the banks to implement a performance measures (Hussain & Hoque, 2002). In addition, it has effect on bank performance through the regulations and guidelines issued by the central bank (Oliver, 1997). A combination of pressure to adopt new regulatory framework, high competitive markets and its dynamics is driving banks to develop and become innovative business (IBM, 2008). According to Nyamongo and Temesgen (2013), banks globally are under intense pressure to perform in today's volatile market place, improve the customer experience, meet compounding regulatory requirements and reduce operating costs (Canadian Banks, 2013). The pressure on banks through regulations has greatly increased since the world's recent financial crisis (Steven et al., 2002). Therefore, a sound and profitable banking sector is able to withstand negative shocks and contribute to the stability of the financial systems (Athanasoglou et al. 2005).

That is why governments regulate the banking sector through their central banks to foster a sound and healthy banking system to avoid banking crisis and protect the depositors and the economy (Shekhar & Shekhar, 2007). According to Adegoroye and Moruf (2012), banks are under intense pressure to strengthen their customer experience and also respond to shareholder calls for operational efficiency to drive financial performance all under the umbrella of ever-pervasive government regulations. Additionally, the performance of commercial banks can be affected by internal and external pressure (Al-Tamimi, 2010; Aburime, 2005). In this regard, the retail banking industry is in the midst of a significant transformation in responding to regulatory pressure.

According to Parasuman et al., (2001), the banking industry has already been depicted as exhibiting little market orientation and fulfilling services with little regard to customer needs as well as opening branches dissimilar in efficiency which have contributed to low financial

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performance. Despite the good overall financial performance of banks in Kenya, there are a couple of banks declaring losses (Oloo, 2011). Interest rates are major economic factors that influence the economic growth in an economy. According to Corb (2012), interest rates are economic tools used by CBK to control inflation and to boost economic development. Control of the inflation or deflation in the economy is a major role entrusted to the CBK by the government. Giovanni (2006) argued that high interest set by central bank means that other financial institution will also have to charge high because they are all profit motivated. However in the Kenyan economy, the banking industry used to be a free market in terms of setting interest rates until the signing of the recent banking amendment Act (2016).

The central bank of Kenya tries to signal interest rates to be charged through central bank rate (CBR) but it does not dictate to financial institutions on what to charge. According to Mlachila (2002), spread rate is different from the interest rates because it is determined by the individual financial institution. Low rates or small spreads helps the financial institution to remain competitive. This in itself creates extreme pressure on banks in Kenya to compete and survive. Conflicting expectations for shareholders, consumers, regulators and central banks add additional layers of complexity to the decision making processes by banks (CBK, 2010). As with high market competitive pressure in the banking sector in Kenya, there will be winners and losers, as results of the ability to respond to changing market and economic conditions quickly and effectively (Hitt et al., 2000). As such, banks need an advanced core banking solution that can help them to reduce costs, improve efficiency in bank operations, access deeper customer information, comply with increasing regulations and proactively manage risk (IBM, 2008).

Strategic Responses to Social Normative Pressure on Performance of commercial banks

According to Scott (2001), political pressures generally result from changes in the interests of individuals or groups and underlying power distributions that provide support for the existing institutional environment. The assumption is that if banks neglect, or decide not to respond to these pressures, they face losing their stability and social legitimacy found in these structures, activities, and therefore risks their own survival. DiMaggio and Powell (1983) identified that organizations gain legitimacy and resources by conforming to societal expectations, which leads organizations in similar fields to become similar. From a normative point of view, legitimacy is recognized to be depended on ethical moral reasons and other norm or value depended dimensions. Since businesses utilize abundant social resources and possess quite a big amount of social power, banks have to work as a corporate citizen and help the society in solving its problems (Gavai, 2010). Hence, banks in Kenya are now very active in supporting charities, sports, environmental conservation initiatives and medical camps as a way of giving

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back to the societies they serve. Investors on their part while responding to social pressures are able to evaluate and compare financial products so as to make optimal decisions (Miller et al., 2009).

According to Auka (2006) in his study on factors influencing the practice of corporate social responsibility on financial decisions in Kenya with the objective of determining factors influencing the practice of CSR in the financial institutions and the benefits they derive from CSR. His conclusions were that corporate image, moral obligations and need to solve societal problems are the major factors CSR initiatives benefits to financial institutions. In Kenyan banks, long lines, transaction errors, queuing, insecurity and network failures have been said to be the most frequent problems facing banking services. This highly lower customer's perception on the quality of service offered and hence reduces the bank's credibility and profitability (Joseph et al., 2003). Gupta (2012) also says that customers who experience poor service levels often tell their friends and family members about the bad experience to warn them away. Success of a service provider will depend on the high quality relationship with customers, which determines customer satisfaction, loyalty and market share. However, some arguments have been put forward that the contribution of concepts such as CSR is just a reminder that the search for profit should be constrained by social considerations (Manuel & Lúcia, 2007).

Increasingly CSR is analyzed as a source of competitive advantage and not as an end in itself (Branco & Rodrigues, 2006). In effect, the concept of CSR has evolved from being regarded as detrimental to a company's profitability to being considered as somehow benefiting the company as a whole, at least in the long run. Involvement with the betterment of the society means that companies must not only fulfill shareholders' needs but also take into consideration other stakeholders' demands (Moir, 2010). Another study conducted by Orlitzky et al. (2003) on CSR established a strong correlation between corporate financial performance and corporate social/environmental performance. Company sponsored volunteer programs have many benefits to the sponsoring company. The banks' involvement in solving social issues serves to improve their images and enhance the stakeholder engagement by making their performance indicators available to the public. This creates a positive image with the community and will eventually translate into increased revenues for the organization (Caroll & Shabana 2010). Contemporary CSR represents companies' responsibility to improve all their impacts on society, when not required to do so by law (Cowe, Porritt, 2002).

