INFLUENCE OF TURNAROUND STRATEGY ON PERFORMANCE OF CONSOLIDATED BANK KENYA LIMITED

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ABSTRACT

Many banking corporations worldwide have been embarking on a turnaround strategy as a measure to overcome bank performance challenges and realize increased profitability. Consolidated bank recently re-branded after accumulated losses of Kshs.576 Million which were cleared and this allowed the Bank to list at Nairobi Stock Exchange and thereafter reported a profit of Kshs.175.9 Million. The main objective of this study was to establish the influence of turnaround strategy on performance of Consolidated Bank. The study was guided by the following specific objectives; to identify the influence of innovativeness; determine the influence of government policies; find out the influence of technology adoption and examine the influence of management skills on the performance of Consolidated Bank. The study adopted a descriptive research design and the target population comprised of 140 management staff working at consolidated bank in Kenya. The study adopted a stratified random sampling technique to select a sample size of 70 respondents. The main data collection instruments were questionnaires containing both open ended and close ended questions. A pilot study was carried out to test the reliability and validity of the questionnaires. Descriptive statistics data analysis method was applied aided by Statistical Package for Social Sciences (SPSS) to analyze the gathered data where responses frequencies, percentage mean and standard deviation results were computed. Finally Multiple Linear Regression model was employed to establish the significance of the independent variables on the dependent variable. The findings are presented using tables and charts. Findings of the study concluded that the independent variables i.e. innovativeness, managerial skills, technology adoption and government policies are critical factors of turnaround that influence performance. It can be concluded that innovativeness was the critical factor as a turnaround strategy influencing performance of consolidated bank. The study recommends that the bank management should invest in research and development and develop new products that are competitive in the target market. The bank should also venture into new market and re-engineer business processes through business process outsourcing.

*Key Words:* turnaround strategy, performance, Consolidated Bank Kenya Limited
Introduction

A study by Scherrer (2003) using an exploratory research design revealed that Turnaround is a sustained positive change in the performance of a business to obtain a desired result, it is the process by which a business with inadequate performance is analyzed and changed to achieve a desired result. In a turnaround, analysis and action are simultaneous. The immediate requirement is to find the major problems, analyze them and implement solutions. A successful turnaround is a complex procedure that requires a strong management team and sound business core. The stage of decline a business will determine the type of action that must be taken to accomplish the turnaround.

Several key elements contribute to a successful business turnaround. The most important is that the business has a sound core that can be saved; this means a salable product or service, a proven market, operating assets and a staff of capable personnel. This is the viable core of the business. The turnaround also requires the leadership of a competent management, capital for use throughout the process (in the form of new loans, restructured debt, bridge capital, etc.), and the trust and support of the company’s employee’s stakeholders. The time frame of the turnaround will vary depending on these elements and on the severity of the decline. Naturally, a business that recognizes signals of decline in the early stages can be revitalized more quickly, ridding itself of debt and strengthening its competitive position (Scherrer, 2003).

The turnaround strategy is meant to improve financial performance. It is aimed at improving productivity of the existing operations, the confidence levels of the total workforce and resources that could potentially be mined and ensuring that the full potential of land-based operations is achieved. Empirical studies have indicated that a company’s future can be improved by adopting a turnaround strategy (Marvasti, 2000).

Global Perspective of Turn Around Strategy

Many organizations worldwide have been adopting a turnaround strategy as a measure to arrest the decline in performance and revive organization growth. In United Kingdom, many firms employ various turnaround strategies when they encounter multiple years of declining financial performance (Maishanu, 2012). In United States, successful implementation of turnaround strategy has made many corporations to achieve a competitive edge in their respective industries while in China turnaround strategy in many corporations has led to products innovations and acquisition of a big market share in the global market (Slatter, 2009).

The banking industries in central Europe and Latin America have also been transformed as a result of privatizations of state-owned banks that had dominated their banking systems in the past. Yet the summary statistics on the banking systems in individual economies strongly suggest that there is much potential for further bank consolidation. Many emerging economies, notably in Asia, still have vast numbers of small deposit-taking institutions. And the banking systems in
Latin America and some central European economies remain relatively underdeveloped, a legacy of the lack of confidence in the currency or the banks (Rhoades, 2000).

