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Influence of monitoring and evaluation management capabilities on the Performance of Commercial Banks in Kenya

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Abstract : *This study sought to investigate the influence of capability to monitoring and evaluation on the performance of commercial banks in Kenya. The study adopted a descriptive cross-sectional design where both quantitative and qualitative data were collected. The target population was 42 banks and 5,432 employees out of which 358 respondents were selected for interviews. Multi-stage sampling procedure were used in the selection of representative sample involving stratified random sampling, random purpose sampling. The findings of the study show that management capabilities to monitor and evaluate significantly influences the performance of commercial banks in Kenya. This therefore implies commercial banks in Kenya should consider promoting the aspects of monitoring and evaluation in their operation so as to enhance their performance.*
Key words: Monitor, evaluate, performance, commercial banks.

I. Introduction

Globalization processes has encourage marketers in the banking sector to take a fresh look at the ways in which they relate with the broader world around them. Strategic management can assist in deploying an organization's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Tatar & Moradi, 2015). Strategic management capabilities can greatly enhance the performance of financial organizations like commercial banks. A firm's profitability is usually a function of the size of the market the company controls, the efficiency and effectiveness of cost reduction strategies being employed, and price of the products offered (Jones, 2010).

The Kenyan banking industry is currently facing stiff competition from new entrants like mobile phone companies and international banks (CBK, 2015). This therefore means that commercial banks must take a global look of the industry, their competitors, and opportunities. Kotler & Armstrong, (2013) observed that most local banks in Kenya, faced with this reality are locating into global market and importing practices that appeal to global customers. Management capabilities is another field that could be harnessed to increase performance (Rodriguez, Ricart, & Sanchez, 2002). According to Kathuni and Mugenda, (2012), the performance of commercial banks is hinged on what strategies the banks pursue to ensure they build and accumulate competitive structures that allow them to perform better than their rivals.

This study therefore assess the influence of monitoring and evaluation management capabilities on the performance of commercial banks in Kenya with aim to advice on policy direction so has to enhance productivity.

II. Methodology

This section highlights the research design, target population, sampling techniques, data collection, and analysis and presentation techniques employed during the study.

a. Research design

1. This study employed a multi-point descriptive survey involving both cross-sectional and longitudinal analysis. A survey design was chosen because it gives more accurate research results from a large population of the study. A descriptive research design is also useful in capturing unbiased representation of perceptions and experiences of respondents (Bloomberg, Cooper & Schindler, 2011).A longitudinal design is used because it allow the researcher to examine different aspects in strategic management capabilities and their influence on performance of the bank over definite period of time (Yin, 2003). In view of the current study, a descriptive cross-sectional design enabled the researcher to fully describe the role of strategic management capabilities in performance of commercial banks in Kenya.

b. Target population

Target population constitutes the entire set of individuals or items being considered during an inquiry (Kothari, 2004). Under the current study, all the 42 commercial banks currently operating in Kenya were considered. The population of the respondents was drawn from those working within the middle and senior management positions. This was purposely done to identify respondents who are crucial in the implementation of strategic programmes within the banking industry. The target population was therefore 42 banks and 5,432 employees. Of

the 42 commercial banks, 29 are locally owned while 13 are foreign. Table 1 illustrates the spread of this population among key strategic departments within banking system that the researcher sought to study. The sampling frame comprised of all the 42 commercial banks which have their headquarters in Nairobi.

Table 1: Target population

Strategic departments	**Locally owned banks 69% of total**	**Foreign banks 31% of total**	**Population**
Human resource management	357	161	518
Operations management	477	215	692
Credit management	570	256	826
Deposits operations	389	175	564
Mortgage banking	267	120	387
Investment banking	321	145	466
Electronic banking	259	116	375
Customer service	509	229	738
Information technology	333	149	482
Accounts/ finance	265	119	384
Total	**3747**	**1685**	**5,432**