Strategic Responses to Mimetic Pressure on the Performance of commercial banks

According to Barretto and Baden-Fuller (2006), when mimetic behavioral pressures are strong, banks tends to follow the actions of the legitimacy providers or bank regulators. Further, they

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contend that this can lead to a potential trade-off between legitimacy and performance. Mimetic behavior has a conformity element, wherein organizations adopt contemporary practices to legitimize their structures, systems and processes by appearing to be in control. In an uncertain environment, banks will imitate one another in determining appropriate behavior. Organizations in any field tend to become homogenous in both structure and process over time (NCSU, 2008). Though institutional innovations may prevail at first for performance reasons and organizational wish to be seen as being in the vanguard, later in the diffusion process innovations are apt to be adopted for legitimacy purposes and reducing uncertainty rather than reasons of promoting actual performance.

As Scott (2001) argues imitations has a major turn in the pressure towards isomorphism. Patterning their own operational or decision making systems on the systems used by industry leaders is seen as a means of reducing uncertainty and risk and enhancing legitimacy. Banks that lack the ability to implement and utilize their own performance management systems tend to mimic publicly accredited best practices. Mimetic behaviors by banks have been found to mainly focus on issues that include corporate acquisition choices, entry in new markets and adoption of new organizational structures. In this case, mimetic isomorphism forces one bank to imitate or resemble other banks facing the same set of environmental conditions.

Financial innovations are used by banks as formidable strategic variables to outstrip the competition and have become an essential means to improve performance and maintain effectiveness in the market (Batiz-Lazo & Woldesenbet, 2006). In a highly turbulent environment, a successful innovation creating a unique competitive position can give a bank a competitive advantage and lead to a superior financial performance (Roberts & Amit, 2003). Nevertheless, competitive advantage can only be maintained by ceaseless innovation and improvement of the product and the process because of imitations and copying (Porter, 2004). Ferdinand (2002) carried out a study on the competitive strategies applied by Tesco Company in the UK and noted that the company was positioned to capitalize on a value proposition which emerged from their low cost emphasis.

Value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings. Such creative innovations include the introduction of the M-Kesho account through partnership between Equity Bank and Safaricom, agent banking by Equity bank, Pesa Pap by Family Bank and KCB Connect by KCB (CBK, 2010). Banks therefore focus on gaining competitive advantage to enable them respond to and compete effectively in the market. By identifying their core competences, banks are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Pearce & Robinson, 2005). According to Dulo (2006), every bank has to consider

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how to enter a market and then build and protect its competitive position. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson & Scholes, 2002).

Kenya commercial banks have adopted development strategies in various ways which include Mobile banking, Real Time Gross Settlements, ATM deposits and agency banking as well as partnerships with several organizations (CBK, 2014). According to Johnson and Scholes (2008), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains. Steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of providing better customer service so as to improve profitability and guarantee their survival (Aldaibat & Irtaimeh, 2012).

Performance of the Banking Industry

Many researchers have empirically reported that non-financial performance measures have a positive influence on the financial performance of the organizations with respect to long-term profitability (Banker, et al., 2000; Van der Stede, et al., 2006). In addition, there are arguments that banks possess a comprehensive system of performance measurement, especially non-financial performance measures that can improve their performance (Fakhr, Menacere, & Pegum 2009).Performance of commercial banks and other financial institutions are measured through various profitability measures such as return on assets and return on equity. The return on assets is the ratio of income to its total assets. It measures the ability of the bank management to generate income by using company assets at their disposal. ROA show how efficient the resources of a bank are used to generate income (Khrawish, 2011). Return on equity is a financial ratio that refers to how much profit a company has earned compared to total amount of the shareholders equity invested or found on the balance sheet. According to Khrawish (2011), ROE is the ratio of net income after taxes divided by total equity capital .It represents the rate of return earned on the funds invested in the bank by its stockholders. The more better the return on equity, the more effective the management in utilizing the shareholders' capital. Simply stated, much of the current bank performance literature describes the objective of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return. Elizabeth & Elliot (2004) showed that every monetary performance measure as interest margin, return on assets and return on equity are positively associated with customer service quality.

