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Analysis of the Importance of Succession Planning Practices Sustainable Performance of Privately Owned Commercial Banks in Kitale Town

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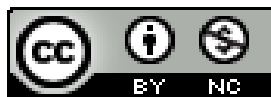
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succession planning practices. The key that guided the study was Leadership Model Succession Theory. The study used cross-sectional research design where a sample size of 84 employees was selected from the target population of 106 people. They were then categorized as board members, CSR representatives, auditing team and general bank employees. The sample size was 79% of the target employee population. 5 board of directors, 15 employees from both compliance and risk management department, 34 bank employees, 5 local representatives, 19 customers from both the retail and corporate section, and 6 corporate committee members. The primary data was collected through structured questionnaires. Both content and construct validity was based on this study. Data collected was analyzed quantitatively and qualitatively then used in the preparation of tables. The research aimed to contribute to existing corporate governance knowledge as a basis for further research on the effect of strategic governance in industries other than financial firms. The empirical findings were used to show how effective corporate governance can affect sustainable performance of bank.

1.0 Background of the Study

Banks whether privately owned or publicly owned require strategies in order to create a competitive edge and generate profits for sustainable performance. The board, corporate committee and management are the bodies charged with this mandate. Therefore, using combination of several determinants of corporate governance each bank

balances between interests of all stakeholders and investors. According to OCED, Corporate Governance is defined as a set of principles by which business firms and corporations are controlled. It states the clear relationships between a company's management, its board, its shareholders and other stakeholders (FRC, 2011).

Abstract

The rigorous global business competition within the banking industry, calls for every available strategy in order to gain a competitive edge. One such strategy is the strategic corporate governance (CG) practices, commonly concerned with effective re-positioning and re-branding within a competitive environment. Through it the banks ensure fluidity, accountability and responsibility of management in this rapidly changing economic era. The study was carried out in Kitale town and it involved two privately owned commercial banks: Family Bank and Kenya Commercial Bank (KCB). The general objective of the study was to determine the

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Each bank uniquely tailors a corporate governance structure that specifies the distribution of rights and responsibilities among different participants. They include the board, managers, shareholders and other stakeholders, and that it spells out the rules and procedures for making decisions on corporate affairs. Therefore, through the established strategic governance, specific objectives are set and means of achieving them identified. To ensure accountability the expected performance observed and measured against the set standards. As stated by Association of British Insurers, (ABI), good corporate governance enhances and underpins a company's long-term sustainable performance (Moudud-Ul-Huq 2015). It is the key to the long-term value creation, economic growth and overall increment in its financial market footprint.

Moreover, Kirimi and Ayako (2015) state that the banking industry in the current economy plays a key financial liaison role between savers and depositors with the activities that support enterprise and help drive economic growth. Since they act as a blood circulatory system in the panoramic body, they are susceptible to difficulties relating to depositor's fund security due to ineffective CG. Therefore, every bank must solicit and maintain an efficient supervisory body of Corporate Governors for guidance. However, for success of every private bank, a strategical plan of corporate governance is needed, to ensure they increase their performance on Return On Assets and Return On Equity. Moreover, investors are moved to invest in profitable banks to get returns on their shares, while the corporations in turn generate higher capital gains and dividends. To create a guideline for governing the banking industry in terms of supervisory status, the Basel committee in 2010 develops Principles for enhancing corporate governance. The principles promote global banking governance by basing n key lessons of financial crisis that started in 2007. According to a report by Basel Committee on Banking Supervision, (2012), the industry of its members' jurisdiction has experienced phenomenal growth in strengthening of supervisory bodies since 2010. Aspects such as diversity practices especially in leadership positions, which previously were insignificant are increasingly being stressed about. Inclusion of minorities, varied ethnicity and

foreign member limit is more significant. In addition, as more rules are created in the banking industry, compliance practices are vital to reduce litigation and confrontations (Poutsiaka, 2020). Overall, the reputation and performance of the bank is dependent on compliance.

In general, through the established round table rules, banks exhibit a deeper and sound understanding of the important elements of corporate governance (Roundtable. 2019). The aspects include as effective board oversight, strong internal controls, compliance and ethics, and rigorous risk management. Therefore, instituting standalone board risk committees, establishing and elevating the role of Chief Risk Officer (CRO), and integrating discussions between board audit and risk committees is important. A report by Kings IV, (2012) showed that a well implemented strategic corporate governance system, underpins, effective control, legitimacy, an ethical culture and good performance of a bank. Moreover, the study asserts that, growth of any given bank is pegged on its ability to create value for others. The Kings IV, (2012) report considers the connectivity and interdependencies between a range of factors that affect a firms' performance. Besides it advocates for stakeholder inclusivity by recognizing the interdependent relationship between the organization and its stakeholders. This is the basis for practices of Corporate Social Responsibility (CSR).

The fiduciaries to operate against a deeply-ingrained incentive structure that aims to maximize shareholder wealth and not champion for communal uplifting. In addition, there are no legal requirements for the practice (Arafat et al, 2017). Therefore, such a practice is voluntary but unlike the previous years, is becoming a key determinant for sustainable performance by banks. In addition, the FRC in 2011 further confirmed that in corporate governance, succession planning is a determinant sustainable performance of commercially owned private banks in banking industry. Without an effective management, an organization can fail to achieve its set goals (Achua, 2013). Through having this practice an enterprise can organize management takeover through identification, nurturing and preparing talent of current staff for leadership.

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Global Perspective on Strategic Corporate Governance Practices

Increased globalization of financial markets has ushered in an interdependent era. Currently, the traditional dimensions of corporate governance defined within local laws, regulations and national priorities are continuously challenged by circumstances and events on an international level (Arafat et al, 2017). The main reason for good corporate governance practices is to attract investors to banks. Successful banks provide assurance that any investment with them is safe and their incremental shareholder value guaranteed. Therefore, banks need strategies that create a competitive edge. The practices should facilitate efficiency and accountability of the management team besides underpinning performance of those entrusted to manage corporations.

In the US for instance, most public companies have a global imprint. Recently, the Congress stopped the previous strict adherence to the fundamental principle of materiality (Harper, 2018). The concept advocates for central tenet of the disclosure requirements of the federal securities laws. Contrary, the Congress sought to adopt the securities laws to address issues that are immaterial to shareholders' investment or voting decisions. An example, the congress stated that a public trading company has to disclose their conflict minerals and payments made to foreign states and their safety procedures before shareholders decide on their investment.