Source: (CBK, 2015)

c. Sample and sampling technique

Sampling is an element of data collection, defined by Bryman and Bell (2007) as the fragment or section of the population that is selected for the research process. Multi-stage sampling procedure was used in the selection of representative sample. The first step involved the use of purposive sampling to determine the category of employees and departments which directly implement strategic programmes of the banks. The second step involved stratified random sampling of the commercial banks represented into two categories; foreign owned and locally-owned banks. Stratified random sampling is a probability sampling technique in which the defined target population is divided into groups (Shui *et al*, 2009). In this case, these groups are the management employees and the type of bank ownership. The third step employed stratified random sampling of the respondents to select various categories of managers across the locally and foreign owned banks. Stratified random sampling was used to select respondents based on their roles in strategic decision making that affect the performance of individual department of the bank.

d. Sample size

The sample size of the study was 358 respondents which was about 7% of the universe population. This size conformed to the requirement that a good sample size should be between 5% and 30% of the population (Bradley, 2010). This was necessary so as to illicit representativeness, efficiency, flexibility and accuracy of data. The spread of the sample is indicated in table 2.

Table 2: Sample size distribution table

Strategic departments	**Locally owned banks**		**Foreign banks**		**Sample size**
	Population	Sample	Population	Sample	
Human resource management	357	25	161	13	38
Operations management	477	33	215	15	48
Credit management	570	40	256	18	58
Deposits operations	389	27	175	12	39
Mortgage banking	267	19	120	8	27
Investment banking	321	23	145	10	33
Electronic banking	259	18	116	8	26
Customer service	509	36	229	17	53
Information technology	333	23	149	10	33
Accounts/ Finance	265	19	119	8	27
Total	**3747**	**263**	**1685**	**119**	**358**

Source: Author, 2017

e. Data collection instruments

Due to the nature of this study, the researcher used both primary and secondary data sources. Primary data was collected from employees likely to have information on the operation of their banks. On the other hand, the researcher used secondary data from sources such as journal, books, annual reports, strategic plans and departmental manuals.

i. Questionnaires

Structured questionnaires were used to collect information from line managers and keys employees within the banks. The tool enabled the researcher to explore the opinion and perception of respondents on the influence of various strategic management capabilities on the performance of their banks. Questionnaires are important as they allow for coding of responses and verification of the truth of statements made by informant (Kothari, 2004).

ii. Use of in-depth interview schedules

In-depth interview schedules are used by the researcher while seeking information from respondents where the questionnaire may not be ideal. This method allows for personal interaction between the respondents and the researcher. It is also ideal as it enable the researcher to vary the questions and also seek for further details from the respondent as may be appropriate (Bloomerg, Cooper & Schindler, 2011).

iii. Key informants

The study applied the use of key informants or discussion group as a tool to resolve or authenticate technical issues which may arise during the study. Participants were drawn from individuals with vast experience and technical knowhow in banking operations (Bradley, 2010).

iv. Desk-top/library research

It was necessary to use library research in collecting information stored within relevant publications of the banks, the Central Bank of Kenya and other stakeholders in the banking industry. Other than being used to analyse theoretical framework upon which the banks operate, the tool was also used for gathering statistical information on banks' performance indicators such as profit levels; return on shareholders' wealth; expansion and growth, and market share.

f. Pilot testing

Pilot testing was done to assist in determining if there are flaws, limitations, or other weakness within the interview design. This provided the researcher with an opportunity to make changes where necessary. Pilot testing was done by use of instruments which were administered to select respondents. The exercise detected a number of flaws in the measurement procedures which were aptly addressed. During the pilot testing, two branch managers, four operational managers, two human resource managers and two credit managers selected from three commercial banks were interviewed. This satisfied the provision that the size of the pilot group may range from 10 to 20 subjects depending on the method to be tested but the respondents do not have to be statistically selected (Bloomerg, Cooper & Schindler, 2011).

g. Validity of the instruments

Validity refers to the extent to which the measures used in the questionnaire are truthfully measuring the intended concept and not something else and include internal validity and external validity (Sekaran & Bougie, 2009). This argument is similar to Yin (2003) who adds that aspect of validity is a recourse that guarantees truthfulness and allows for a pre-test to validate the instruments. The researcher used this approach to modify and pre-test the questionnaire in order capture the relevant data related to the study objectives. .Based on the findings of this study, each construct was found to be higher than the correlation among any pair of latent construct. Thus, each construct had a different measure of the main factor of analysis

h. Reliability of instruments

Cronbach's alpha was used to test the reliability of the measures of the instruments (Cronbach, 1951). Bryman (2011) suggests that where Cronbach Alpha is used for reliability test, a rule of thumb is also used that states that the Cronbach values of the items in the study should not be lower than 0.7. To increase the reliability of the questionnaire, this study used Cronbach's Alpha for separate domains of the questionnaire rather than the entire questionnaire.