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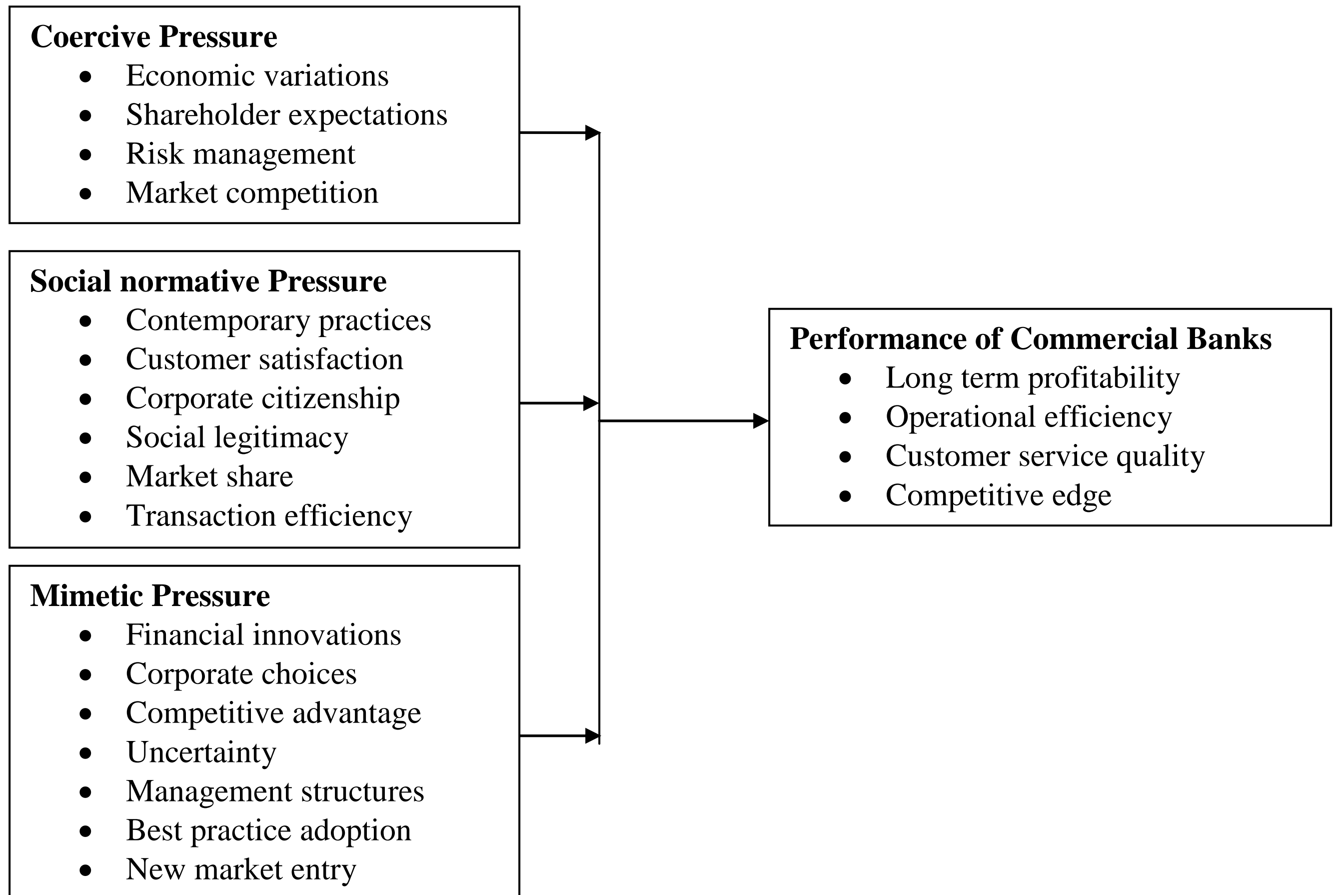
Figure 1. Conceptual Framework



Critique of Reviewed literature Relevant to the Study

The study assesses of strategic responses to institutional pressures and how they influence the performance of the banking industry in Nakuru town. Coercive pressures are the most powerful factors in the institutional forces influences the banks to implement a performance measures. In addition, it has effect on bank performance through the regulations and guidelines issued by the central bank. It is a combination of pressure to adopt new regulatory framework and face high competitive markets. Mimetic pressure and behavior focus on issues that include corporate acquisition choices, entry into new markets and adoption of new organizational structures. Mimetic isomorphism forces one bank to imitate or resemble other banks facing the same set of environmental conditions. The assumption is that if banks neglect, or decide not to respond to these pressures, they face losing their stability and social legitimacy found in these structures, activities, and therefore risks their own survival. Banks gain legitimacy and resources by conforming to societal expectations, which leads organizations in similar fields to become similar.

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Research Gaps

A number of studies have been conducted on strategic responses by commercial banks focusing on competition, bargaining power of suppliers, customer demand, technology adoption and threat of substitutes in market. These studies have concentrated much on the external pressures and while they are not exhaustive on that aspect, there are other different ways commercial banks strategically respond. Strategic responses to institutional pressures have not been adequately and exhaustively explored by these studies. Some of the studies include: Gathogo (2001) who in his study identified factors affecting commercial banks in Kenya and Adoyo (2005) studied bank responses to changes in the external environment at Post bank. Muchau (2009) and, (Ohaga, 2004) studied strategies adopted by commercial banks in Kenya in response to environmental changes. Chepkwony (2001) made an enquiry into strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry. According to Kandie (2001) in his study on strategic responses in Telkom Kenya Limited found that various strategic responses were used to cope with the competitive environment. Gitonga (2001) set to identify the strategies that commercial banks have adopted to respond to changes in the environment. Professional normative pressure is rising as a result of dynamic staff turnover, competition for qualified professionals, how they transmit external ideas, view things and influence performance systems (Ashworth, Boyne & Delbridge 2007). According to Slack and Hinings (1994), this pressure is created by strong professional groupings which accredits certain practices and establishes them as norms for banks to adopt.

METHODOLOGY

Research Design

The design of this study was based on descriptive survey research design in which data was collected for the objectives of the study. The choice of survey research design was motivated by its suitability for the instrument to collect a large amount of data. It also provides a practical framework for collecting a large sample of groups and strong data reliability (Oso & Onen, 2005).The study further adopted a quantitative approach by using a structured questionnaire to collect primary data from the respondents. Quantitative research approach was preferred because it allows the researcher to measure and analyze data and study in detail the relationship between the independent and dependent variables.

