Research Paper

Innovation Strategies and Organizational Performance of Tier One Commercial Banks in Uasin Gishu County, Kenya

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ABSTRACT

The need for innovation is crucial for commercial banks operating in a continuous uncertain and competitive environment. Most importantly, to survive and succeed in the current competitive global financial environment, commercial banks need to be innovative by producing a regular stream of innovations so as to gain competitive advantage. The main purpose of the study was to determine the effect of innovation strategies on organizational performance of tier one commercial banks in Uasin Gishu County, Kenya. The study answered the research questions: How do bank mergers affect organizational performance of tier one commercial banks in Uasin Gishu County, Kenya? And what is the effect of innovation strategies on organizational performance of tier one commercial banks in Uasin Gishu County, Kenya? The study was anchored on diffusion of innovations theory, as the main theory with transaction cost innovation theory, as the supporting theory. The study used a descriptive survey research design. The target population of the study was the tier 1 commercial banks in Uasin Gishu County with a sample size of 93 respondents selected using simple and stratified sampling technique. Data was collected by use of document analysis, self-administered questionnaires and interview schedules to the targeted respondents. Data was analyzed using the Statistical Package for Social Sciences Version 29, employing both descriptive and inferential statistical techniques to describe and depict the results. The study findings revealed the existence of a statistically significant effect for independent variables on organizational performance of the listed tier 1 commercial banks in Uasin Gishu County. The study concluded that the study variables had a statistically significant effect on organizational performance. The study further made recommendations on each of the variables for management consideration in future decision-making processes. The findings are expected to be of great assistance to management of other financial institutions as well as other firms listed or not listed at the securities exchange.

Keywords: Innovation Strategies, Bank Mergers, Organizational Performance, Tier 1 Commercial Banks

INTRODUCTION

Organizational performance to a commercial banks' internal operations can be measured by market share, new bank products in the market and by service efficiency. It is grounded on customer expectations within the bank. The quality-

of-service delivery is one of the key competitive strategies adopted to enhance organizational performance (Ogendo, 2021). Terer and Gichure (2020), established that improving the firm's organizational performance involves, reducing overhead costs, optimizing information technology and reducing product complexity through product diversification. This study added agency banking and mergers and acquisitions.

If a firm is performing well in its operations, it will have high quality products, improved effectiveness in production and more satisfied customers which lead to increased income and profit hence general organizational performance. Organizational performance can be linked to the achievement of the firm relative to expected outcomes (Saula, Akinlab & Makinde, 2023). Organizational outcomes can be addressed in terms of the quality of services and products, speed of product and service delivery, flexibility, profitability and dependability. Within the financial sector, organizational performance is considered in terms of the rate of increase in customers, market share, expected returns and shareholder returns (Ogendo, 2021).

The implementation of an innovation strategy in commercial banks provides a distinct trajectory and focuses the collective endeavors of the bank towards a shared innovation objective, with specific focus towards its overall performance (Gachimu & Njuguna, 2017). Currently, a majority of commercial banks are embracing various forms of innovation, including product innovations, process innovations, market innovations, and stimulus innovations. It is imperative for these banks to establish clear strategies that effectively communicate the importance of innovation to all employees, ensuring their support and alignment with the organization's innovation goals. Furthermore, these strategies should openly demonstrate the value that management assigns to innovation. According to Mohamud and Mungai (2019), the administration of high-performing institutions demonstrated a clear and evident dedication to the process of developing new products. They explicitly established and effectively communicated the institution's strategy for new product creation. Organizational performance in relation to commercial banks refers to the degree to which the banks' aims have been achieved or are being achieved. The organizational performance of banks is contingent upon the efficient utilization of assets in carrying out their primary business activities and generating subsequent revenues.

Innovation strategies encompass the process of conceiving and subsequently disseminating important instruments, alongside the development of innovative technologies, institutions, and markets. Innovation encompasses the conceptualization, creation, and execution of inventive tools and procedures, as well as the generation of innovative resolutions to organizational challenges. Innovation has a crucial role in driving economic advancement within a nation and enhancing the competitiveness of an industry.

In China, it is usually observed that the implementation of innovative methods tends to yield benefits in enhancing the performance of the financial sector institutions. Innovation strategies employ a four-equation model to establish a connection between the decision-making process of organizations regarding innovation and their overall performance. The model covers the effect of innovation input on innovation output as well as the effect of innovation output on production and consistent performance improvement.

In Canada, the implementation of innovation initiatives holds significant importance for commercial banks as a means to foster the growth of new markets, enhance their market presence, and attain a competitive edge. Many firms are using innovation as a crucial strategy to maintain relevance in a competitive market, driven by the competition observed in the global markets. The continuous evolution of technologies and intensifying competition

have a detrimental impact on the perceived value of a company's products and services (Hinterhuber & Liozu, 2017). The adoption of an innovation strategy can serve as a means for organizations to gain a competitive edge by pursuing a heightened level of innovation. The implementation of formal diversity procedures resulted in a decrease in employee turnover. Although the impact of these practices on return on earnings was not significant, the findings of this study provided support for a strategic contingency relationship. Specifically, it was seen that diversity practices were positively correlated with enhanced productivity and market performance in firms that pursued innovation strategies (Hinterhuber & Liozu, 2017).

In Nigeria, the banking sector is experiencing heightened competition in both domestic and global markets due to increased innovation. The transition towards monetary unions and the emergence of new technological advancements are significant factors that are reshaping the banking landscape. Consequently, banks are faced with the imperative task of making timely preparations to effectively navigate and thrive in this new competitive financial environment. The performance of Nigerian banks was significantly influenced by political issues. Organizational innovation refers to the strategies and practices employed by organizations to manage work processes, including internal and external client connections, with the aim of gaining a competitive edge. According to Biswas (2017), the implementation of organizational innovations can contribute to the enhancement of employee engagement, resulting in increased productivity and decreased administrative expenses.