Therefore, Business Roundtable CEOs (2020) believe that shareholder engagement will continue to be a critical corporate governance issue for U.S. companies. In the 2nd Edition of the Global Corporate Governance Forum Secretariat, it conducted a panoramic level survey that indicated that, financial entities and companies in general, in these emerging markets, are unwilling to pay for corporate governance-related services.

The Sarbanes-Oxley Act of 2002 passed by the American Congress necessitated adoption of new rules for listed corporations in the New York Stock Exchange, thereby effecting the most significant reform in United States corporate governance. Overtime the continent has seen the creation of the country's securities regulation regime (Harper, 2020).

To ensure diversity of board members in California, SB 826 created a new Section 301.3 of the California Corporations Code, which states that no later than December 31, 2019, each IPO or Publicly Held Corporation, must have a female director serve for a specified period on their calendar or risk a fine (Poustiaka, 2020). The strength of shareholder value is only as strong as the business environment and the existing corporate governance practices.

In the case of Indian Banking System, Cross-border acquisitions (CBAs) in their emerging economy firms yield positive stockholder returns. However, their nontrivial fraction of CBAs by emerging economy firms is in tax havens. The findings in a survey by Chari and Dixit, (2019), postulate that due to weak corporate governance in emerging economies and the secrecy afforded by tax havens to emerging economy firm CBAs in tax havens yield lower stockholder returns than their CBAs in nontax havens. In addition, they argue that, the negative effect of high taxing economies is greater for firms with greater business group ownership and for firms with greater foreign insider ownership. The predicament of these institutes is worsened in cases where firms' stock is actively traded in the market.

Regional Perspective on Strategic Corporate Governance Practices

A research conducted by African Development Bank, (2007) on corporate governance in Africa shows a raft of factors impeding the mainstreaming of corporate governance in several African countries. The main obstacles are poor political and economic governance marred with endemic of grand corruption and a weak rule of law (Enofe et al 2017). However, growth in the continent varies significantly in various regions. In the Southern Africa region, using the King Report on Corporate Governance for South Africa (King II) as a benchmark, much progress has been experienced in the banking sector. The reforms made are mainly in the policy making, legal departments and the regulatory frameworks (KCB Group Survey 2016). South African Development Community (SADC) has pushed for a harmonious corporate governance strategy in the banks in the region.

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Though ranked as one of Africa's fastest growing economy, the banking system in Nigeria has been marred with corporate failures primarily due to lack of a defined and powerful corporate governance structure (Asogwa 2016). Poor corporate governance principles were the principle factor that caused fraud and failures of most banks. According to a study by Oghojafor, Olayemi, Okonji & Okolie, 2010, in 2009, eight CEOs, 8 Board of Directors (BODs) of Nigerian Commercial Banks were fired by the Nigerian Central Bank, due to corporate governance failures and massive funds misappropriation. The African Corporate Market on the regional state of Corporate Governance in is poor. To improve the practices, periodic regional conferences have been at Kampala, Uganda, in June 2018 and September 2019 to create awareness and promote regional co-operation in matters of corporate governance dating back to the June 1998 Conference (Kamami 2017). Through the forums, it was resolved that each member state of the East Africa Corporation, (EAC), be encouraged to develop both a framework and a code of best practice. This led to creation of CMA in Kenya and similar bodies in member states. They aim to promote national corporate governance, and that efforts be made to harmonize corporate governance in the East African region under the auspices of the EAC and through the establishment of a regional apex body to promote corporate governance. Uganda has established the Institute of Corporate Governance of Uganda, and is formulating a national code of best practice for corporate governance. As for Tanzania it initiated the process of organizing an East African Regional Workshop on corporate governance the next year. As for the case of Rwanda it has shifted from Francophone civil law of corporate governance to Anglophone country.

Perspectives on Kenyan Corporate Governance Practices

In Kenya, the Central Bank of Kenya (CBK), manages the banking industry of the country. It uses several guidelines in its control including The Companies Act and The Banking Act. The two define a bank as a licensed company which carries on or has a proposal to carry on banking business in Kenya excluding the Central Bank (Banking Act of Kenya,

2015). For a bank to transact it needs deposits from the public and it gives it out when demanded for by the customer or due to expiry of the fixed period. In turn, the financial entity bears the risk of the public monies in form of deposits by lending out money as loans or through investment.

A strict balance has to be made between lending and deposits. Wangeci and Mavutha (2017) opines that loans create profits for a company because the interest imposed on borrowers is much higher than that of depositor. However, when loan borrowing is relatively higher to central banks' reserves the financial entity is exposed to potential liquidity risk. On the other hand, when deposits are overly-withdrawn the bank's reserves are almost depleted, it is forced sometimes to borrow from CBK or other affiliated banks at an agreed upon interest. While, this step temporarily solves the liquidity ratio, it is costly in comparison to depositors' money and shrinks the balance sheet and affects profitability.

Risk management is a major problem in balancing the loan book and there are non-performing loans. In such cases, banks are required create a provision for it and write it off. Frequency of such scenarios undermines a firms' profitability (Bianchi and Bigio, 2013). Therefore, such poorly planned capital allotment decisions and provision packages revert back to an existing weak corporate governance structure on liquidity and portfolio risk management. Due to the weak monetary policies by the CBK, in the 1980s and 1990s, the banking industry faced a crisis with many banks threatening immense undercapitalization. The main cause was poor governance, high fuel prices and inadequate food supply (Obado, 2018). Other effects include weakness in prudential supervision and inadequate legal and regulatory framework for the financial system.

Overtime, the banking system collapsed due to financial repression since the developing countries which included Kenya were operating on low interest rates to attract investments and loan take outs. As a result, the Kenyan shilling (KES) excessively weakened against the US Dollar (USD), UK Pound and other major currencies across the globe (Lempaka, 2018). As of 2020, the exchange rate of the Kshs was 103 against the USD. The Sterling

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Pound at 131.6. and the Euro at 118 (Central Bank of Kenya, 2017). However, the CMA report of 2002 shows that, following the collapse of the banking sector, a Deposit Protection Fund Board was created that protected banks' depositors to protect against such a crisis. The Board increased the Capital Adequacy Fund to Ksh 15 Million up from 7.5 Million which is strictly adhered to. Besides, the CBK imposed strict requirements for licensing of banks. In addition, its increased financial inspections of firms while auditing and financial reports were increased.