Target Population

Population according to Kothari, (2013) is the universe of interest. It is the total number of subjects or the total environment of interest to the researcher. This study targeted 260

employees from all the commercial banks in Nakuru CBD comprising of senior managers, middle level managers and lower cadre staff.

Sample Frame

According to Silverman (2005), the sampling frame should be large to allow the researcher to make inferences of the entire population. The sample frame for this study comprised of 260 respondents.

Table 1. Sample Frame

Participant	Target population	Percentage (%)
Senior Managers	20	7.7
Middle Level Managers	63	24.2
Lower Cadre Staff	177	68.1
Total	**260**	**100.0**

Sample Size and Sampling Method

The sample was calculated using the mathematical approach developed by Miller and Brewer (2003). Given a population of 260 and precision level of 0.1 the sample size was calculated as; where; n is the sample size; N is the population size and e is the level of precision (0.1).

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{260}{1 + 260\ (0.1)^2}$$

n= 72

Stratified random sampling was used to select a sample size of 72 participants. According to Bryman and Bell (2007), stratified sampling ensures that the resulting sample is distributed in the same way as the population in terms of the stratifying criterion.

Table 2. Sample Distribution

Participant	Target population	Sample Size
Senior Managers	20	6
Middle Level Managers	63	17
Lower Cadre Staff	177	49
Total	**260**	**72**

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Data Collection Instrument

The study employed a structured questionnaire to collect data from the participants. Questionnaires are research instruments used to collect information geared towards addressing specific objectives (Kombo & Tromp, 2006). The questionnaire items were scaled on a five point likert scale. The close-ended Likert rating scaled the items on (5, 4, 3, 2 and 1) where 5-strongly agree, 4-agree, 3-undecided/neutral 2-disagrees and 1-strongly disagree.

Data collection as defined by Kombo and Tromp (2006) is the process of gathering specific information aimed at proving or refuting some facts. The primary data was collected through a self-administered structured questionnaire on a drop and pick later basis to allow respondents enough time to fill the questionnaires.

Pilot Testing

Prior to conducting the main research, a pilot study was conducted to test reliability and validity of the research instrument by pre-testing the questionnaire. Reliability test on the other hand looks at the ability of research instruments to give consistent results over and over again (Kombo & Tromp, 2006). A pilot test was carried out in Naivasha Town among a population that had similar homogeneous characteristics A Sample size of 7 respondents was selected, 10% of the study sample as recommended by Mugenda and Mugenda (2003). The response rate was 100%. The questionnaires were coded and Cronbach's Alpha Test was then conducted. All the three variables gave Cronbach's Alpha threshold values greater than 0.7 as shown in Table 3.3. According to George and Mallery (2003), Cronbach correlation coefficients greater or equal to 0.7 are acceptable. Field (2005) observes that a Cronbach's $\alpha > 0.7$ implies that the research instrument provides a good measure for research. The results of the pilot test were not included in the final data analysis of the study.

Table 3. Reliability Test Results

Variable	**N**	**Cronbach's Alpha Value**
Coercive Pressure	6	.774
Social Normative Pressure	6	.768
Mimetic Pressure	6	.765
Performance of Banking Industry	6	.785

Data Processing and Analysis

The data collected was coded and analyzed using the Statistical Package for Social Sciences (SPSS version 23) tool. Both descriptive and inferential analyses (correlation analysis) were

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generated. Descriptive statistics was used as a measure of central tendencies and measures of dispersion. Further, a regression analysis was conducted to test if the strength of the relationship between the independent variables and the dependent variable were statistically significant. A t-test was conducted to test the significance of the results at the 5% level of significance. The regression analysis was guided by the following model:

$$Yi = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where, Y_i represents the Performance of commercial banks in Nakuru

X_1 = Strategic responses to coercive pressure, X_2 = Strategic responses to social normative pressure, X_3 = Strategic responses to mimetic pressure, and ε = representing the error term

α = Y intercept, β 1, β 2, and β 3 are the net changes in Y

Y is the function of X_i (i=1, 2, 3, 4) that is Y= f (Xi)

FINDINGS AND DISCUSSIONS

Response Rate

This study targeted a sample size of 72 participants out of which 69 responded translating to a response rate of 95.8%. The high response rate was achieved through constant reminder and close follows ups of the participants.

Participant's Demographic Profile

This section describes characteristic of the study population based on the data collected and analyzed. In particular, the study wanted to understand the gender distribution, age categories, positions held in the bank, level of education, experience in the banking industry and duration in the current job designations of the participants. On gender, 52.2%were male while 47.8% were female. This implies the study benefited from a variety of viewpoints, ideas and insights in providing the information sought by the study on responses to institutional pressures. Further, 36.2% were aged 20-25years, 33.3% were aged 26-30 years, and 23.2% were aged 31-35 years. The workforce was spread out relatively evenly over the age categories, thus creating a dynamic and multi-generational workforce with a diverse range of skill sets.