Commercial banks in South Africa have successfully developed competences, which they have sought to maintain by investments in many areas such as internet marketing, mobile banking, paperless banking, and personalized customer care. This has facilitated the development of advantageous core banking systems, marketing tactics, products, and organizational innovation. The implementation of this strategy has resulted in enhanced performance for the financial institutions. This phenomenon can be observed through a rise in customer base, an increase in profitability, and the introduction of financial offerings. The enhanced performance has led to a notable improvement in financial inclusion, particularly in emerging nations. Commercial banks have responded to the dynamic technological advancements and enhanced performance by recruiting proficient and well-informed personnel who possess inventive capabilities and are capable of implementing transformative measures (Anoop, 2016).

Statement of the Problem
A lot of innovations have been undertaken in the banking sector that have led to proliferation of financial products, activities and organizational forms that have improved the efficiency of the financial system (Lee, Wang & Ho, 2020). Bank innovations such as branch networking, agency banking, mobile banking, electronic funds transfer are currently perceived to enable cost effective service delivery in the banking sector (Mukira, Kariuki & Muturi, 2022). In spite of uptake of these cutting-edge innovations by the banking sector, customer satisfaction, market share, efficiency and more new products due to the changing competitive banking sector still remain unpredictable (Saula, Akinlabi, & Makinde, 2023).

The declining performance of commercial banks has been associated with the stiff competition that the Kenyan banking industry is experiencing from new entrants like mobile phone companies and international banks (CBK, 2022). Furthermore, the growing proliferation of SACCOs in the county has redirected client attention away from commercial banks which has been attributed to the fact that SACCOs offer more customer-friendly services that are also more cost-effective. Leading mobile service providers also pose

a significant challenge to the banking industry. A Significant number of individuals prefer to save money with telecommunication companies rather than banks. Loan uptake in commercial banks has remained low in terms of both volume and quality, relative to the banked population, as a result of this competition.

To overcome the challenges faced by banks, Commercial Banking is evolving globally from conventional banking through different innovations (Malit, Nelson & Scholastica, 2023). Previous studies have mostly concentrated on compound processes, products, and services rather than individual breakthroughs, despite the significance of innovation and the wealth of literature on innovation strategies. Thus, this study investigated the effect of innovation strategies on organizational performance of tier one commercial banks in Kenya's Uasin Gishu County.

Research Hypothesis
The study tested the following hypotheses;
H_{A1}: Bank mergers have a significant effect on organizational performance of tier 1 commercial banks in Uasin Gishu County, Kenya
H_{A2}: Innovation strategies have a significant effect on organizational performance of tier 1 commercial banks in Uasin Gishu County, Kenya.

Theoretical Framework
Creative Destruction Theory
The creative destruction idea, initially proposed by Austrian economist Joseph Schumpeter, served as the study's compass. Schumpeter defined creative destruction as innovations in the production process that lead to higher productivity. Schumpeter (1942) described innovations as the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. These innovations encompass novel products, techniques, markets, sources of procurement, and novel industry structures,

all of which direct the allocation of resources towards meeting customer demands. Schumpeter (1942) continues to advance that as opportunities arise, and when an innovating firm takes action that generates profits, competitors will respond (Schumpeter, 1942). The response results to an inability of the innovators (first movers) to sustain profits (competitiveness) due to imitation from the competitors (Mulatu, 2016). When profit Margins shrink and market leaders lose their edge, the benefit of the new innovation is eliminated. Imitation surges, and overall market expansion slows, moving the business cycle to equilibrium till another innovation overwhelms the status quo (Schumpeter, 1942). In order to maintain a competitive edge and avoid the constant upheaval caused by creative destruction, a successful company must consistently engage in innovation.

Schumpeter's contribution to creative destruction economics has been anchored on the notion of building the human innovative and entrepreneurial intellectual capacity, requiring novel ways of doing things in tandem with emerging innovations to sustain competitiveness (Kao, Pai, Lin, & Zhong, 2015; Lestari & Ardianti, 2019; Liao, Liu & Fu, 2019). In contrast to rigid traditional Cambridge economic mathematical models, creative destruction theory approaches economics as an organic and dynamic process. When workers and entrepreneurs adopt new technologies, there will undoubtedly be disruptions and new potential for profit, leaving others who are stuck with antiquated technology behind. The classic economic theory's ideas of perfect competition and efficient markets understate the role of the entrepreneur in market development and accumulation of profits (Najda-Janoszka, 2016). Schumpeter defines an entrepreneur as someone who makes decisions and introduces innovations. Innovation is the engine of the Schumpeterian process of creative destruction where innovative companies and entrepreneurs constantly drive allocative

efficiency and productivity growth (Yasar, 2021).

This theory, however, has faced critiscism for viewing innovation as an unbalanced condition and downplaying the importance of the entrepreneur. According to Chumo and Awino (2022), innovation induces an equilibrating change to the status quo and not a disequilibrating status quo as argued by Schumpeter. Furthermore, Schumpeter's theory highlights the entrepreneurial role in driving innovation, placing greater emphasis on this function rather than solely focusing on the risk-taking aspect, which should not be ignored. Although Schumpeter's perspective has faced criticism, it is endorsed by other scholars, including Eisenhardt and Martin (2000), Teece *et al.* (1997), and Smith *et al.* (2002). Researchers argue that markets are dynamic and that the relentless pursuit of innovation is crucial for the survival of firms. These study finds relevance in the notion of creative destruction, as it observes that innovation leads to a situation where old methods of production are compelled to become outmoded due to ongoing advancements in Research and Development (R&D) driven by resourceful entrepreneurs. Fostering innovation and entrepreneurship in the present age of transformative technologies is thus the strategy of taking lead position in the marketplace (Ardolino *et al*., 2018; Bhatnagar & Kumar, 2017; Tuan, Nhan, Giang & Ngoc, 2016).