In 2002, the Capital Market Authority was established. Its guidelines define corporate governance as the process of managing business affairs of an institution to achieve financial prosperity, accountability and improve shareholders' long-term value (CMA, 2002). The overall objective of the CMA Guidelines is to strengthen corporate governance practices among listed companies in Kenya. The CMA states that for listed corporation to maintain their National Stock Exchange listing, they need comply with stipulated good corporate governance principles. Besides, the corporations should clearly define structure and functions of the board of directors; the auditing and accountability procedures and the rights and responsibilities of all shareholders. According to the 2019 financial report of CBK, Kenya had such a rigorous banking industry that included 44 commercial banks, 12 Microfinance Banks (MFBs), 8 representative offices of foreign banks, and 3 credit bureaus (CRBs). 15 Money Remittance Providers (MRPs) and 80 foreign exchange (forex) bureaus. Out of the 44 banking institutions 41 were privately owned commercial banks while the other 3 the Kenya Government had majority share of up to 75% ownership.

27 of the privately owned banks were locally owned (the controlling shareholders are domiciled in Kenya) while 14 were foreign-owned. Of the 27 locally owned there were all commercial banks in this study focus is given on four banks. Kitale is the main economic hub and capital town for Trans Nzoia County which is the food production hub of Kenya. The county has many large scale producers and traders of maize, wheat and legumes. Due to this, it has attracted major banking firms that offer loans,

savings plan and transaction platforms to the closer people. Overtime (2002- 2020) the number of banks have grown from 5 to 29, which is a growth margin of 420%. The majority of banks in the county are privately owned. In this case the focus is on the Family bank and KCB Group plc corporate governance practices. Family bank Group consists of Family Bank Limited and the Family Bank Insurance Agency Limited as a subsidiary. The banking section currently has 91 branches in 31 counties.

According to their 2018-2019 annual financial report, Family bank boasts of an over 600,000 strong and loyal clientele base. In addition, it states that they currently have assets value of KES 70.2bn and equity of KES. 11.7bn. In terms of their CSR practices the report states that, the SME bank focus is on education, environment and sports by donating 60 tanks to public primary schools in the water and sanitation program called *Maji kwa Wanafunzi Initiative* and *Run for Autism Initiative*. The firm has a Family Group Foundation that has sponsored 474 students through, scholarships, mentorship, and *Afya Elimu* programs. In addition, the state that their decision making process by the board is aimed to accommodate their primary stakeholders who are the customers, employees, investors, government, regulators, suppliers, and the society they operate in.

In terms of compliance, the Family bank annual report of 2018-2019 states, it complies with the Code of Corporate Governance Practices for Issues of Securities to the Public 2015. In addition, the financial entity is adherent to the corporate governance guidelines of the CBK in the Prudential Guidelines of the banking industry. In addition, the report states that it has clearly outlined the roles and responsibilities of the board, the stakeholders' rights and interests, compliance measures with the applicable laws and regulations, and ensuring interests of creditors and depositors are safeguarded. As a financial entity, the report states that the board is the main body tasked with decision making process of policies that affect the banks. The group has a diverse and competent group of BODs with varied expertise to lead. The board's function includes but is not limited to provision of independent judgment in matters such as conflict. In addition, they encourage innovative strategies that are lawful to ensure

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increased profitability while fairly reflecting on the banks shareholding structure. However, in the previous years' notably 2015-2016 financial year, the bank had a poor corporate governance structure in terms of management accountability and responsibility leading to fraud by the board. In addition, it was non-compliant to risk management procedures that almost led to punitive charges causing financial losses by the bank in relation to the National Youth Service (NYS) scandal.

The second bank is Kenya Commercial Bank (KCB). The bank shifted slowly from public ownership domain to privately owned entity forcing for institution of succession planning practices. The government of Kenya reduced their shareholder value from 80% in 1972 to 23.1% in 2008 (Lempaka, 2018). In 2009, the shareholders approved for amalgamation of the Group with S & L limited. In addition, in 2018, the bank further acquired Chase Bank which had been under receivership. Besides, in 2019 the KCB Group acquired National Bank of Kenya at 10 ordinary shares for 1. The bank stated that to ensure a smooth transition, they jointly set up a project team comprising of staff from both entities to mitigate transitional risks and make the necessary preparations. Currently, the bank operates in six countries in East Africa which creates a competitive edge over the other banks as having the largest banking network in the region.

According to the KCB website, the Group has introduced T24 technology used across the banks making it act as a one branch institution. The main problem facing the bank is shifting focus from political gain to economic pursuit since its shift from government ownership. The Group according to their 2018-2019 financial statement, their Return on Average Equity was 22.0%, Return on Assets was 3.8%, their Earnings per share was KShs. 7.83 and dividends per share at KShs. 3.50. In terms of compliance practices the banking mogul had an elaborate risk assessment framework that identifies potential risks using uniform methodology. It is a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting informed risk-taking in order to maximize the Group's profitability at a risk level aligned with its risk appetite. To ensure compliance with the government

rules, they have adopted an Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements are essential cogs in the banking sector. The KCB plc Board has ultimate authority over, and oversight of, the Group. Their corporate governance practices on decision making are based on a set of values and behaviors that underpin its day-to-day activities.

The successes of the two banks were mainly due to adoption of key variables of corporate governance as established in a Gazette Notice no. 3302 of 2002. Through it they have targeted different segments economic of the population with the aim of achieving their set goals and maintaining the risk of liquidity. KCB bank has effectively targeted the farming and start-up businesses (Wainaina, 2017). Through structured corporate governance they are able to have ethical leadership and practice integrity, run their day to day businesses, give back to the community, increase profitability and maintain their responsibility through to all their stakeholders. Moreover, critical decision making is aimed to provide transparency and fair dealing, to promote better services delivery.

According to the CBK prudential report of 2006, banks in Kenya have to follow specified prudential guidelines such as diversity, size and number of allowable board committee and having multiple directorships in licensed financial firms. According to the banks' financial report and NSE report the firm increasing shareholders' and stakeholders' involvement in capital allocation and CSR activities, led to a higher investment portfolio. They stood out mainly for their CSR initiative items such as awarding of Plough Tractors, Wings to Fly Initiative and easy of loan accessibility. Though these two have been rated as 2-tier banks, they have managed to increase their depository fund levels by attracting the low and middle income clientele that mostly have a high borrowing level.