The Cronbach values was computed as follows:

$$\alpha = K / (K - 1) [1- (\Sigma\sigma_k^2 / \sigma_{total}^2)] \quad \text{Equation (1) (Ritter, 2010)}$$

Where;

K is the number of items;

$\Sigma\sigma_k^2$ is the sum of the k item score variances, and

Σ total 2 is the variance of scores on the total measurement (Cronbach, 1994).

i. Data analysis and presentation

This study gathered both descriptive and statistical information, each of which were analyzed differently. Descriptive information was analyzed using dominant responses technique to determine common reactions and consistencies that cut across majority of the respondents. Descriptive measures such as percentages and frequencies were used to draw inferences and make conclusions.

Statistical information was analysed through statistical tools such as linear regression model to give inferences to the data obtained, multiple regressions to determine the relationship between performance and various strategic management capabilities of banks and ANOVA to judge the significance of more than two variables. After the analysis, data was presented using tables, charts and graphs. The research used SPSS software for

synthesizing, coding, analysing and presenting data.

j. Statistical measurement model

In the multiple regression models, analysis of variance (ANOVA) was used to test the significance of the overall model at 95% level of significance. Coefficient of correlation (R) was used to determine the strength of the relationship between the dependent and independent variables. Coefficient of determination (R^2) was also used to show the percentage for which each independent variable and all independent variables combined explained the change in the dependent variable.

$$Y=\beta o+\beta_1 X_{1+}\beta_2 X_2 +\varepsilon$$

Where:

Y= Represents performance

β_0= Constant

β_1.....β_2 = Represents the regression coefficients

X_1= Strategic management capability to monitor/control

X_2= Strategic management capability to evaluate

 = Represents the error term which is here assumed to have a mean of zero

III. Results and Discussion

a. Sample characteristics

Information for this study was collected from participants within the administration and management departments of all the 42 banks targeted. The study sought to determine respondent's demographic characteristics including their gender, education levels, designation, and number of years worked and duration in their current position as elaborated in table 3.

Table 3: Demographic characteristics of respondents

Demographic characteristics	Frequency	% Response
Gender		
• Male	140	54%
• Female	120	46%
Level of education		
• Certificate	0	0%
• Diploma	42	17%
• Undergraduate Degree	135	52%
• Master Degree	72	28%
• PhD	7	3%
Designation		
• General Manager	39	15%
• Assistant General Manager	57	22%
• Manager	163	63%
Work experience		
• 0-5 years	86	33%
• 5-10 years	127	49%
• Over 10 years	47	18%
Duration in current position		
• 0-5 years	101	56%
• 5-10 years	57	32%
• Over 10 years	22	12%

3.2 Descriptive statistics

3.2.2 Capabilities to control/monitor

3.2.2.1 SWOT Analysis

The respondents were asked to state whether the organizations conducts SWOT analysis and also the frequency of the analysis. Table 4 shows the response on SWOT analysis.

Table 4: Presence of SWOT analysis

SWOT analysis	Total	Response	%
Presence of SWOT analysis	260	176	68
Frequency of SWOT analysis			
Monthly	260	98	38

Annually	260	188	72

Source: Author, 2017

The results indicate that there is usually SWOT analysis in most banks at 68%. In addition, majority of the respondents 72% stated that there is an annual rate of conducting SWOT analysis in the banks. the findings are congruent with Thagana (2013) who argued that organizations like banks that have strong and effective cultures and reward systems have regular monitoring and typically require fewer rules and regulations because employees tend to understand and internalize the boundaries of acceptable behaviour. The importance of the assessment of the effectiveness of implemented strategies cannot be ignored. Proactive financial institutions need to continuously conduct the SWOT analysis to keep with the realities of the competitive business world. This will assist in establishment of the effective strategies and review of those that need corrective measures.

a) Importance of SWOT analysis for effective bank operation

The views of the respondents on the importance of SWOT analysis was analysed and result presented in figure 1.