Additionally, 5.8% had attained diploma level of education, 78.3% had attained degree level of education while 15.9% attained master's degree and above. The findings imply that majority of the participants were adequately educated and therefore were able to provide the required information through the questionnaires. On positions held in the banking industry, 5.8%

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were senior managers, 24.6% middle level managers and lower cadre staffs were 69.6%. The study benefited from a variety of opinions and responses from both the management and lower cadre staff. On working experience, 30.4% of the participants had worked for less than one year, 34.8% had worked for between 1 to 5 years, 27.5% had worked for between 6 to 10 years and 7.3% had worked for over 10 years respectively. With most employees having worked in the commercial banks for 5 or less years, this reflects that the banks are focused on employing professionals. Furthermore, 30.4% had worked for less than one year in their current role, while 31.9% had worked for 1 to 5 years in the same role.

Descriptive Analyses

Descriptive analysis focuses on describing the basic features of data in a given study (Cooper & Schindler, 2013). This section presents the analysis and findings on coercive pressure, social normative pressure and mimetic pressure.

Influence of Coercive Pressure on Performance of Banking Industry

The first objective of this study was to establish the influence of coercive pressure on the performance of the banking industry. The intent of the first statement was to find out if CBK regulations and guidelines affect the performance of banks. Findings presented in Table 4 indicate that the majority (66.7%) of the participants with a mean score of 4.15 and standard deviation of 0.907 were in agreement with the statement. The second statement sought to determine if the banking industry is under pressure to adopt new regulatory frameworks and innovations. A mean score of 4.22 and standard deviation of 0.916 indicate the majority (68.1%) were in agreement in their responses to the statement. The third statement sought to determine if the banks are constrained to meet shareholder expectations regardless of the competition or industry regulations. The mean response score was 4.32 with a standard deviation of 0.922 indicating that the majority (69.6%) were in agreement. The fourth statement required the participants to provide information on whether economic variations or changes affect the performance of the banking industry. The mean score of 4.41 and standard deviation of 0.829 imply the majority (65.2%) of the participants were in agreement. The fifth statement sought to establish if the fiercely competitive environment or market demands that banks are run efficiently and effectively. The mean score of 4.11 and standard deviation of 0.899 indicate that the majority of the participants (63.8%) were in agreement. The sixth statement asked the participants whether risk analysis and management affects the performance of the banking industry. The mean score was 4.17 with a standard deviation of 0.915 imply the majority (65.2%) were in agreement.

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Table 4. Influence of Coercive Pressure on Performance of Banking Industry

Statements on Coercive Pressure	N	SA	A	N	D	SD	Mean	SD
i. CBK regulations and guidelines affects the performance of banks	69	15.9%	66.7%	5.8%	5.8%	5.8%	4.15	.907
ii. Banking industry is under pressure to adopt new regulatory frameworks and innovations	69	15.9%	68.1%	8.8%	4.3%	2.9%	4.22	.916
iii. Banks are constrained to meet shareholder expectations regardless of competition or industry regulations	69	14.5%	69.6%	8.6%	5.8%	1.5%	4.32	.922
iv. Economic variations or changes affects the performance of the Banking industry	69	17.4%	65.2%	13.04%	1.46%	2.9%	4.41	.829
v. Fiercely competitive environment or market demands that banks are run efficiently and effectively	69	14.5%	63.8%	11.6%	4.4%	5.7%	4.11	.899
vi. Risk analysis and management affects the performance of the banking industry	69	14.5%	65.2%	1.5%	5.8%	13%	4.17	.915

Influence of Social Normative Pressure on Performance of Banking Industry

The second objective of the study sought to determine the influence of social normative pressure on the performance of the banking industry. The first statement's intent was to establish whether the banks respond to contemporary practices to gain stability and social legitimacy. The findings presented in Table 5 indicate that the mean score was 4.44 and the standard deviation of 0.913 meaning majority of the participants (59.4%) were in agreement. The second statement required the participants to respond on whether banks work as corporate citizens to utilize abundant social resources and power in the market. The findings indicate a mean of 4.40 and standard deviation of 0.903 implying the majority (63.8%) were in agreement. The third statement required the participants to respond to whether banks are investing in customer satisfaction training to protect their corporate image. A mean of 3.96 and standard deviation of 1.001 shows that majority of the participants (65.2%) were in agreement. The fourth statement asked the participants whether performance of the banks depends on high quality relations with customers and business transaction efficiency. A mean score of 4.42 and

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standard deviation of 0.884 indicate the majority (62.3%) were in agreement. The fifth statement asked the participants whether CSR is increasingly being seen as a source of competitive advantage to benefit banks and the findings presented indicate that the mean was 3.89 and standard deviation of 0.998. This implies that the majority (59.4%) were in agreement with the statement. The sixth statement asked the participants whether banks support charities and other social corporate activities to gain market share by evaluating and exploring new products. The findings presented shows that the mean was 4.05 and standard deviation of 0.879 indicating that the majority (60.9%) were in agreement.