Statement of the Problem

The main goal of a privately owned commercial bank is for economic prosperity. In an article by Maureen Kakah in the Business Daily Kenya, (2019), the banking industry in Kenya has grown but faces several challenges. In the case of KCB, there are three main problems. The first is the need for

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different succession practices as the management transitioned from government owned to privately owned. Previously, the financial mogul had a board appointed by the government and stakeholders had little influence on management selection and succession planning. As a result of privatization and NBK acquisition, succession planning became crucial (Lempaka, 2019). In addition, the KCB Group PLC acquired 100% of the ordinary shares of National Bank of Kenya Limited (NBK). Such a major change needs appropriate framework to ensure independence, transparency in selection of board membership that advocates for all groups. Besides, KCB Bank has less an under-representation of minorities and stakeholders and 30% gender representation on the board membership. Lack of this adequate inclusivity has caused massive under-performing loans due to inadequate opinion to make inclusive decision making especially in capital allocation. The cause of this problem at KCB as a group is due to shift of the bank from a previously politically driven entity to a profit garnering firm. Therefore, it lacked an all-inclusive strategic corporate governance structure of all the stakeholders from the customers, to government all the way to the shareholders can lead to collapse of banks (Wainaina, 2017). In addition, the bank officials were also accused of non-compliance by aiding the loss of the NYS funds in an over Sh8bn NYS fraud which was non-compliant to banking rules. The banking rules stipulate that the bank report over KES 1 million deposits and those deemed suspect. An initiative the bank officials failed to do. The bank was fined Sh149.5 million. Therefore, the bank needs to strike a balance between depositors'/shareholders' interest and other stakeholders interest. The main challenge that Family Bank Limited faces is compliance in their risk assessment department. In 2020, the bank was forced to pay KES 64.5 million by the Department of Criminal Investigation (DCI) due to clearing over Kshs.1 billion through the bank without required risk assessment and forwarding of required paperwork (Karanja, 2020). In addition, cases of fraud by management and under-performing assets have been experienced. Such predicaments almost threatened closure of the financial institution. The challenge was due to lack of a proper accountability and

responsibility framework in management. According to business Human Rights article (2019), due to the NYS scandal, fear of potential closure of the bank, caused the bank loss of KES23 billion and customer losses. According to the CBK survey 2016, the banks women representation especially in senior position is low. In addition, failure to have an effective corporate governance structure in place has and will lead to rampant cases of fraud by board and more cases of collapse of major banks in Kenya (Lempaka, 2018). The reason is, the ingrained systemic weaknesses due to board having minimal accountability from the shareholders on capital allocation and profit margin records. Therefore, there is a growing need to re-look at factors that that can mitigate these shortcomings to ensure inclusivity, transparency, and accountability. Thus, this paper seeks to find out the role of strategic corporate governance in the performance of banking industry in Kenya. This will be made possible through achievement of the specific research objective highlighted below.

Research Objective

- i. To show the effect of corporate social responsibility practices on sustainable performance of privately owned commercial banks

1.4 Research Hypothesis

H₀₁: *Succession planning practices have no significant influenced sustainable performance in privately owned commercial banks in Kitale town.*

2.0 Literature Review

Theoretical review

This study was guided by stakeholders' theory, stewardship approach, Maslow leadership theory, and contingency theory.

Leadership Model Succession Theory

The theory was developed by Maslow in 1943 and it states that a person works to their utmost best if there is sufficient motivation to meet their immediate need. Furthermore, the theory postulates stated that every person aims to be self-actualized through achievement of the needs. He categorized the wants into five groups with the largest and the first being

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physiological wants. These needs include food, shelter and clothing. The second hierarchical want is safety of their job and physical harm. The third is sense of belonging such as sense of belonging and love. The final want after achieving all the four needs is self-actualization which occurs when a person has reached the maximum human potential.

The theory opines that, for an organization to perform better top management has to create programs and training to the lower management team to satisfy unmet needs such as basic need. Therefore, organizations need to especially top management should ensure the working environment pushes one to maximum human potential. In this regard leaders need to understand that people have different attributes and characters and therefore need different motivational strategies. The model encourages companies to achieve redundancies in their management structure from the CEO downwards to project leaders.

The theory ensues that there is an existent mentoring program to ensure leadership roles are well prepared for. With planned structure, the organization is safe from loss of a competitive edge of dimensions of operations due to sudden succession incidences due to resignations and death. The model ensures employees have a clear growth hence achieving their goals. Equity ownership of executives can help in aligning managers' interests with those of shareholders (Akinyele 2015). If managers have larger equity stakes, they arguably behave more like principals and less like agents. However, as pointed out above, that may not necessarily be in line with the interests of debt holders and supervisors. This is the main problem in privately owned companies the separation of ownership and interests.

Succession planning in privately owned commercial bank is delicate matter that can easily collapse mega entities. As a result, the process need to be well documented and free and fair. While it may be a family entity in some cases, selection of the next CEO or steward has to be more than their familial position (Ali et al 2014). Selection of an effective leader can be done by an independent committee or by the board. Some theories such as Trait theory states that a leader is born with leadership traits and skills. In this case irrespective of their skill,

background and experience, anybody can lead a bank. However, this theory fails to consider the complicated nature of the banking industry as it is the nexus of all business operations.

Similarly, the social theory opines for firm representation as a production team, in which organizational rents and or value creation are due to synergies among the different factors of production (Bernthal & Wellins 2009). It accommodates not only the shareholders, but also, other stakeholders in the firm. The main weakness of this theory is that it hard to measure a person's level of satisfaction. Similarly, to Maslow's, theory, Leadership Model of Succession Theory postulates that there should be redundancy in leadership structure of a firm. It states that such an approach will ensure that the organization assess potential contenders with the guidance and supervision of top management (Lampeke 2018). The leadership change should be swift without question and overlapping role allocation.

Succession Planning Practices and Sustainable Performance

A research study was carried out by Zulqurnain Ali, 2014, on the impact of succession planning on employee's performance in commercial banks in Pakistan. It based on the survey model that links succession planning and bank performance. A quantitative model was based on for empirical evidence on the impact on indicators of research criterion. Five point likert scales was used to measure the response from respondents. There was a total of 127 banking professionals answered the questionnaires with the response rate of 85%. Two hypotheses were tested to check the impact of predictors on criterion variable. ANOVA Table represents a model good fit. The results presented a significant relationship between succession planning, performance appraisal and performance of employee's. However, it fails to take into account how this practices conform to privately owned commercial banks.