Most banks are no longer relying on the ancient traditional banking medium where transactions used to happen in the brick-and-mortar space but today because of technological advancements, transactions have gone online (Central Bank of Kenya, 2018). For example, clients can now transact 24 hours a day thanks to ATMs, mobile banking, and online banking, which has increased daily transaction volume and revenue from transaction expenses. Furthermore, through better customer service and lower administrative expenses, ATMs, internet banking, mobile banking, and automated lending services have increased bank efficiency (Central Bank of Kenya, 2018).

Several writings have underscored the role of creative destruction for sustained competition (Cozzi, Pataracchia, Pfeiffer & Ratto, 2017; Jackson, 2020; Kopp, 2019; Langroodi, 2017). Mohammad (2018) further suggests that innovation ventures that integrate IT intensify competitiveness and immense outlays in market innovation grow market share. Besides, innovation in ICT, offers strategic benefits to banks through improvements in market capability (through discovery of untapped markets), resource allocation capability, learning capability and strategic planning capability (Gathu, 2017). This theory will be accompanied by other theories drawn from strategic management and relevant in application to the study variables.

Conceptual Framework
A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Sekaran & Bougie, 2021). The dependent variable of this study was organizational performance of listed tier 1 commercial banks in Uasin Gishu County, which was measured by market share, new products, efficient services, and customer satisfaction. The Schematic diagrams provided below served as a comprehensive visual aid, that demonstrated the interconnectedness of the variables in the study;

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┌─────────────────────────────────┐
│          Bank Mergers           │
│   • Number of customers         │
│   • Output of volume            │
│   • Employee Numbers            │
├─────────────────────────────────┤         ┌─────────────────────────────┐
│      Innovation Strategies      │────────▶│       Organizational        │
│   • New Products                │         │        Performance          │
│   • New Services                │         │   • Market Share,           │
│   • New Processes               │────────▶│   • New Products,           │
│                                 │         │   • Efficient Service       │
└─────────────────────────────────┘         └─────────────────────────────┘
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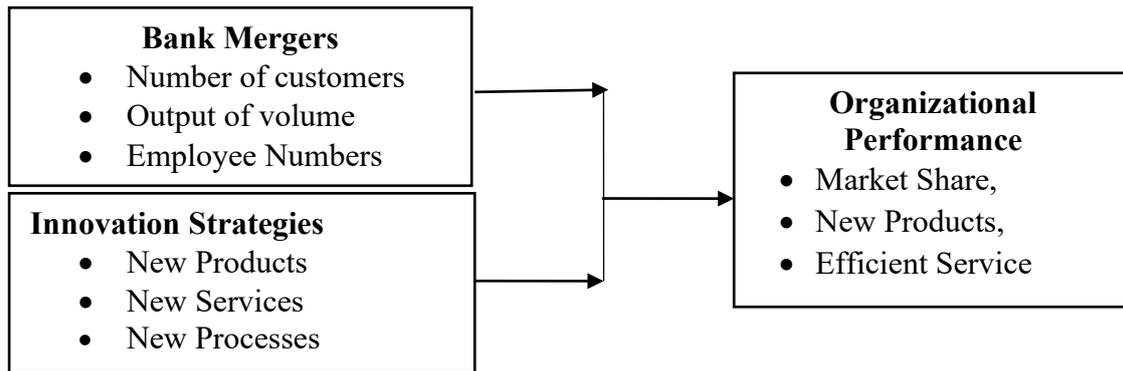
LITERATURE REVIEW

Diffusion of Innovations Theory

The theory was first forth by Everett Rogers in 1962. The theory aims to elucidate the mechanisms, causes, and patterns governing the diffusion of new ideas and their technological advancements. According to Rogers, the concept of diffusion pertains to the transmission of an innovation within a social system, occurring gradually over a period of time. According to Terer and Gichure (2020), the act of adoption can be defined as the deliberate choice to fully utilize an invention as the most optimal course of action, whereas rejection refers to the decision not to accept that innovation. Rogers defines diffusion as the deliberate spread of an innovation through particular communication channels over a period of time among individuals within a social system. Innovation diffusion research has aimed to elucidate the factors that influence the adoption of new information mediums, such as the internet, by users, and to gain insight into the motivations behind this adoption.

Opinion leaders play a significant role in shaping audience behavior through direct human interactions. However, it is important to note that the diffusion process also involves the involvement of change agents and gatekeepers as middlemen. Organizations frequently accept innovations by means of two distinct categories of decision-making: decisions about innovation made both collectively and by authority. When adoption is reached by consensus, collective decision-making occurs. The process of authority decision-making is characterized by the adoption of decisions by a select group of individuals holding prominent positions of power within an organization (Terer & Gichure, 2020).

Criticism of the Theory
Diffusion of Innovations Theory

Critics of the theory have noted multiple gaps in it. While organizations are characterized as social systems, it is worth noting that inside companies, departments or teams can also function as social systems. The specific challenges and characteristics of departments or teams within a larger organizational framework are rarely considered in relation to how these boundaries impact the adoption of new innovations or practices.

In the adopters' categories of this theory, it is observed that the category that they not included in the adoption of other items, such as the adoption that was not dependent on marketing or process innovation. The theory's flaw is that it focuses primarily on technology adoption while ignoring other forms of innovation. Because it describes the stages of innovation, the types of innovations, and the role that social systems play in disseminating innovations, the theory is pertinent to the study. This relates to the autonomous factor of digital financial services.