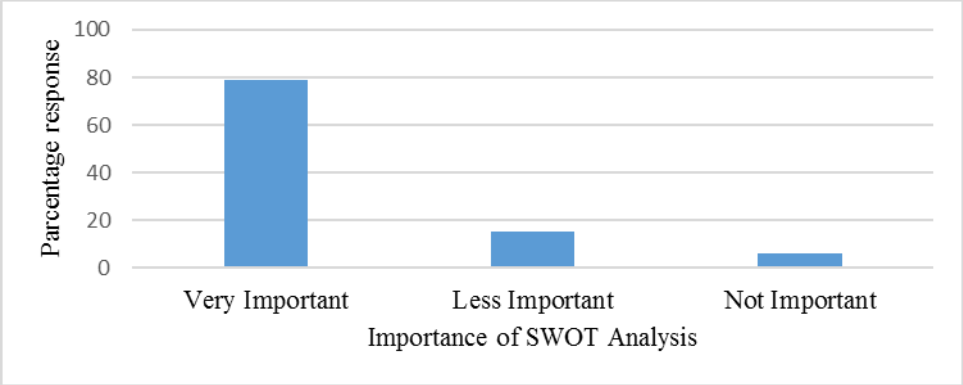

Figure 1: Importance of SWOT analysis

It was revealed that all banks conducted SWOT analysis. Majority of respondents 79% felt that SWOT analysis is very important for effective operations of their banks. Only 6% perceived SWOT analysis as being not important in their banks' operations. The findings agree with the sentiments of Johnson *et al*, (2008) that operational and financial controls are part and parcel of effective operation of the banks. Financial and operational controls are clear and unambiguous, which introduces a high degree of discipline into the control process. SWOT analysis is one of the strategies that strategic management will continually implement to forestall any eventuality of underperformance in the organization. It will assist in keeping the organizational performance well in line to achieve the projected goals.

3.2.2.2 Strategies used to monitor and control future performance

The views of the respondents were sought on the strategies used by their organization to monitor and control future performance as shown in table 5.

Table 5: Strategies for future performance

Strategies	**Total**	**Response**	**%**
Key benchmarks	260	176	68
Level of attainment of short and long-time goals of the organization	260	199	77
Past performance of the organization	260	180	69
Projected performance of competitors	260	98	38

Source: Author, 2017

According to the results given, the strategies used by the organization to monitor and control future performance are, level of attainment of short and long-time goals of the organization (77%); past performance of the organization (69%) and key benchmarks at (68%). These findings support the argument by Stacey (2016) that strategic controls to monitor performance are important to sustain the innovation process because long time-lags frequently intervene between innovative initiatives and their eventual pay-off.

3.2.2.3 Use of investment performance reviews

The respondents were asked to state whether their organizations conduct investment performance reviews to

establish the achievement levels of objectives and the frequency of the reviews. The results are presented in table 6.

Table 6: Use of investment performance reviews

Investment performance	**Usage**			
	Yes		**No**	
	No	**%**	**No**	**%**
Conducting investment performance reviews	215	83%	22	8.5%
Frequency of conducting performance reviews				
Monthly	96	37%	0	0%
Annually	133	51%	0	0%

Source: Author, 2017

Apparently, the results shows that majority of the respondents at 83% indicated that their banks conducted investment performance reviews. This was done annually as shown by 51% of the respondents. The findings are in agreement with Allen and Carletti (2010) who stated that a bank with progressive performance reviews ideas in terms of its market choice, product innovation, and corporate social responsibility is likely to be appealing to many customers, thus resulting into higher sales and subsequently better performance. This is an indicator that for a commercial bank in Kenya to attract and retain its customer base strategic reviews of its investment performance is continuously vital. It will also ensure that the bank give value to its customers and shareholders.

3.2.3 Capabilities to evaluate

The process of evaluation is quite important analysing the position of any project being implemented. It also gauges the specific contribution of various activities towards a common focus.

3.2.3.1 Importance of evaluation processes

Respondents were asked whether they consider their banks' evaluation processes to be important factor in performance. Their reply as contained in table 7.