Table 5: Influence of Social Normative Pressure on Performance of Banking Industry

	Statements on Social Normative Pressure	N	SA	A	N	D	SD	Mean	SD
i.	Banks respond to contemporary practices to gain stability and social legitimacy	69	26.1%	59.4%	7.2%	4.4%	2.9%	4.44	.913
ii.	Banks work as corporate citizens to utilize abundant social resources and power in the market	69	11.6%	63.8%	10.2%	7.3%	7.1%	4.40	.903
iii.	Banks are investing in customer satisfaction training to protect their corporate image	69	14.5%	65.2%	13%	2.9%	4.4%	3.96	1.001
iv.	The performance of banks depends on high quality relations with customers and business transaction efficiency	69	20.3%	62.3%	1.5%	13%	2.9%	4.42	.884
v.	CSR is increasingly being seen as a source of competitive advantage to benefit banks	69	20.3%	59.4%	10.2%	4.4%	5.7%	3.89	.998
vi.	Banks support charities and other social corporate activities to gain market share by evaluating and exploring new products	69	11.6%	60.9%	7.3%	4.4%	15.8%	4.05	.879

Influence of Mimetic Pressure on Performance of Banking Industry

The third objective of the study sought to determine the influence of mimetic pressure on the performance of the banking industry. In the first statement, the study sought to determine whether banks often imitate and adopts contemporary practices to legitimize their structures and systems. According to the findings in Table 6, majority of the participants (59.4%) agreed as

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indicated by a mean of 4.34 and standard deviation of 0.961. Additionally, the study required the participants to respond on whether imitating industry leaders is seen by banks as a means of reducing uncertainty. The findings indicate that they strongly agreed (60.9%) with a mean of 4.45 and standard deviation of 0.908. The participants also agreed (63.8%) that banks that lack ability to implement and utilize their own performance measures tend to mimic publicly accredited best practices. This was indicated by a mean of 4.29 and standard deviation of 0.955. The participants further agreed (66.7%) that banks often mimic one another on corporate acquisition choices, entry into new markets and new products as indicated by a mean of 4.40 and standard deviation of 1.001. As well, on whether Banks create a competitive advantage through ceaseless financial innovation, product and process improvement, majority of the participants (59.4%) strongly agreed with a mean of 4.46 and standard deviation of 0.929. Moreover, majority of the participants (60.9%) also agreed that banks imitate one another. This was indicated by a mean of 4.20 and standard deviation of 0.987.

Table 6: Influence of Mimetic Pressure on Performance of Banking Industry

	Statements on Mimetic Pressure	N	SA	A	N	D	SD	Mean	SD
i.	Banks often imitate and adopts contemporary practices to legitimize their structures and systems	69	26.1%	59.4%	4.4%	7.2%	2.9%	4.34	.961
ii.	Imitating industry leaders is seen by banks as a means of reducing uncertainty	69	11.6%	60.9%	10.2%	7.1%	10.2%	4.45	.908
iii.	Banks that lack ability to implement and utilize their own performance measures tend to mimic publicly accredited best practices	69	14.5%	63.8%	13%	2.9%	5.8%	4.29	.955
iv.	Banks often mimic one another on corporate acquisition choices, entry into new markets and new products	69	10.2%	66.7%	1.5%	13%	8.6%	4.40	1.001
v.	Banks create a competitive advantage through ceaseless financial innovation, product and process improvement	69	20.3%	59.4%	10.2%	5.7%	4.4%	4.46	.929
vi.	Banks imitate one another to determine appropriate and acceptable behavior in the competitive market	69	7.3%	60.9%	11.6%	4.4%	15.8%	4.20	.897

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Performance of the Banking Industry

The study further assessed the performance of the banking industry. The first statement sought to determine if non-financial performance measures have a positive influence on financial performance of banks as illustrated in Table 7. The findings indicate that the majority of the participants (46.4%) agreed with a mean of 3.97 and standard deviation of 0.924. The second statement asked the participants whether operational efficiency and functional efficiency directly impacts the performance of the banking industry. According to the findings, the majority (60.9%) agreed as indicated by a mean of 4.23 and standard deviation of 0.992. The study also established that the majority of the participants (63.8%) were in agreement that customer service quality and satisfaction affects the performance of the banking industry. This was indicated by a mean of 4.35 and standard deviation of 0.935.

The study further sought to determine whether the ability of the bank to generate income by using assets at its disposal enhances performance. The findings indicate that majority of the participants (52.2%) were in agreement with a mean of 3.86 and standard deviation 1.108. The study also asked the participants whether Banks that have a competitive edge have higher performance than other banks. According to the findings, majority (59.4%) were in agreement with a mean of 4.12 and standard deviation of 0.998. The study also sought to establish whether CBK regulations and requirements directly affect the performance of the banking industry either positively or negatively. The findings indicate that the majority (55.1%) were in agreement with a mean of 3.98 and standard deviation of 1.117

Table 7: Performance of the Banking Industry

	Statements on Performance of banking Industry	**N**	**SA**	**A**	**N**	**D**	**SD**	**Mean**	**SD**
i.	Non-financial performance measures have a positive influence on financial performance of banks	69	18.8%	46.4%	18.8%	7.2%	8.8%	3.97	.924
ii.	Operational efficiency and functional efficiency directly impacts the performance of the banking industry	69	11.6%	60.9%	10.2%	7.1%	10.2%	4.23	.992
iii.	Customer service quality and satisfaction affects the performance of banking industry	69	14.5%	63.8%	13%	5.8%	2.9%	4.35	.935
iv.	Ability of the bank to generate income by using assets at its disposal enhances performances	69	8.6%	52.2%	18.8%	13%	7.4%	3.86	1.108

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v.	Banks that have a competitive edge have higher performance than other banks	69	10.2%	59.4%	20.3%	4.4%	5.7%	4.12	.998
vi.	The CBK regulations and requirements directly affects the performance of the banking industry either positively or negatively	69	7.3%	55.1%	15.8%	11.6%	10.2%	3.98	1.117

Table 7...

Inferential Analysis

In this section, the study investigated the relationship between the independent variables (coercive pressure, social normative pressure and mimetic pressure) and the dependent variable (performance of Banking industry).