A turnaround situation is one where a company suffers declining economic performance for an extended period of time, such that the performance level is so low that the survival of the company is threatened unless serious efforts are made to improve its performance. Achieving turnaround calls for a totally different set of skills to probe into the causes of decline and to formulate appropriate strategies to transform the company for a fresh lease of life (Prasad, 2006). A corporate turnaround may be defined simply as the recovery of a firm’s economic performance following an existence-threatening decline (Pandit, 2000; Walshe, 2004).

In India, Indian Bank is one of the oldest nationalized banks of India. In 1992, the prudential norms related to asset classification, income recognition and provisioning were introduced, which made the bank’s Non-Performing Assets (NPAs) clearly visible. These NPAs were gradually increasing because of the bank’s methods and systems. In 1999, a Management Advisory Group, appointed by the Reserve Bank of India, reported that Indian Bank was a weak bank, as its accumulated losses exceeded its capital and reserves. In 2000, a restructuring plan for a three-year period from 2000 to 2003 was proposed to turnaround the bank. In The year 2004 the bank Non-Performing Assets (NPAs were low and the bank profit margin rose by over 30%. This was influenced by successfully implementation of a restructuring strategy (Bhavika, 2012).

In Malaysia the financial performance of many commercial banks has improved as result of successful implementation of turnaround strategies. For example Bank Islam employed a 3-year Turnaround Plan, involving the entry of a new management team, a wide-scale reorganization exercise and a fundamental revamp of the Bank’s processes. These initiatives significantly eased its gross non-performing financing (“NPF”) ratio to 7.6% as at end-June 2010, from a peak of approximately 30% four years before. While Bank Islam’s gross NPF ratio is high vis-a-vis the industry average, RAM Ratings notes that advances disbursed after the commencement of its Turnaround Plan had commendable gross NPF ratio of 1.4% (Kek & Ching, 2010). With an asset base of RM30.3 billion as at end-June 2010, Bank Islam is the third-largest commercial Islamic bank in Malaysia, accounting for approximately 12% of the Islamic banking industry’s assets. As at the same date, the Bank accounted for 7.5% and 12.7% of the Malaysian Islamic banking industry’s financing and deposits, respectively (BankIslam, 2010).

**Turnaround Strategy at Consolidated Bank Kenya**

From 1st January 2001, consolidated Bank was granted a banking licence to operate as a fully-fledged Commercial Bank. In the period 2001 to 2009, the Bank’s focus remained on restructuring and turning the institution into profitability by initiating aggressive strategies that would help achieve this goal. These strategies centred on: People development, refurbishment of existing business premises, deposit mobilization, growth of quality loan assets, process and
systems improvement and marketing. Consequently, from the losses in the previous years, the Bank began to make increased annual profits consistently from 2006 to date (CBK, 2013).

Statistics from the Central Bank of Kenya (CBK) shows that in the year 2007 Consolidated Bank accumulated losses of Kshs.576 Million which were cleared in 2011. Reports available from Capital Markets reveals that the move cleared the Bank to list at Nairobi Stock Exchange, an avenue its exploring as it plans to privatize (NSE, 2012). Data from Central Bank of Kenya (CBK) shows that Consolidated Bank last year, 2012; the bank reported a profit of Kshs.175.9 Million (KBA, 2013). Consolidated Bank raised Kshs.1.7 billion in a corporate bond out of a target of Kshs.2 billion. The Money has helped the Bank to grow its lending book by 52% to Kshs 9.2 billion.

Today, Consolidated Bank has established itself as a reliable, modern and professionally run Commercial Bank. Going forward, the Bank aims to be among the top 10 Bank Brands overall and top 3 SME banks in Kenya by 2014. The drivers that the Bank has identified include: Leadership and Talent management, Customer Service delivery, Continued emphasis on sound corporate governance, Product innovation with emphasis to leverage on ICT platforms, reengineering of processes to enhance operational efficiency among others (CBK, 2013).

**Statement of the Problem**

According to World Bank (2013) many banking corporations worldwide have been embarking on a turnaround strategy as a measure to overcome bank performance challenges and realize increased profitability (WB, 2013). In Kenya, Commercial Banks have been competing to win the customer over the others in terms of price, service standards, advertising, innovation in products and services offered, relationship management and product differentiation (Mbiti & Weil, 2011). Consolidated bank recently re-branded in an attempt to shake off the old parastatal-like image it has borne for years (Aron, 2010). Statistics from the Central Bank of Kenya (CBK) shows that in the year 2007 Consolidated Bank accumulated losses of Kshs.576 Million which were cleared in 2011 (CBK, 2013).