Table 7: Importance of evaluation process

Evaluation aspects	**VI**	**QI**	**I**	**LI**	**NI**
Assessment of Strategic Initiatives.	0%	68%	26%	6%	0%
Communicating assessment results to stakeholders	87%	11%	2%	0%	0%
Development of key performance indicators	90%	5%	5%	0%	0%
Availability of corrective measures to address failures	10%	75%	13%	2%	0%
Response time	59%	31%	10%	0%	0%
Response to market changes and dynamics	85%	10%	5%	0%	0%

Key: Very Important (VI), Quite Important (QI), Important (I), Least Important (LI), Not Important (NI).
Source: Author, 2017

Significant majority of respondents perceived a number of evaluation processes to be very important in their bank performances. 90% indicated that development of key performance indicators is very important in achieving growth and development of the banks. Likewise, 87% perceived communicating result to stakeholders as being very important. The findings support Porter (2008) who stated that whether performed by an individual or as part of an organizational review procedure, strategy evaluation process forms an essential step in the process of guiding an organization. For many executives, strategy evaluation is simply an appraisal of how well a business performs. Has it grown? Is the profit rate normal? If the answers to these questions are affirmative, it is argued that the firm's strategy must be sound. It is apparent that, through evaluation, organizations are able to explore the occurrence of unintended results and offer recommendations on mitigation options. Commercial banks desire to gain competitive advantage over their rivals should use evaluation techniques to fast tract the attainment of their performance objectives.

3.2.3.2 Strategies of evaluating of achievement of the set objectives

The respondent's views on the strategies their bank apply in evaluation of achievement of the set objectives are presented in figure 4.10.

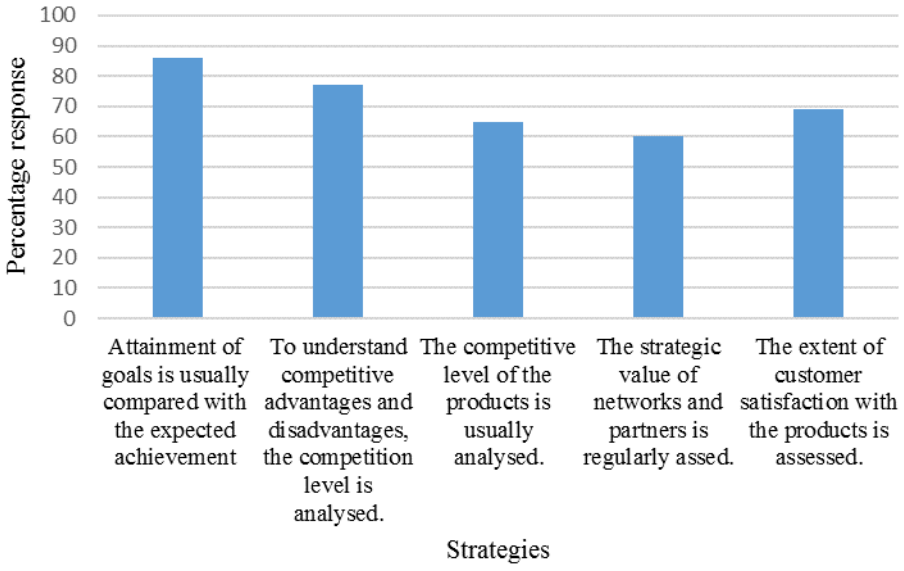

Figure 4. 1: **Evaluation strategies**

The results imply that the various banks use different strategies in the evaluation of the level of achievement of the set targets. Majority, 86% used comparative analysis of attainment of goals with expected achievements; 77% used an analysis of competitive advantages and disadvantages, the competition level; 69% used extent of customer satisfaction with the products while 65% used an analysis of the competitive level. The findings are in agreement with the views by King (2002) that banks can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the qualitative factors are subjective evaluation of factors such as skills and competencies, risk taking potential and flexibility. Strategic evaluation enables commercial banks to measure one of the key consideration of profit maximization. Profit consideration is ultimately the main goal of any commercial banks. However, commercial banks may have other goals such as good reputation, branch expansion and sound corporate social responsibility.