Edeh, (2019), conducted a study on succession planning in Deposit Money Banks in Abia State, Nigeria. The purpose of the research was to show the relationship between employee training and

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succession planning in deposit money banks in Abia State using cross-sectional survey. The survey covered ten deposit money banks using simple random sampling technique. The methodology had a total population of one hundred and twenty staff. Besides, the validity of instrument was determined using face validity. Cronbach Alpha on the other hand was used to underpin the reliability of the instrument.

To analyze the hypotheses, Spearman's Rank Order Correlation Coefficient (ρ) was used in combination with statistical package for social sciences (20.0). The study found that employee training has a positive significant relationship with succession planning. It concluded that employee training measured in terms of on-the-job training and mentoring promotes succession planning in deposit money banks. The study recommends that managers, human resource professionals as well as directors of financial institutions should employ on-the-job training and mentoring for effective succession planning in the workplace. The research however, fails to incorporate, criterion for board members' succession. Similarly, Kamami, 2017 conducted a research on to examine the effect of succession planning on performance of selected livestock products based corporate firms in Kenya.

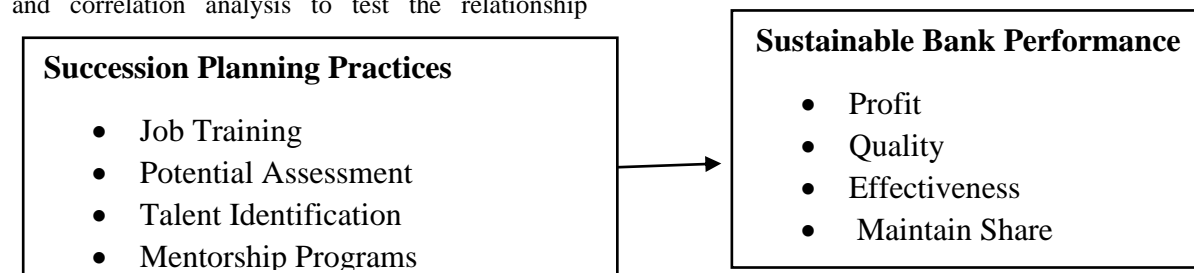
Specifically, the study explored the effects of turnover of high potential staff, succession planning, internal versus external replacements and bench strength readiness on the performance of selected livestock products based corporate firms in Kenya. The study adopted a descriptive research design. In data analysis, quantitative data was analyzed using descriptive statistics through the use of frequencies, percentages, mean and standard deviation using the Statistical Package for Social Sciences (SPSS, version 23.0). The study also conducted regression and correlation analysis to test the relationship

between the study variables. The study findings indicated that turnover of high potential senior managerial personnel as a succession planning construct negatively impacted on the organizational performance.

In a study by Basit and Muhammad (2019), explored how the succession planning strategies affected retention of the employees in an organization. Their study area was Swedish organizations. To fulfill the purpose of the research, the data was gathered from primary and secondary tools. The secondary tools used in the study are past papers related to succession planning and employee retention as well as information collected through SHRM/Globoforce employee recognition survey and OECD statistical data. The primary tools used in the study are semi-structured questionnaire and one on one interview. The findings showed that in order to retain the employees fruitfully, Swedish organizations should work on planning career development programs, identify and develop the talent pool and offer non-monetary rewards to the employees. Through this a firm ensures employees commitment and longer stays times. The main limitation of the study is its suggestion to the future scholars to conduct a quantitative study by taking a longitudinal approach in order to validate the findings on the statistical grounds as well.

Conceptual Framework

A conceptual framework is the depiction of a relationship between variables that are being studied or investigated (Luvavo 2013). This study seeks to establish the succession planning practices and compliance practices. The dependent variable on the other hand is sustainable bank performance. The indicators for each variable are clearly shown under each variable in the conceptual framework.



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Independent Variables

Figure 2.1 Conceptual Framework

3.0 Research Methodology

Research Design

According to Kothari (2004), research design is a plan to collect and analyze acquired data with succinct precision which can be bases on to develop hypothesis on tests. Cross-sectional research design was used in this study. Kothari further defines cross-sectional research design as a fact-finding approach that is used in form of questionnaires. The questionnaires are administered to large groups of target population then the major findings which are descriptions at present based on experience. The results are then used to represent statistical data of the subject at hand. This approach answers question concerning the current state of affairs and on the subject being studied (Mugenda and Mugenda 2003). The cross-sectional research design was therefore being based on to identify the relationship between corporate governance strategies and sustainable bank performance.

Target Population

Population of study according to Borg and Gall (2009) shows that there are two types of the population which are target and accessible groups. Kothari (2004) defines Target population as a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The study used cross-sectional research design where a sample size of 84 people was selected from the target population of 106. The sample size was 79% of the target employee population. 5 board of directors, 15 employees from both compliance and risk management department, 34 bank employees, 5 local representatives, 19 customers from both the retail and corporate section, and 6 corporate committee members.

The distribution is as shown below in table 1.1

Stakeholder category	Target Population	Percentage (%)
----------------------	-------------------	----------------

Dependent Variable

Board of Directors	6	5.7%
Corporate Committee Members	8	7.6%
Employees	24	22.6%
Customers	24	22.6%
Locals	25	23.6%
Risk and Compliance Department	19	17.9%
Total	106	100

Table 3.1: Target Population

Sampling Technique

Kothari (2011), defines a sample as a part of the population which has been selected for observation and analysis. The part has all the characteristics of the population. Therefore, sampling is the process of getting a representative number of the subject. According to Mugenda and Mugenda (1999) the specified participants or groups consisting of individuals with a variety of opinions, backgrounds and actions relative to a topic which in turn, enables the researcher's source of information from the different groups to be helpful for the study. The sample size will be participants which amounted 34.3% of the accessible population of study.

To derive the sample size for the study, Yamane's (1967) formula was used:

$$n = N / [1 + N (e)^2] \dots\dots\dots \text{Equation 3.1}$$

Where:

n = the sample size,

N = the population sample

e = the sampling error tolerance.