Relationship between Coercive Pressure and Performance of Banking Industry

A correlation analysis was conducted to establish the relationship between coercive pressure and the performance of the banking industry.

Table 8: Relationship between Coercive Pressure and Performance of Banking Industry

		Coercive pressure
Performance of Banking industry	Pearson Correlation	.772**
	Sig. (2-tailed)	.000
	N	69

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

Table 8 presents the findings and indicates that there is a strong Pearson Correlation Coefficient of 0.772 at a p-value of 0.000. This implies that coercive pressure is significant in the performance of the banking industry since the p-value 0.000 is less than the conventional 0.05. The findings are congruent to Hussain and Hoque (2002) that coercive pressures are the most powerful factor in the institutional forces and influence the banks to implement a performance measures. In addition, it has effect on bank performance through the regulations and guidelines issued by the Central bank of Kenya. Therefore, the study rejects the null hypothesis and concludes that there is a statistically significant relationship between strategic responses to coercive pressure and the performance of commercial banks in Nakuru Central Business District.

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Relationship between Social Normative Pressure and Performance of Banking Industry

The study conducted a Correlation analysis to establish the relationship between social normative pressure and the performance of the banking industry.

Table 9. Correlation between Social Normative Pressure and Performance of Banking Industry

		Social Normative Pressure
Performance of Banking Industry	Pearson Correlation	.766*
	Sig. (2-tailed)	.013
	N	69

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

According to the findings presented in Table 9 shows that there is a strong and significant Pearson Correlation Coefficient of 0.766 at a p-value of 0.013. This implies that social normative pressure is significant in the performance of the banking industry since the p-value 0.013 is less than the conventional 0.05. The findings support those of Gavai (2010) who posited that since businesses utilize abundant social resources and possess quite a big amount of social power, banks have to work as a corporate citizen and help the society in solving its problems. Therefore, the study rejects the null hypothesis and concludes that there is a statistically significant relationship between strategic responses to social normative pressure and the performance of commercial banks in Nakuru Central Business District.

Correlation between Mimetic and Performance of Banking Industry

The study further wanted to establish the relationship between mimetic pressure and performance of the banking industry.

Table 10. Correlation between Mimetic Pressure and Performance of Banking Industry

		Mimetic Pressure
Performance of Banking Industry	Pearson Correlation	.764*
	Sig. (2-tailed)	.021
	N	69

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

The findings in Table 10 indicate the existence of a strong positive and significant Pearson Correlation Coefficient of 0.764 at a p-value of 0.021. This implies that mimetic pressure has a significant impact in the performance of the banking industry since the p-value 0.021 is less than

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the conventional 0.05. The findings are congruent to those of Barretto and Baden-Fuller (2006) who posited that when mimetic behavioral pressures are strong, banks tends to follow the actions of the legitimacy providers or bank regulators leading to a potential trade-off between legitimacy and performance. Therefore, the study rejects the null hypothesis and concludes that there is a statistically significant relationship between strategic responses to mimetic pressure and the performance of commercial banks in Nakuru Central Business District.

Regression Analysis

Regression is a technique used to describe a relationship between two variables in mathematical terms (Andre, 2004).

Table 11. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.879[a]	0.773	0.691	1.011

a. Predictors: (Constant), Coercive pressure, Social Normative pressure and Mimetic pressure

Findings presented in Table 11 indicate an R-square value of 0.773 which implies that strategic responses to institutional pressure explain 77.3% of the performance of the banking industry. These findings could be interpreted to imply that strategic responses to institutional pressure play a significant role in the performance of the banking industry. Therefore, further research should be conducted to investigate the other strategic responses to institutional pressures constituting 22.7% which influence the performance of the banking industry. The study conducted ANOVA test between strategic responses to institutional pressure and performance of the banking industry (Table 12). Findings indicate that performance of the banking industry is significant as it has an F-value of 135.704 at a p-value of 0.002 which is within the acceptable threshold value of 0.05. This implies that strategic responses to institutional pressures influence the performance of the banking industry.

Table 12. ANOVA for Model 1

Model		Sum of Squares	Df	Mean Squares	F	Sig.
1	Regression	56.112	3	18.704	135.34	0.002[b]
	Residual	9.122	66	0.1382		
	Total	65.234	69			

a. Dependent variable: Performance of the banking industry

b. Predictors: (Constant), Coercive pressure, Social Normative pressure and Mimetic pressure

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The findings reveal the existence of a statistically significant relationship between performance of banking industry and the four independent variables (coercive pressure, social normative pressure and mimetic pressure).The researcher further conducted a multiple regression analysis in order to determine the relationship between strategic responses to institutional pressure (coercive pressure, social normative pressure, mimetic pressure and professional normative pressure) and performance of the banking industry as illustrated in Table 13.

$Y= \propto + \beta_1X_1+\beta_2X_2+ \beta_3X_3 + \beta_4X_4$

$\mathbf{Y= 1.515+ 0.771X_1+ 0.763X_2+ 0.760X_3 + 0.761X_4}$

According to the regression equation, taking all factors into account (coercive pressure, social normative pressure and mimetic pressure) constant at zero, strategic responses to institutional pressure will be 1.515. This also means that taking all other independent variables at zero, a unit increase in coercive pressure variable will lead to a 0.771 increase in the performance of the banking industry, a unit increase in social normative pressure variable will lead to a 0.763 increase in the performance of the banking industry and a unit increase in mimetic pressure will lead to a 0.760 increase in the performance of the banking industry. This infers that coercive pressure variable contributes more to the performance of the banking industry in Nakuru CBD.