3.2.3.3 Evaluation of performance, evaluation surveys

The views of the respondents on the importance of evaluation of performance in assist the organization to attain its set goals and the conduction of evaluation surveys to gauge the success of the assessed strategies were sought. The results are presented in table 8.

Table 8: Evaluation of performance

Assistance of evaluation in attaining goals	**Usage**			
	Yes		**No**	
	No	**%**	**No**	**%**
Assistance of evaluation in attaining set goals	245	83%	22	94.2%
Conducting of evaluation surveys	230	88.5	10	3.8

Source: Author, 2017

Majority of the respondents, 83% felt that evaluation of performance assisted in attainment of set goals with 88.5% indicating that their bank usually conducted evaluation surveys to ascertain achievement of set goals. The results support Johnson and Scholes (2008) suggestion that the importance of evaluation is to attest the appropriateness of objectives of the business, appropriateness of major policies and plans and to check whether the results obtained to date confirm or refute critical assumptions on which the strategy rests. The implication is that strategy evaluation in commercial banks is an attempt to look beyond the obvious facts regarding the short-term health of a business and appraise instead those more fundamental factors and trends that govern success in the chosen field of endeavour as stated by Kavale (2014).

3.2.3.4 Bank's capability to evaluate

The results of the respondents' rating of the aspects of bank's capability to evaluate (using a five point scale of 5 -very important, 4 –quite important, 3 –important, 2 –not important and 1 –not important at all) are presented in table 9.

Table 9: Capability to evaluate

Evaluation aspects	**VI**	**QI**	**I**	**NI**	**NIA**
Assessment of strategic initiatives.	6	36	53	4	1
Communicating assessment results to stakeholders	50	43	7	0	0
Development of key performance indicators	44	66	0	0	0
Availability of corrective measures to address failures	62	33	4	0	1
Response time	34	23	41	1	1
Response to market changes and dynamics	64	32	2	2	0

From the results, development of key performance indicators (66%); response to market changes and dynamics (64%); availability of corrective measures to address failures (62%) and communicating assessment results to stakeholders (50%) are some of the key aspects associated with bank's capability to evaluate. The findings complements the sentiments by Suvita and Hui (2012) that evaluation capability of an organization is determined by the performance indicators that best identify and express the special requirements that might then be determined to be used for evaluation. Therefore, the key parameter of strategic evaluation in a commercial bank is to attest the general health and achievement of the set strategies. It aims at an overall valuation of the worthiness of the implemented strategies in achieving the performance goals set by the management.

3.2.3.5 Participation in strategy evaluation of the stakeholders

The views of the respondents in rating the level of participation in strategy evaluation of stakeholders were sought using a scale of 5 -very involved, 4 -quite involved, 3 -involved, 2 -not involved and 1 -not involved at all. The results are presented in table 10.

Table 10: Participation in strategy evaluation

Stakeholders	**VI**	**QI**	**I**	**NI**	**NIA**
Board of directors	34	54	10	2	0
Managers	14	70	14	1	1
Employees	34	62	4	0	0
Customers	0	0	1	77	22

Source: Author, 2017

From the results, it is evident that strategy evaluation of stakeholders was rated highly as quite important among the managers at 70%, followed by employees at 62% and among the board of directors at 54%. Important to note is that 77% of the respondents indicated that strategy evaluation of stakeholders among the employees is not important. Porter (2008) while fixing the strategy evaluation benchmarks, the views of the key stakeholders should be considered well before evaluating the actual performance. Commercial banks should have the patience of getting the feelings of the stakeholders as a strategy of measuring achievement of the performance goals.

3.2.3.6 Evaluation of the success of Return on Investment

The views of the respondents on evaluation and frequency of the success of Return on Investment and corrected actions to establish the achievement levels of objectives were sought as shown in 11.