Therefore, applying an error tolerance of 5% and a population sample frame of 106 employees, the sample size will be 83 respondents.

$$N=106 / (1+106\{e^2\})$$

$$nf= 84$$

Proportionate stratified sampling will be used to allocate the stratum samples. Therefore, for

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proportionate sampling, the fraction or interval will be identical for each. In this case the sampling fraction = $84/106 = 0.79$. the sampling fraction is

then used in each stratum to identify proportionate stratified samples as shown below

Table 3.2: Sample Size

Stakeholder Category	Target Population	Sample Fraction	Sample Size
Board of Directors	6	0.79	5
Corporate Customers	8	0.79	6
Employees	24	0.79	19
Customers	24	0.79	19
Locals	25	0.79	20
Auditing Team	19	0.79	15
Total	106		84

Using simple random sampling, samples from different strata were obtained. However, the actual banks data collection was obtained using proportionate stratified random sampling technique of each stratum. The stratification was based on audit department, corporate section, board of directors' department, general bank employees in all sectors, the communal representatives, and the clientele.

Data Collection Instruments

The primary data was collected through structured questionnaires in relation to the variable. Primary data is the main source of data for the study, Kothari (2004) describes primary data as first-hand information collected, compiled and published for some purpose. Use of primary data ensures that latest and realistic information to answer a hypothesis. This data was collected from the respondents by the researcher in form of questionnaires that they were required to fill. Since it was collected from the original source for specified purposes, it involved collection of data from the respondents from their own observations and experiences. A structured questionnaire was used to collect data. This approach prevents biasness from the researcher.

Pilot Test

Pilot or reconnaissance test is a pre-research study that is conducted before the actual or main research (Sreevidya and Sunitha 2011). According to Saunders, pilot survey is important as it refines the instruments for the main study. He further opines that provided preparation for an easy analysis and data documentation. A pilot study is conducted as the main study but on a smaller scale and is done to

determine the efficacy of the research equipment and materials. In this study, the sample size was 20 employees from all the groups of stakeholders. The results from the pilot study were not being included in the final analysis. The questionnaires were also corrected before final circulation.

Validity and Reliability of Research Instruments

The study adopted both content and constructs validity. Reliability is a measure of the degree to which a measuring instrument yields consistent result or data after repeated trials (Mugenda and Mugenda, 2009). Validity on the other hand is the degree by which logistical and empirical measures are accurate (Gerald, 2010). It is a measure of the degree to which a measuring instrument depicts true differences among items being measured (Kothari, 2005). Reliability and Validity of the research instrument was ascertained using a pretest. Croanch's alpha coefficient was used as a measure of reliability. A croanch's alpha co-efficient of above or equal to 0.70 in most cases is sufficient reliability.

Data Collection Procedure

Multiple sources of evidence were used in order to obtain sufficient information and provide reasonable reliability of the results. Data and evidence collection was based on the analysis of this data. Using these sources together it was possible to collect complete and reliable information and to obtain a clear picture of the problem. In order to gather primary information a structured questionnaire will be used. The likert scale guide assisted the respondents to select their responses. Secondary sources of information were collected from varied sources. This

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approach was chosen because of questions flexibility, easiness to get more depth on the subject matter, enabling to test the limit of the correspondent knowledge and allowing the interviewer to make an easier assessment based on what the respondents answer.

Data Processing and Analysis

According to Kothari (2004), data analysis procedure includes the process of packaging the collected information putting it in order and structuring its main components in a way that the findings can be easily and effectively communicated. After the fieldwork, before analysis, all questionnaires were adequately checked for reliability and verification. Editing, coding and tabulation was carried out. The data was analyzed using quantitative and qualitative techniques where quantitative analysis was done using frequency distribution and use of measures of central tendency. It was presented through tables while qualitative analysis was presented through content analysis and evaluation of text material.

This adopt was based on both descriptive and inferential statistics. Descriptive will include mean, frequency and standard deviation of the score relating to each of the variables used in the factor analysis. Inferential statistics, especially correlation and multiple regression was used. Regression on the other hand was used to measure to what extend independent variables affect the dependent variable. Multiple linear regression model was based on to point out key indicators of sustainable bank performance in privately owned commercial banks.

$P < 0.05$ will be considered significant. The P values in the regression coefficient table will be used to accept or reject the null hypothesis; if it is more than 5% level of significance then a hypothesis will be reject but if it is less than 5% the hypothesis will be accepted. The regression model is as follows:

$$Y = a + bX_1 + \epsilon \dots\dots\dots \text{Equation 3.2}$$

Where

- Y – Dependent variable
- X_1 , Independent (explanatory) variables
- a – Intercept
- b, c, d – Slopes
- ϵ – Residual (error)

4.0 Research Findings and Discussions

Response Rate

The study targeted board members, corporate committee members, employees, customers, locals and risk and compliance department from KCB and Family banks. The study sampled 84 members and managed to collect data from 75 members. This represented an 82.3% response rate. This is opined by Saleh and Bista (2017) who stated that a response of more than 75.0% was appropriate for data analysis. The study used self-administered questionnaire to get this response rate.

Pilot Study Results

The questionnaire tool was subjected to a pilot study to determine its reliability. The pilot results are presented in table 4.1

Table 4.1 Pilot Study Results

Objective	Number of items	Alpha value
Sustainable Performance	5	0.683
Corporate Social Responsibility	5	0.812
Succession Planning	5	0.753
Decision Making	5	0.758
Compliance Practices	5	0.718

The pilot results indicated that the reliability of the sustainable performance of banks was 0.683 using Chronbach's alpha test of reliability; the reliability of corporate social responsibility was 0.812; the reliability of succession planning was 0.753; the reliability of decision making was 0.758 and the reliability for compliance practices was 0.718. The

test results revealed that the all the variables gave an alpha test value greater than 0.70. Therefore, all they were all regarded as reliable hence valid for data analysis.

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Background Information

The study aimed to determine the general demographics of the respondents. The study sought to identify their gender, years of experience, highest

level of education and the stakeholder category they belonged. The results were as follows;

Distribution of Respondents by Gender

The study aimed to establish the distribution of respondents by gender. Table 4.2 shows the findings.

Table 4.2 Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	52	69.3
Female	23	30.7
Total	75	100

The study findings on the gender of the respondents showed that 52 (69.3%) were male while 23 (30.7%) were female. This result showed that the study managed to collect data from both genders hence input from both was represented. This implies that many stakeholders in banks were male.