Diffusion of innovations theory is crucial in studying the relationship between innovation culture and organizational performance of tier one commercial banks

since it provides an explanation for the underlying occurrences. The idea posits that the diffusion of innovations is influenced by four main components: communication channels, time, and social system. Rogers also asserted that the diffusion process is strongly dependent on human capital and that the innovation must be widely embraced in order to maintain its self-sustenance. Within the process of adoption, there is a specific threshold at which an innovation achieves critical mass.

Empirical Review of Variables
The literature review examined the empirical evidence pertaining to the independent variables as shown below;

Bank Mergers and Organizational Performance
The economic trends in the world have had an impact on the Banking industry in Kenya too. The impact this has had on erosion of market share is tremendous. Banks have changed their focus in the business from managing customer savings to managing the financial requirements and needs of their customers, while shifting the focus to the totality of the customers' financial requirements. According to Aosa (2019), the liberalization of the banking industry has led to banks merging, making strategic alliances, forming partnerships, making acquisitions and even taking to the drastic measures such as downsizing. Banks have been utilizing mergers as the strategy to multiply their performance both organizational and industry performance. According to Terer and Gichure (2020), a bank merger is a corporate strategy to combine with another bank and operate as a single legal entity. Evidently, the market has now been flooded with the entry of many new products (Chatterjee, 2020) that have been introduced to the market via intensive and extensive promotional strategies (Ngahu, 2022).
In their study that explored the implications of merging two fundamentally different types of banks (Islamic and conventional

banks), Al-Binali, Aysan, Dinçer, Unal & Yüksel (2023), employed a balanced scorecard-based strategic analysis using a Quantum Spherical Fuzzy Decision-Making Approach, had the findings suggesting that a well-planned merger strategy is essential for avoiding challenges and maximizing the benefits of merging Islamic and conventional banks. By integrating the strengths of both types of banks, a merged entity could create a competitive advantage and potentially improve organizational performance.
Minton, Williamson and Taboada (2021), in their paper, investigated the impact of bank mergers on community investment through an evaluation of small business loan (SBL) originations. They concluded that bank merger intensity has a positive influence on SBL originations in the target market. That this conclusion was driven by the impact of small acquirers where mergers involving small and in-state acquirers are positively associated with SBL originations, especially for small SBLs and loans to small firms. In contrast, they found adverse effects (decreases in SBL originations) associated with mergers involving large acquirers with no impact on SBL originations for mergers involving out-of-state acquirers.
Ngahu (2022) established the effect of bank mergers and acquisitions on organizational performance of commercial banks in Kenya. The study was guided by asset growth, shareholders value and synergy on the performance of merged banks in Kenya as objectives. The study adopted a causal research design. It adopted a census method which involved studying all the 6 merged banks from the year 2010 to 2015. The study used secondary data from published audited annual reports of commercial banks and banking supervision annual reports. Descriptive and inferential statistics were used to analyze data at 5% significance level. The study found out that the bank mergers and acquisitions had a positive impact on shareholders' value and assets of the merged or acquiring banks in Kenya. Bank mergers and acquisitions (M&A)

perform a vital role in corporate finance by enabling firms achieve varied objectives and financial strategies. In Kenya banks have been merging with the goal of improving their performance. Studies done on bank mergers and acquisitions have not conclusively established whether or not banks benefit from bank mergers. Joash and Njangiru (2020) examined the banks that have merged or acquired in Kenya for the period between 2000 and 2014. The aim of the study was to analyze whether the merger had any effect on the bank performance. The study was a census of which all the 14 banks that had merged or acquired others in the period from 2000 to 2014 were investigated. Data was collected by use of questionnaires with both open and closed ended questions. The collected data was analyzed using SPSS where the co-efficient of correlation obtained was used to determine the nature of the relationship between the independent and dependent variables. The study found that the bank mergers and acquisitions raised the shareholders' value of the merged/acquiring banks in Kenya. The study further revealed that the main reason why most banks merged or acquired was to raise their profitability. The research questions were significant to the study and useful in arriving at study conclusions. The researcher recommended that thorough feasibility studies should be carried out before the merger/acquisition.

Innovation Strategies on Organizational Performance

Innovation is a long process depending critically on recognition of new, external information, assimilating it, and applying it to commercial ends (Onafadeji & Adeniran, 2021). Over the past decades the structure of the commercial banking sector has undergone dramatic changes, despite the functions performed by the commercial banks remaining relatively constant. Innovations strategies in listed tier 1 commercial banks have strategic variables to surpass any form of competition thus

becoming an effective means by which the banks can improve their performance while simultaneously being able to maintain their effectiveness in the market (Okayo, 2022).

Innovative Strategies are ways through which tier 1 commercial banks reinvent or redesign their corporate strategies to grow, create more value and thus remain competitive (Munene, 2020). Innovation strategy gives a clear direction and concentrates the effort of the whole organization on a common innovation end on the organizational performance of the commercial banks (Gachimu & Njuguna, 2017). Currently, most of the commercial banks are adopting products innovations, process innovations, market innovations and stimulus innovations and these innovation strategies should specify how the significance of innovation was communicated to all the employees to attain their buy-in and must openly reflect the significance that management places on innovation. The management of high performing institutions was tangibly and visibly committed to new product development and overtly formulated and communicated the institution's new product development strategy (Mohamud & Mungai, 2019). Organizational performance of tier 1 commercial banks is the extent to which objectives of the banks was met or have been met. The banks' performance subject to how effectively a firm uses its assets from its principal role of conducting business and its subsequent generation of revenues. Organizational performance analysis can deal with items such as firm growth, sales turnover, capital employed, asset base among others about the firm (Asisi, 2023).

Innovation strategies in banks are the act of creating and then popularizing new products such as financial instruments as well as new financial technologies, institutions, and markets. Innovation strategies involve the design, the development and the implementation of innovative financial instruments and processes, and the formulation of creative solutions to

problems existing at the particular bank and market. Innovation is an essential element for economic progress of a country and competitiveness of an industry.