Multiple Regressions Analysis

Table 13. Regression Coefficients

Model	Un-standardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.515	1.720		1.6221	.0268
Coercive Pressure	0.771	0.299	0.451	3.228	.0254
Social normative pressure	0.763	0.317	0.351	2.921	.0335
Mimetic pressure	0.760	0.309	0.365	3.005	.0251

Dependent Variable: Performance of banking industry

SUMMARY OF FINDINGS

Influence of Coercive Pressure

The study established that CBK regulations and guidelines affect the performance of banks. Further, the study findings recognized that banking industry is under pressure to adopt new regulatory frameworks and innovations. Additionally, the study findings revealed that the banks are constrained to meet shareholder expectations regardless of the competition or industry

regulations. Furthermore, the findings indicated that economic variations or changes affect the performance of the banking industry. There was also agreement that the fiercely competitive environment or market demands that banks are run efficiently and effectively. Moreover, the study found that risk analysis and management affects the performance of the banking industry.

Influence of Social Normative Pressure

The assessment of social normative pressure on the performance of the banking industry revealed that the commercial banks respond to contemporary practices to gain stability and social legitimacy. As well, the study findings established that banks work as corporate citizens to utilize abundant social resources and power in the market. The study findings also revealed that banks are investing in customer satisfaction training to protect their corporate image. The findings also indicated that banks depend on high quality relations with customers and business transaction efficiency. Furthermore, the study findings revealed that CSR is increasingly being seen as a source of competitive advantage to benefit banks. The study further established that banks support charities and other social corporate activities to gain market share by evaluating and exploring new products.

Influence of Mimetic Pressure

The assessment of the third objective on the influence of mimetic pressure on the performance of the banking industry revealed that banks often imitate and adopts contemporary practices to legitimize their structures and systems. According to the findings, imitating industry leaders is seen by banks as a means of reducing uncertainty. The findings also revealed that banks that lack ability to implement and utilize their own performance measures tend to mimic publicly accredited best practices. The study findings revealed that banks often mimic one another on corporate acquisition choices, entry into new markets and new products. As well, the findings indicated that Banks create a competitive advantage through ceaseless financial innovation, product and process improvement. Moreover, majority agreed that banks imitate one another.

CONCLUSIONS OF THE STUDY

The study concluded that CBK regulations and guidelines affect the performance of banks. Further, the banking industry is under pressure to adopt new regulatory frameworks and innovations. Additionally, the banks are constrained to meet shareholder expectations regardless of the competition or industry regulations. Furthermore, economic variations or changes affect the performance of the banking industry. The fiercely competitive environment or market demand ensures that banks are run efficiently and effectively. Moreover, the study

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concludes that the performance of the banking industry is affected by risk analysis and management.

In addition, the study concluded that banks respond to contemporary practices to gain stability and social legitimacy. As well, the banks work as corporate citizens to utilize abundant social resources and power in the market. The banks are also investing in customer satisfaction training to protect their corporate image. Similarly, the banks depend on high quality relations with customers and business transaction efficiency to survive the market competition. Furthermore, corporate social responsibility (CSR) is increasingly being seen as a source of competitive advantage to benefit banks. As a result, the banks support charities and other social corporate activities to gain market share by evaluating and exploring new products.

The study further concludes that banks often imitate and adopt contemporary practices to legitimize their structures and systems. On the same note, imitating industry leaders is seen by banks as a means of reducing uncertainty. Therefore, banks that lack ability to implement and utilize their own performance measures tend to mimic publicly accredited best practices. Accordingly, the banks often mimic one another on corporate acquisition choices, entry into new markets and new products. As well, the Banks create a competitive advantage through ceaseless financial innovation, product and process improvement.

RECOMMENDATIONS OF THE STUDY

The study recommends that CBK regulations and guidelines should be adhered to because they affect the performance of banks. Further, the banking industry should be ready to adopt new regulatory frameworks and innovations. Additionally, the banks should carefully plan on how to meet shareholder expectations and survive in the competitive environment within the set banking regulations. Furthermore, the banks should develop strategies to effectively respond to economic variations. The banks should also develop and implement efficient systems and structures to face the fiercely competitive environment or market demand.

The banks should critically analyze risks to ensure the management incorporates them in their strategic plans in responding to institutional pressures. In addition, the study recommends that banks should often be ready to respond to contemporary practices to gain stability and social legitimacy. As well, the banks should continue working as corporate citizens in order to utilize abundant social resources and power in the market. The banks should continuously invest in customer satisfaction training to protect their corporate image and create high quality relations with customers. Training of employees should enhance business transaction efficiency for banks to survive the market competition. Furthermore, banks should

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aim to enhance their corporate social responsibility (CSR) activities to create competitive advantage for their new and existing products and gain and retain better market share.

The study further recommends that banks should adopt contemporary practices to legitimize their structures and systems for improved performance. The banks should also have contingency plans on handling uncertainty and risk instead of only imitating what the industry leaders are doing in terms of publicly accredited best practices. Furthermore, banks should also be keen on what the competition is offering in terms of corporate acquisition choices, entry into new markets and new products. As well, the Banks should always endeavor to create a competitive advantage through ceaseless financial innovation, product and process improvement.

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