Table 11: Evaluation of return on investment

Evaluation of the success of Return on Investment	**Usage**			
	Yes		**No**	
	No	**%**	**No**	**%**
Evaluating the success of Return on Investment	223	86%	16	6.2%
Frequency of evaluation				
Monthly	34	13%	0	0%
Annually	167	64%	0	0%

Source: Author, 2017

The results indicated that majority of the respondents at 86% felt that evaluation and frequency of the success of Return on Investment is conducted with 64% pointing that it is mostly annually done. The findings add weight to those of Potter (2008) that in evaluating the performance of an organization, financial statements like balance sheet, and profit and loss account among others must be prepared on an annual basis. This imply that commercial banks can only add value to shareholders, stakeholders and other investors if only there is an increase and sustainability of higher performance. This is achievable through implementation of effective and superior capability strategies to enhance better return on investment. Functionally this will imply that banks

have to strategically invest in resources and management that guarantee accurate strategic choice in investment to add value to the return on investment.

3.2.3.7 Attainment of future performance goals

The effectiveness of the current strategies of individual bank in guaranteeing attainment of the future performance goals was tested by seeking the opinion of employees. Key: Very Effective (VE), Quite Effective (QE), Effective (E), Rarely Effective (RE), Not Effective (NE). The findings are indicated in table 12.

Table 12: Strategies for future performance

Strategies	VE	OE	E	RE	NE
Products analysis strategies	68%	26%	6%	0%	0%
Customers analysis strategies	0%	0%	9%	15%	76%
Competitors analysis strategies	71%	24%	5%	0%	%
Internal analysis strategies	0%	53%	29%	18%	0%
Industry analysis strategies	0%	67%	20%	13%	0%

Source: Author, 2017

Majority, 71% of the respondent's belief that competition analysis strategies and product management strategies at 68% are very effective in guaranteeing higher performance of commercial banks. On the other hand 76% of the interviewees felt that customer analysis strategies are not effective in guaranteeing future performance of banks. Perhaps this is explained by the rapidly changing customers' tastes and characteristics together with the reality that no individual customer is uniquely associated with any bank. These findings support the line of argument of Lodato (2014) that the process of evaluation involves two levels, tactical and strategic evaluation. Tactical evaluation compares performance against the plans and detects changes that should be made to the implementation or the strategy.

It involves a review of the assumptions against what is really happening in the environment of the firm. The objective is to expose strategic assumptions that are clear and accurate in the near future. Strategy evaluation consists of following steps: Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as; what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. Management of commercial banks should thus ensure that both tactical and strategy evaluation levels are implemented effectively to enhance performance.

3.3 Correlation results

Correlation results in table 13 shows that capability to evaluate (CEV) positively and significantly correlates with performance of commercial banks ($r = 0.676$, $p < 0.05$). This implies that the presence of evaluation in the operations of commercial banks business is a vital variable in the successful performance. Capability to monitor (CM) also correlates moderately positive with the performance of commercial banks in Kenya ($r = 0.559$, $p < 0.05$). This implies that the ability to conduct monitoring is vital equipping commercial banks with updated information on performance.

Table 13:Correlation matrix of variables

	PERF	CM	CEV
PERF	1		
CM	.559**	1	.
CEV	.676	.498**	1

** Correlation is significant at the 0.05 level (2-tailed)

Key: CE-capability to envision, CS-capability to strategize, CM-capability to monitor and CEV- capability to evaluate.

The two performance constructs (monitor and evaluate) are also said to be positively and significantly auto-correlated.

3.4 Hypothesis testing and inferential analysis

This section focuses on inferential statistics to show the relationship that exists between the dependent and the independent variables.

3.4.2 Testing regression model assumption

Before regression analysis was done, the assumptions of multivariate analysis were tested to ensure that there was no violation of multivariate analysis assumptions. The data was checked for normality, outliers and multicollinearity, extraction of communality and pattern matrix.

3.4.2.1 Normality test

Histogram analysis was used to assess the actual degree of departure from normality and the results were presented in table 13.

Table 13: Test of normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.102	46	.200*	.973	46	.362

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Based on table 13, the statistic of Shapiro-Wilk is 0.973 with a significance of 0.362. If the Sig. value of the Shapiro-Wilk Test is greater than 0.05 then the data is normal, if it is below 0.05 then the data is not normally distributed. Based on the histogram diagrams for each factor, the data indicated normal distribution.

3.4.2.2 Multicollinearity test

The study computed tolerance to test if there was multicollinerality as indicated in table 13. The tolerance value and VIF (variance inflated factor) among all independent variables are more than 0.10 and 10. The cut-off value is a tolerance value of 0.10, which corresponds to a VIF of 10 (Sekaran & Bougie, 2010). This shows that there is no multicollinearity among all independent variables.