Innovation strategies are considered as an effective way to improve performance of listed tier 1 commercial banks due to the resource constraint issue facing commercial banks. Innovative strategies can be grouped as new products (e.g., adjustable-rate mortgages; exchange-traded index funds); new services (e.g., on-line Securities trading; Internet banking); new "production" processes (e.g., electronic recordkeeping for securities; credit scoring); or new organizational forms (e.g., a new type of electronic exchange for trading securities; Internet-only banks). Innovation has not only opened up new opportunities for the sector participants, but also increased new market players arising from new products in the banking sector (Terer & Gichure, 2020).

MATERIALS & METHODS
Research Design
This study used descriptive survey research design. In their definition Al-Homaidi, Almaqtari, Yahya, and Khaled (2020) described a descriptive research design as method of collecting data systematically from a representative sample of individuals using instruments composed of closed-ended and/or open-ended questions, observations, and interviews. This design is widely used for non-experimental research designs across various fields of study to collect very large amounts of survey data from a sample representative and individuals sampled from the targeted population. Descriptive research design seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behavior. According to Kitutu and

Njogo (2019), this kind of design is appropriate for conducting research in human contexts because of portraying accurate current facts through data collection.

Target Population
Target population comprises groups of subjects in a study who have similarities in one way or another and form part of the subject of study in a survey (Muema & Abdul, 2021). Hancock, Algozzine, and Lim (2021) described a study population as the complete group of individuals or items that are under consideration in any field of inquiry and have common attributes and to which the results of the study can be inferred. Kitutu and Njogo (2019) defined population as any collection of individual elements that is finite or infinite. The definition of population according to statistics is a populace that is specific and from which information is desired.

The target population included 9 selected listed tier 1 Commercial Banks operating in Uasin Gishu County, Kenya, with 167 bank employees and 9 managing directors.

The sample size was then determined using the following model by Nasiurma (2000); -

$n = (NCV^2) / (CV^2 + (N-1) e^2)$

Where;

n = Sample size,

N = Population,

CV = Coefficient of variation (take 0.7) and

e = Tolerance at desired level of confidence (take 0.05 or 95% confidence level).

Substitution gives:

$n = \{(167*0.7^2)/ 0.7^2 + (167-1) 0.05^2\}$

= 81.83/0.905

= 90.419

= 90 respondents

The sample size was as presented in the table below:

Table 1: Sample Size

S/N0	Institution	Respondents	Sample Size	General Managers
1	KCB	57	31	1
2	Coop Bank	28	15	1
3	I&M Bank	8	4	1
4	NCBA	6	3	1
5	Stanchart	8	4	1

6	Stanbic	4	2	1
7	Equity	41	23	1
8	Absa	7	4	1
9	DTB	8	4	1
	TOTAL	**167**	**90**	**9**

Source: Researchers' Computation (2024).

Research Instruments

The study employed a triangulation approach to data collection. A combination of self-administered and structured questionnaires to branch managers, and the interviews schedules to the general managers as the data collection tools. A document analysis was also carried out. The questionnaires were dropped off and picked one week later to allow respondents humble time to fill them. According to (Issau, Acquah, Gnankob, & Hamidu, 2021) a questionnaire is a research instrument consisting of a list of questions and other prompts for the purpose of gathering information from respondents. According to Kothari, (2019), the questionnaires help in collecting potential information from a large portion of a group. The use of questionnaires relatively assists in quickly collecting information from the respondents and this represents and covers the study variables. The questionnaires comprised structured questions on a Likert scale of 5 points. A Likert scale was adopted because it is among the best tools in measuring opinions and could be adopted with ease and balance (Vorm & Combs, 2022).

The interview schedule contained bank managing directors who were part of the sample size. The interview questions were tailored on the basis of study variables but took a more open-ended approach to capture more information, the interviews were conducted on a one-on-one basis. The outputs were expected to complement the responses from the questionnaires. While document analysis was carried out on the audited financial statements of the respective tier one commercial banks, journals and any other literature from the banks.

Data Analysis and Presentation

The collected data was subjected to the relevant data cleaning, processing and analysis. Data analysis consisted both descriptive statistics and inferential statistics. Descriptive statistical tools, included mean, standard deviation, and skewness while inferential statistics in form of multiple regression analysis was adopted to examine the relationship between the independent and dependent variables. Simiyu and Gichure (2023) argue that multiple regression is the most suitable for studies that involve two or more explanatory variables. A general equation model was adopted that enabled the study to examine data with much flexibility and the analysis results were presented in form of a model taking the form below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y- Organizational Performance of tier one commercial banks in Uasin Gishu County, Kenya

β_0- A constant representing Organizational Performance *ceteris paribus*

β_1, and β_2- Coefficients affecting Organizational Performance in their marginal changes correspondingly.

X_1 - Bank Mergers,

X_2 - Innovation Strategies

E - The error term

The significance of the relationship between each of the independent variables and organizational performance was established using the F-test, at a 5% significance level being (or 95% confidence level). In this study, coefficient of correlation (R) and coefficient of determination (R^2) were used to determine the nature and magnitude of the relationship between the dependent variable and the independent variables. Correlation coefficient was used to measure the degree of the effect of innovation

strategies on organizational performance of tier one commercial banks in Uasin Gishu County, Kenya.

RESULT
Response Rate
From a total of 90 distributed questionnaires to the bank employees, 86 questionnaires were satisfactorily filled and returned, 2 questionnaires were incomplete and considered not fit to be included in the analysis while the other 2 questionnaires were not returned. Of the 9 managing directors to be interviewed, 7 were available and granted the opportunity to the researcher while 2 were unavailable. This

summed up to a response rate of 94% which was considered strong enough to carry on with data analysis of the collected data. A response rate of 50% is adequate; 60% good and above 70% is considered very good (Mugenda & Mugenda 2019). It was therefore resolved to adopt a significant level of 5% for purposes of data analysis.