Distribution of Respondents by Age Brackets

The study sought to determine the distribution of respondents by age bracket and the results are tabulated below in Table 4.3

Table 4.3 Age Bracket of Respondents

Age bracket	Frequency	Percentage
21-30 years	13	15.5
31-40 years	24	27.0
41-50 years	28	33.0
51 years and above	19	22.5
TOTAL	75	100

The study results show that majority of respondents were aged between 41 to 50 years old representing 28 (33%), 24(27%) were aged 31-40 years old, 19(22.5%) were aged 51 years and above and 13(15.5%) were aged 21-30 years old. This implies that the study managed to capture data of all age groups captured in the study.

Distribution of Respondents by Level of Education

The study sought to determine the distribution of respondents' highest level of education and the results are tabulated below in Table 4.4.

Table 4.4 Distribution of Respondents by Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
FORM FOUR	4	5.3	5.3	5.3
CERT	7	9.3	9.3	14.7
DIPLOMA	20	26.7	26.7	41.3
DEGREE	30	40.0	40.0	81.3
MASTERS	10	13.3	13.3	94.7
PHD	4	5.3	5.3	100.0
Total	75	100.0	100.0	

The study results show that majority of respondents were degree graduates representing 30 (40%), 20(24%) were diploma graduates, 20 (26.7%) were master's graduates, 10 (13.3%) were PhD graduates, 4 (5.3%) were certificate

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holders and 4(5.3%) were form four leavers. This implies that the study managed to capture data of all age groups captured in the study.

Succession Planning and Sustainable Performance

The study sort to identify the effect of succession planning in KCB and Family banks in Trans-Nzoia County. The study responses are shown in the table 4.5 below.

Table 4.5 Succession Planning Practices and Sustainable Performance

The study findings revealed 52, (70.3%) of people agreed that he banks encourages regular job trainings of all staff

Statement		SA	A	U	D	SD	Mean	Std. Dev.
The bank encourages regular job training to all staff	F	28	24	13	7	3	3.89	1.13
	%	37.3	32	17.3	6.3			
The is an effective succession assessment model	F	26	29	13	5	2	3.96	1.13
	%	34.7	38.7	17.3	6.7	2.7		
The is a working talent identification program	F	33	29	8	5	0	3.96	1.02
	%	44	38.7	10.7	6.7			
The bank has an effective mentorship program in place	F	31	26	12	3	3	4.20	0.89
	%	41.3	34.7	16.0	4.0	4.0		

that enhances the sustainable performance (Mean=3.89, SD=1.13). The study also showed that 55(72.4%) agreed that the banks has an effective succession assessment model during succession which has improved the sustainable performance (Mean=3.96, SD=1.13) compared to 2(2.7%) who disagreed. In addition, the study findings showed that the respondents agreed that the bank has a working talent identification program hence improved sustainable performance of the banks (Mean=3.96, SD= 1.02) compared to none who disagreed. Moreover, the study findings revealed that 57 7(65%) of respondents agreed that the bank had an effective mentorship program compared to 3 (4%) who disagreed hence sustainable performance of banks (Mean=4,20, SD=0.89). The study in table 4.6 revealed majority of the respondents were of the view that bank had adequate strategies for effective succession planning that ensure sustainable performance. Banks need a working succession model in place for all management level to ensure smooth transition of power and longevity.

These findings are in agreement with the findings of Basit and Muhammad (2019) that showed that in order to retain the employees fruitfully, organizations

should work on planning career development programs, identify and develop the talent pool and offer non-monetary rewards.

Sustainable Performance of Banks

The study sort to identify the indicators for sustainable performance in KCB and Family banks in Trans-Nzoia County. The study responses are shown in the table 4.6 below.

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Statement		SA	A	U	D	SD	Mean	Std.Dev
The bank has effective measures to ensure maximization of profits and finance its internal operations	F %	36 48	27 36	6 10.5	4 5.3	0	4.200	0.885
The bank has adequate measures to ensure the assets to cost ratio is maintained	F %	24 32.0	32 42.7	10 13.3	8 10.7	1 1.3	4.10	0.863
The current regulatory framework adequately supports banking operations of financial services	F %	33 44	29 38.7	8 8	5 69.3	2.72	4.20	0.975
The bank has adequate product disclosure and social dimensions of entrepreneurship	F %	31 41.3	26 34.7	12 16.0	3 4.0	3 4.0	4.00	0.843

Table 4.6 Sustainable Performance of KCB and Family Banks

The study findings revealed 63, (84%) of people agreed that he banks has an effective measures to ensure profit maximization and to finance their operations sufficiently from internally generated funds enhancing their sustainable performance (Mean= 4,01, SD=0.885) compared to none who disagreed. The study also showed that 51 (65.5%) of respondents agreed that the banks has adequate measures to ensure the quality of services and return on investment by shareholders is improved continuously that has improved the sustainable performance (Mean=4.00, SD=0.863) compared to 27 (32.1%) who disagreed. In addition, the study findings showed that 72 (85.7%) respondents agreed that the current regulatory frameworks do adequately ensure the effectiveness of bank operations of financial services leading to sustainable performance of the banks (Mean=4.200, SD=0.975) compared to

9(10.7%) who disagreed. Lastly the study showed that, 76(90.5%) of respondents were of the view that the banks had adequate product disclosures to maintain shares (Mean=4.00, SD=0.843) compared to 6(806%) who disagreed.

The study in table 4.8 revealed majority of the respondents were of the view that banks have adequate measures for sustainable performance of the banks. However, the level of transparency on disclosure of product information is not sufficient to maintain shares.

Inferential Statistics

This section describes the results of correlation and multiple regression analysis based on study objectives

Table 4.7: Correlation Analysis

		CSR	SP	DM	CP	BSP
CSR	Pearson Correlation	1				
Succession Practices	Pearson Correlation	.135	1			
	Sig. (2-tailed)	.249				
Decision Making Practices	Pearson Correlation	.464**	.479**	1		
	Sig. (2-tailed)	.000	.000			
Compliance Practices	Pearson Correlation	-.003	.588**	.279*	1	
	Sig. (2-tailed)	.980	.000	.015		
Bank Sustainable practices	Pearson Correlation	.174	.747**	.395**	.735**	1
	Sig. (2-tailed)	.136	.000	.000	.000	

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

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The study findings indicated that there was a statistical significant positive correlation between CSR and bank sustainable performance ($r= 0.174.$, $n=75$, $p<0.05$). This implies that a unit change in decision making practices affects 17.4% change in compliance in the bank and vice versa. Therefore, banks should promote CSR practices as they work to ensure they attain and sustainable performance margins.