Table 13: Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CM	.290	3.451
	CEV	.573	1.747

3.4.3 Regression analysis

Regression analysis was done to establish the relationship between capability to monitor and evaluate in the performance of commercial banks in Kenya. The results of linear regression (Table 14) shows that R = 0.597 and R^2 =0.463 which indicates that monitoring and evaluation explains 46.3% variation in the performance of commercial banks.

Table 14: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.597	0.463	0.469	0.116

The positivity and significance of all values shows that the model summary is also significant and therefore gives a logical support to the study model.

Table 15: Coefficient

Model	Unstandardized Coefficients	T	Sig
1 Constant	0.103	1.636	0.103
Management capability to monitor	0.157	3.476	0.001
Management capability to evaluate	0.783	17.226	0.000

The study also revealed that strategic management capability to monitor positively and significantly influences the performance of commercial banks in Kenya ($\beta = 0.157$, $p < 0.05$). A unit increase of management capability to monitor results to 0.157 increase in performance of commercial banks in Kenya. This therefore led to the rejection of the hypothesis $H0_1$ which stated strategic management capability to monitor has no significant influence on performance of commercial banks in Kenya. This support Thagana (2013) who argued that organizations like banks that have strong and effective cultures and reward systems have regular monitoring and typically require fewer rules and regulations because employees tend to understand and internalize the boundaries of acceptable behaviour. The findings further agreed with the sentiments of Johnson *et al,* (2008) that operational and financial controls are part and parcel of effective operation of the banks.

Hypothesis $H0_2$ stated that strategic management capability to evaluate has no significant influence on performance of commercial banks in Kenya. Results in table 4.27 indicates that a unit increase in strategic management capability to evaluate results to 0.783 increase in the performance of commercial banks in Kenya ($\beta = 0.783$, $p < 0.05$). This is attributed to the fact that the importance of evaluation is to attest the appropriateness of objectives of the business, appropriateness of major policies and plans and to check whether the results obtained to date confirm or refute critical assumptions on which the strategy rests as stated by Johnson and Scholes (2008) .The null hypothesis $H0_2$which stated that strategic management capability to

evaluate has no significant influence on performance of commercial banks in Kenya is therefore rejected and instead state that strategic management capability to evaluate positively and significantly influence the performance of commercial banks in Kenya. The findings supported Porter (2008) who stated that whether performed by an individual or as part of an organizational review procedure, strategy evaluation process forms an essential step in the process of guiding an organization. Ozturk, and Coskun, (2014) stated that banks can use both quantitative and qualitative criteria for comprehensive assessment of performance. Again, strategic evaluation enables commercial banks to measure one of the key considerations of profit maximization.

The dependent variable (Performance of commercial banks) and the independent variables (monitor and evaluate) is therefore connected by the equation:

$Y= 0.103+0.157_{X1}+0.783_{X2}$

Y= Represents performance

β_0= Constant

β_1.....β_2 =Represents the regression coefficients

X_3= Strategic management capability to monitor

X_4=capability to evaluate

 = Represents the error term which is here assumed to have a mean of zero

4.0 Conclusion

Based on the findings of this study, it is concluded that:

Strategic management capabilities to envision, and strategize, positively influence the performance of commercial banks in Kenya. Specifically it is concluded Management capabilities to envision positively and significantly influence the performance of commercial banks in Kenya ($\beta = 0.157$, $p< 0.05$) Also management capabilities to strategize positively and significantly influence the performance of commercial banks in Kenya ($\beta = 0.783$, $p< 0.05$).

5.0 Recommendations

1. Management capabilities to monitor positively and significantly influence the performance of commercial banks in Kenya ($\beta = 0.157$, $p< 0.05$).The results indicate that there is usually SWOT analysis in most banks, usually conducted on an annual basis and that most commercial banks have monitoring strategies to enable them seize the strategic initiatives and maintain a competitive edge in the market.
2. Strategic management capability to evaluate positively and significantly influence the performance of commercial banks in Kenya (($\beta = 0.783$, $p< 0.05$).

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