Analysis of Organizational Performance
The research sought to establish respondents' feedback about the dependent variable, organizational performance. Their responses were then tabulated as shown in the table below:

Table 2: Results of Organization Performance

Item	SD %	D %	N %	A %	SA %	Mean	S. D
The high level of new and modern innovations in the bank has been increasing its market share in the industry	5	7	10	40	38	3.727	1.420
The bank has been continuously launching new services/products to meet customer requirement and be market leaders	3	8	9	48	32	3.091	1.378
Adoption of real time transactions enables the bank effectively serve the customers and improve performance	10	6	15	34	35	3.594	1.073
New innovations have improved the efficiency in the provision of bank services to customers	2	2	5	26	65	2.727	1.257

Source: Research Data, 2024
Key: 5-SD=Strongly Disagree, 4-D=Disagree, 3-N=Neutral, 2-A=Agree, 1-SA=Strongly Agree

From Table 2 above, on organizational performance (the dependent variable), 5% strongly disagreed as to whether the high level of new and modern innovations in the bank has been increasing its market share in the industry, 7% disagreed, 10% of the respondents were neutral. 40% of the respondents agreed that truly, the high level of new and modern innovations in the bank has been increasing its market share in the industry while 42% strongly agreed to this statement with a mean 2.7353 and standard deviation 1.420.
When asked about whether the banks had been continuously launching new services/products to meet customer requirement and be market leaders, 3% strongly disagreed, 8% disagreed, with 9% of the respondents remaining neutral. 48% agreed while 32% strongly agreed that the

banks have been continuously launching new services/products to meet customer requirement and be market leaders with a mean 3.091 and a standard deviation of 1.378.
Adoption of real time transactions enables the bank effectively serve the customers and improve performance, 10% strongly disagreed, 6% disagreed, and 15% of the respondents remained neutral. 34% agreed while 35% strongly agreed that indeed adoption of real time transactions enables the bank effectively serve the customers and improve performance the results posted a mean of 3.594 and a standard deviation of 1.073. New innovations have improved the efficiency in the provision of bank services to customers, 2% strongly disagreed, 2% disagreed, with 5% of the respondents remaining neutral. 26% of the respondents

agreed that new innovations have improved the efficiency in the provision of bank services to customers, with 65% of them strongly agreeing that indeed the new innovations have improved the efficiency in the provision of bank services to customers. These results were at a mean of 2.727 and a standard deviation of 1.257.

Bank Mergers and Organizational Performance.

The respondents reacted on the effect of bank mergers on organizational performance and their feedback tabulated as shown in the table below:

Table 3: Bank Merger Results

Item	SD %	D %	N %	A %	SA %	Mean	S. D
Bank mergers have been a key indicator to growth in customer numbers	3	5	12	39	41	3.515	1.439
Bank merger has led to reduced employee numbers in respective departments to competitive levels	4	3	4	30	59	3.029	1.291
Bank merger has resulted to improved output volumes due to combined synergy levels	2	4	15	23	56	3.394	1.116
Operational efficiency experience improvement due to bank merged personnel expertise	5	10	10	45	30	3.029	1.297

Source: Research Data, 2024
Key: 5-SD=Strongly Disagree, 4-D=Disagree, 3-N=Neutral, 2-A=Agree, 1-SA=Strongly Agree

As regards to whether bank mergers had been key indicator to growth in customer numbers, 3% of the respondents strongly disagreed, 5% disagreed while 12% of the respondents decided not to commit themselves on this statement. 39% of the respondents agreed with 41% of the respondents strongly agreeing that bank mergers had been key indicator to growth in customer numbers with 3.515 mean and 1.439 standard deviation.

As to whether bank mergers had led to reduced employee numbers in respective departments to competitive levels, 4% of the respondents strongly, 3% disagreeing while 4% of the respondents remained neutral. 30% of the respondents agreed and 59% strongly agreed that bank merger had led to reduced employee numbers in respective departments to competitive levels. This feedback was at a mean of 3.029 and a standard deviation of 1.291.

When asked whether bank mergers had resulted to improved output volumes due to combined synergy levels, 6% strongly disagreed, 14% of the respondents disagreed while 20% remained neutral. 26% of the respondents agreed while 34% strongly agreed that bank mergers had resulted to improved output volumes due to combined

synergy levels. The mean of the responses was at 3.394 and a standard deviation of 1.116. Majority of 60% of the respondents strongly agreeing to the statement, although the neutral and negative feedback were material and worthy consideration.

When required to respond on whether operational efficiency experienced improvement due to bank merged personnel expertise, 5% of the respondents strongly disagreed, 10% disagreed with another 10% remaining undecided. 45% of the respondents agreed that operational efficiency experienced improvement due to bank merged personnel expertise with 30% strongly agreeing that indeed operational efficiency experienced improvement due to bank merged personnel expertise. Generally, on this statement, the respondents returned favorable verdicts on the questions/statements on the bank mergers variable, although not as strong as in other variables. These posted a mean of 3.029 and a standard deviation of 1.297.

Data in relation to the managing director response was collected through interviews on whether the bank had had a merger before and the effect on the operation volume of the bank. The feedback was tabulated as shown below;

Table 4: Bank Merger (Interview)

Level of participation	Frequency	Percent
Yes	5	71
No	2	29
Total	7	100

The results in the table above showed that 71% of the listed tier 1 commercial banks had participated in bank mergers while 29% had not. By integrating the strengths of both types of banks, a merged entity could create a competitive advantage and potentially improve organizational performance. The feedback from the bank MDs was in agreement with Ngahu (2022), who opined that bank mergers resulted to asset growth, shareholders value and synergy on the performance of merged banks in Kenya. Overall, bank mergers and acquisitions had a positive impact on shareholders' value and assets of the merged or acquiring banks in Kenya which led to organizational performance of the listed tier 1 commercial banks in Kenya.