The study also revealed that there is a moderate positive correlation between CSR and decision making which was statistically significant ($r= 0.747.$, $n=75$, $p<0.05$). This means the linear regression of 74.7% of the variance in the data. This implies that there was no first order linear auto-correlation in the multiple linear regression data. Moreover, it implies that 39.5% of variation in sustainable performance is accounted for by decision making practices while 73.5% of performance is accounted for by other factors of the study.

Multiple Regression Analysis Model

The study performed multiple regression model analysis to estimate the relationships between the study variables. the study results were tabulated in Table 4.9.

Table 4.8: Multiple Regression Analysis Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.839 ^a	.705	.788	0.35438	41.748	.000 ^b

The model indicated the simple correlation was 0.839 which indicates a degree of correlation. The total variation (adjusted R^2 of the study model is 0.788 with the $R^2 = 0.839$) in sustainable performance of banks was in sustainable performance of banks was 83.9% explained by the corporate governance practices (R square=0.839, Standard error= 0.35438). This implies that the linear regression explains 83.9% of the variance in data. Moreover, it implies that 78.8% of variation in bank sustainable performance is accounted for by corporate governance practices while 21.2% by other factors.

Assessing the Fit of Multiple Regression Model

Analysis of variance (ANOVA) was used to assess if multiple regression model was fit for the data. The results are shown below in Table 4.9.

Table 4.9 ANOVA Model

Model		Sum of Squares	Df
1	Regression	306.317	4
	Residual	128.403	70
	Total	434.720	74

The linear regression F-test has the null hypothesis that the model explains zero variance in the sustainable performance ($F=,41.748$, $p=0.000^b$). The F-test is highly significant hence it is assumed that the model explained a significant amount of the variance in sustainable performance. This implies that the multiple regression model was fit for the data and hence CSR, decision making, succession planning and compliance practices affects sustainable performance of the two banks.

Furthermore, the study result showed that the model summary predicted sustainable performance of banks significantly well ($p<0.05$). This reveals that the statistical significance of regression that was run. Besides, it shows that the overall the regression model statistically was a good fit for the data.

Regression Coefficients

T-test of statistical significance of each regression coefficient was conducted in order to determine the beta which indicates how strongly each independent variable affects the dependent variable. The study results were shown in Table 4.10.

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Table 4.10 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	0.695	0.42		-1.320	.191
1	Succession Planning Practices	0.506	0.096	0.462	5.257	.000

The regression generated equation generated for the study was as follows

$$Y = (\text{Sustainable performance}) = 0.695 (\text{Constant}) + 0.506 (\text{Succession planning Practices}) + 0.42 \text{ value for std error.}$$

From the regression equation succession planning to sustainable performance of banks contributed decision making practices to sustainable performance contributed 50.7% to sustainable performance of the two banks respectively.

Regression Model

The regression function in equation 4.1 was used to explain the results of regression mode analysis.

$$Y = 0.695 + 0.506X_1 + \dots \text{Equation 4.1}$$

The coefficient parameter of succession planning practices parameters is meaning for every unit change in succession planning coefficient parameter will lead to a 0.506 change in sustainable performance of banks while all other variable kept constant.

Hypothesis Testing

H₀₁: Succession planning practices have no significant effect on the sustainable performance of KCB and Family bank in Transzoia County. The study findings indicated that there was a statistical significant relationship between succession planning practices and sustainable performance of banks (p=0.000). Therefore, the study rejected the null hypothesis and accepted the alternate hypothesis which revealed that there was a statistical significant relationship between CSR practices and sustainable performance of KCB and Family bank in Transzoia County.

5.0 Summary, Conclusions and Recommendations

Summary of the Findings

This section will provide the summary of the study findings

Succession Planning and Sustainable Planning

The study results revealed that majority of respondents were of the view that to enhance sustainable performance of banks there had to be

The regression equation further postulated that there was significance between succession planning practices and sustainable performance ($\beta=0.506$, $p \leq 0.05$).

regular training and grooming of staff for higher management position. Succession planning is an essential element of continuity of an entity in the long-term. it is believed that through succession practices such as talent identification, it motivated the employees and encouraged them to work harder. Having adequate measures in place prevents employees and bank members to compete for the vacant position causing power struggles. These power struggles can in turn cause a volatile work environment leaving other employees and their subordinates feeling unmotivated. Such a situation discourages investments. A research study carried out by Theus in 2019 on importance of succession planning postulates that a company without key leadership development and succession practices has bleak survivability and profitability margins in the long term. Therefore, creating succession practices is crucial for prolonged sustainable performance of banks.

Conclusions to the Study

The study also concluded that an all-inclusive decision making body in the financial institutions optimizes return on investments by ensuring that needs and expectations of all stakeholders are considered. The model ensures that all risks of the banks are considered before choosing any given idea. Considering the voice of all participants prevents bias while creating a sense of belonging cements trust. Besides, it ensures the potential product development accommodates the evolving needs of clients. In

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addition, they can be packaged to accommodate all categories of consumers.

Recommendations for the Study

The study made the following recommendations.

Recommendations for the Study

The study also recommends that banks modify their decision making bodies to be all inclusive which will give banks an upper hand in competing with others by tailoring decisions that are unbiased and inclusive of expectations of all experts of the stakeholders. The banks should also develop compliance practices policies and guidelines and implement it to customers and staff. Appropriate measures should provide an environment that motivates yet challenges workers. The approach should not be too coercive and not over-normative. Besides, the banks should have an independent yet effective external audit team to ensure the reports submitted are free from manipulation and are an accurate representation of the actual financial position of the banks performance.

Suggestions for Further Study

This study did not address explicit and implicit determinants that management in the banking industry base on for key decision making for corporate governance. The factors include; leadership and stakeholder management, assurance, efficacy and efficiency practices and diversity strategies. The study also recommends suggests further research on the other corporate governance practices not analyzed in this research. This is because banks sustainable performance relates to both external factors such as competition from other banks and; internal factors such as firms' daily decisions on how to run the bank to ensure profitability, adequate resource allocation and policies to ensure quality customer service. Moreover, further study should be done on appropriate strategies by banks on the sufficient materials on product development in relation to changing consumer interests, needs and priorities.

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