Innovation Strategies and Organizational Performance

The study sought to investigate the effect of innovation strategies on organizational performance of tier 1 commercial banks in Uasin Gishu County. The findings were as recorded in the table below:

Table 5: Innovation Strategies Results

Item	SD %	D %	N %	A %	SA %	Mean	S. D
Adoption of ATM use positively impacted bank performance	4	6	5	49	36	3.537	1.363
The bank has continuously been launching new products and services to manage competition as well as meet customer requirements	5	12	8	41	34	3.471	1.367
Adoption of real time transactions has enabled the bank to serve customers better	4	9	3	49	35	4.182	1.211
Commission based fee income has increased due to adoption of ETF services	5	3	1	45	46	4.362	1.035

Source: Research Data, 2024
Key: 5-SD=Strongly Disagree, 4-D=Disagree, 3-N=Neutral, 2-A=Agree, 1-SA=Strongly Agree

The results above presented the respondents' feedback on whether adoption of ATM use positively impacted bank performance. 4% of the respondents strongly disagreed, 6% disagreed, while 5% were neutral. 49% of the respondents agreed that adoption of ATM use positively impacted bank performance, while 36% strongly agreed to this statement at a mean of 3.537 and a standard deviation of 1.363. On whether the bank has continuously been launching new products and services to manage competition as well as meet customer requirements, 34% of the respondents strongly agreed, 41% agreed, 8% were neutral 12% disagreed while 5% of the respondents strongly disagreed that the bank has continuously been launching new products and services to manage competition as well as meet customer requirements (Mean 3.471, S.D 1.367).

On whether adoption of real time transactions has enabled the bank to serve customers better, 4% of the respondents strongly disagreed with the statement, 9% disagreed on whether adoption of real time transactions has enabled the bank to serve customers better, and 3% of the respondents remained neutral. 49% of the respondents agreed while 35% of them strongly agreed that indeed adoption of real time transactions has enabled the bank to serve customers better (Mean 4.182, S.D 1.211).

As to whether commission-based fee income has increased due to adoption of ETF services, the findings were that 5% strongly disagreed, 3% disagreed while only 1% of the respondents were neutral. With majority of the respondents; 45% agreeing and 46% strongly agreeing that commission-based fee income has increased due to adoption of ETF services, it was

evident that a convincing majority of 91% returned a positive verdict on the statement (mean 4.362; S.D 1.035). These findings were in agreement with Mukira, Kariuki and Muturi (2022) who advised that commercial banks should make use of several innovation tactics in order to be more competitive in the market and attain unmatched customer satisfaction levels among other positive attributes that may be enjoyed.

The feedback from the bank managing directors on the last study independent variable on how their tier one commercial banks ranked in innovation strategies in comparison to same level competitors. The results were tabulated as below:

Table 6: Innovation Strategies (Interview)

Level of participation	Frequency	Percent
Yes	7	100
No	0	0
Total	7	100

Source: Research Data, 2024

The bank managing directors believed that their banks had the best innovation strategies in the sector. These innovation strategies provided the banks with cutting edge platforms that enabled the banks to improve on the services to attain reasonable consumer satisfaction levels and hence the overall bank performance as derived from the increased customer base over the study period in the listed tier one commercial banks in Kenya.

Correlation Analysis
The study tested the relationship between the variables and extracted the Pearson's correlation matrix as presented below:

Table 7: Correlation Matrix

			Bank Mergers	Innovation Strategies	Organizational Performance
Spearman's Rho	Bank Mergers	Correlation Coefficient	1.000		
		Sig. (2-tailed)	.101		
		N	86		
	Innovation Strategies	Correlation Coefficient	.214	1.000	
		Sig. (2-tailed)	.526	.329	
		N	86	86	
	Organizational Performance	Correlation Coefficient	.502*	.511	1.000
		Sig. (2-tailed)	.017	.203	.86
		N	86		

Source: Research Data, 2024

The correlation matrix table above indicated the correlation between the variables where Organizational Performance was the dependent variable of the study. Bank mergers (r=0.502) positively correlated with organizational performance of listed tier 1 commercial banks in Uasin Gishu County and innovation strategies (r= .511).

Regression Analysis
The purpose of the study was to determine the effect of innovation strategies on organizational performance of tier one commercial banks in Uasin Gishu County, Kenya under bank mergers, and innovation strategies on organizational performance of tier one commercial banks in Uasin Gishu County, Kenya as the independent variables. The multivariate regression analysis was carried out to determine the relationship between the study variables.

Model Summary

Te study used the co-efficient of determination (R-Square) to identify the variance to which the independent variables affected the dependent variable in the model. The larger the value of R square, the better and reliable the model.

Table 8: Model Summary

Model Summary			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.901[a]	0.812	0.789	0.1708
a. Predictors: (Constant), Bank Mergers and Innovation Strategies.			

Source: Research Data, 2024

The study coefficient of determination measured the amount of variation in the dependent variable explained by the independent variables (bank mergers and innovation strategies). The R square of 0.812 indicated that 81.2% of the variation in organizational performance of listed tier 1 commercial banks in Uasin Gishu County was explained by the independent variables. The remaining 18.8% of the variations in organizational performance of listed tier 1 commercial banks in Uasin Gishu County was explained by other variables or factors beyond the scope of this study.

ANOVA

The study tested the significance of the regression model using the analysis of variance (ANOVA) technique and extracted the table below:

Table 9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.256	5	1.8512	8.5113	.000[b]
	Residual	17.396	80	0.22175		
	Total	26.652	85			
a. Dependent Variable: Organizational Performance						
b. b. Predictors: (Constant); Bank Mergers and Innovation Strategies						

Source: Research Data, 2024

The F-ratio (F=8.5113) was found to be greater than the F-critical value (2.368), at 5% significance level and at p=0.000 which was less than the significance level, and from these results, the regression model was concluded to be statistically significant.

Regression Coefficients

The study used regression coefficients to determine the variation of the dependent variable with respect to the two independent variables. The multiple regression model below was extracted to represent the relationship that existed between the dependent variable and the independent variables:

Table 10: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	10.146	.150		2.594	.000[a]
	Bank Mergers	.330	.055	.401	2.089	.002
	Innovative Strategies	.345	.021	.502	3.111	.005

P<.05, 95% Confidence level, N=86
Source: Research Data, 2024

The following multiple regression model was therefore extracted from the above table:

$$Y = 10.146 + 0.330X_1 + 0.355X_2$$

The regression results indicated that the effect of the independent variables on the

dependent variable was positive, significant and in a linear relationship as shown by the multiple linear regression model extracted above. From the analysis of the model, it's evident that a unit increase (since all the variables have positive coefficients) in the independent variables will affect organizational performance of listed tier 1 commercial banks in Uasin Gishu County upwards as follows; bank mergers 33.0%; and innovative strategies 34.5% respectively. *Ceteris paribus*, organizational performance of listed tier 1 commercial banks in Uasin Gishu County will be 10.146.

DISCUSSION

Bank Mergers on Organizational Performance

Bank mergers, had a significant effect on organizational performance of listed tier 1 commercial banks in Uasin Gishu County, although with the lesser effect than innovation strategies variable, going by the statistical results (at $P < 0.05$). These findings were in line with Aosa (2019). According to Aosa (2019) who averred that the liberalization of the banking industry had led to banks merging, making strategic alliances, forming partnerships, making acquisitions and even taking to the drastic measures such as downsizing and therefore employing merger strategy to multiply their performance.

Innovation Strategies on Organizational Performance

Innovation Strategies had a positive and statistically significant effect on organizational performance of listed tier 1 commercial banks in Uasin Gishu County as depicted by the study findings. These findings revealed that listed tier 1 commercial banks in Uasin Gishu County were affected by the innovation strategies adopted by the respective tier 1 commercial banks in Uasin Gishu County, Kenya, at $P < 0.05$.

Hypothesis Testing

According to Kothari (2019), a test of hypothesis is a decision rule based on a random sample of a population which helps the researcher to make an "accept or reject" decision on the null hypothesis of the study. Using hypothesis testing, the researcher tested the regression results generated from the model with an intention to determine whether the independent variables (bank mergers and innovation strategies) had a significant effect on the explained variable (organizational performance) or not. The above, presented a p-value for the independent variables which was statistically and positively significant at ($p< 0.05$) thereby supporting the decisions on the alternative hypotheses H_{A1} and H_{A2}.

H_{A1}: Bank mergers have a significant effect on Organizational performance of Listed Tier 1 Commercial Banks in Uasin Gishu County.

The second hypothesis, on bank mergers, as shown by the results in table 10 above, had a positive and significant influence on organizational performance at a coefficient of ($\beta = 0.330$, t= 2.089). The researcher therefore concluded that the alternative hypothesis (H_{A1}) was rejected and instead be held that the variable, bank mergers, had a significant effect on organizational performance of listed tier 1 commercial banks in Uasin Gishu County, although with the least effect of the four variables, going by the statistical results (at $P < 0.05$).

H_{A2}: Innovative strategies have a significant effect on Organizational performance of Listed Tier 1 Commercial Banks in Uasin Gishu County.

The fifth and last hypothesis, on innovation strategies, had a positive and significant influence on organizational performance at a coefficient of ($\beta = 0.345$, t= 3.111). The researcher therefore concluded that the alternative hypothesis (H_{A2}) was therefore rejected and instead held that the variable, innovation strategies, had a significant effect on organizational performance of

listed tier 1 commercial banks in Uasin Gishu County, Kenya, at $P < 0.05$.

CONCLUSION

Basing on the findings, the following conclusions were made from the research analysis results; that overall, the organizational performance of listed tier 1 commercial banks in Uasin Gishu County is greatly affected by the study variables, although at different levels of magnitude, as indicated by the correlation and regression results above.

Bank Mergers on Organizational Performance

The second research objective was on the effect bank mergers had on organizational performance of listed tier 1 commercial banks in Uasin Gishu County. The study found that According to Aosa (2019), the liberalization of the banking industry has led to banks merging or utilizing mergers as the strategy to multiply their performance both organizational and industry performance. These results were supported by the correlation and regression findings which reflected strong and statistically significant effect of bank mergers on organizational performance.

Innovation Strategies on Organizational Performance

The last research objective was on the effect innovation strategies had on organizational performance of listed tier 1 commercial banks in Uasin Gishu County. The study concluded that innovation strategies had a statistically significant and positive effect on the organizational performance of the tier 1 commercial banks in Uasin Gishu County, Kenya. This conclusion was supported by both the correlation and regression analysis results of the study. This conclusion was further supported by Aosa (2019), who averred that the liberalization of the banking industry has led to banks merging or utilizing mergers as the strategy to multiply their performance both organizational and industry performance. These results were

supported by the correlation and regression findings which reflected strong and statistically significant effect of innovation strategies on organizational performance of tier 1 commercial banks in Uasin Gishu County, Kenya.

Recommendations

From the findings and conclusions, the study drew the following recommendations: That the banks to adopt mergers and acquisitions after thorough exhaustion of the M&A process to ensure that the M&A positively affects the organizational performance as envisaged and finally, tier 1 commercial bank management to promote more innovative products and services to make their banks meet the customer needs to satisfy the customers and grow the customer base further.

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