According to CMA (2013) clearance of these losses cleared the Bank to list at Nairobi Stock Exchange, an avenue its exploring as it plans to privatize (NSE, 2012). Consolidated Bank in the year, 2012 reported a profit of Kshs.175.9 Million (KBA, 2013). In July 2012, Consolidated Bank raised Kshs.1.7 billion in a corporate bond out of a target of Kshs.2 billion and this helped the Bank to grow its lending book by 52% to Kshs 9.2 billion (CBK, 2013).

The above foregoing background reveals that consolidated bank is a case of turnaround strategy and effective measures are required to keep bank performance on the upward trend. Statistics show that the turnaround has lead to the Bank operations leading to jobs creation and economic development of the country (ROK, 2013)
Past studies failed to explain how turnaround strategy affects banks' performance. Despite the significance role of turnaround strategy on bank performance, empirical studies by Kamunde (2010), Gitonga (2010) and Anyanzwa (2013) narrowed their research undertakings into different areas of strategic management and performance of financial institutions. This therefore left a major knowledge gap on how banking institutions should realize increased performance through successful implementation of turnaround strategy. It is hence against this background that this study was undertaken to fill the missing knowledge gap by establishing the influence of turnaround strategy on performance of Consolidated Bank.

**General Objectives**

The study sought to establish the influence of turnaround strategy on performance of Consolidated Bank.

**Specific Objectives**

1. To identify the influence of innovativeness on the performance of Consolidated Bank of Kenya.
2. To determine the effect of government policies on the performance of Consolidated Bank of Kenya.
3. To find out the effect of technology adoption on the performance of Consolidated Bank of Kenya.
4. To examine the influence of managerial skills on the performance of Consolidated Bank of Kenya.

**Theoretical Review**

A Theory is a set of statements or principles devised to explain a group of facts or phenomena especially one that has been repeatedly tested or is widely accepted and can be used to make predictions about natural phenomena (Popper, 1963). Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter (Hawking, 1996). A formal theory is syntactic in nature and is only meaningful when given a semantic component by applying it to some content (i.e. facts and relationships of the actual historical world as it is unfolding (Zima, 2007).

**Theoretical Framework**

A theoretical framework provides the researcher the lens to view the world. The theoretical framework relates to the philosophical basis on which the research takes place and forms the link between the theoretical aspects and practical components of the problem under investigation. In this study the theoretical framework consists of theories and models related to the present study.
It is in this framework where the research problem under study evolved. The theoretical framework thus discusses diffusion Schumpeterian theory of innovation, resource based theory, technology adoption lifecycle model and institution theory.

**Schumpeterian Theory of Innovation**

Schumpeter’s (1934) theory of innovative profits emphasized the role of entrepreneurship and the seeking out of opportunities for novel value and generating activities which would expand (and transform) the circular flow of income through risk taking, proactivity by the enterprise leadership and innovation which aims at fostering identification of opportunities through intellectual capital of entrepreneur to maximize the potential profit and growth (Ngugi, 2013).

Schumpeterian growth theory goes beyond economist theory by distinguishing explicitly between physical and intellectual capital, and between saving, which makes physical capital grow, and innovation, which makes intellectual capital grow. It supposes that technological progress comes from innovations carried out by firms motivated by the pursuit of profit, and that it involves what Schumpeter called “creative destruction”. That is, each innovation is aimed at creating some new process or product that gives its creator a competitive advantage over its business rivals; it does so by rendering obsolete some previous innovation; and it is in turn destined to be rendered obsolete by future innovations (Schumpeter, 1934).

Schumpeter, as cited by Swedberg (2000), pointed out economic behavior is somewhat automatic in nature and more likely to be standardized, while entrepreneurship consists of doing new things in a new manner, innovation being an essential value. As economics focused on the external influences over organizations, he believed that change could occur from the inside, and then go through a form of business cycle to really generate economic change. He set up a new production function where the entrepreneur is seen as making new combinations of already existing materials and forces, in terms of innovation; such as the introduction of a new good, introduction of a new method of production, opening of a new market, conquest of a new source of production input, and a new organization of an industry (Casson, 2002). For Schumpeter, the entrepreneur is motivated by the desire for power and independence, the will to succeed, and the satisfaction of getting things done (Swedberg, 2000).

**Institutional Theory**

According to Oliveira and Martins (2011) institutional theory emphasizes that institutional environments are crucial in shaping organizational structure and actions. The theory stipulates that organizational decisions are not driven purely by rational goals of efficiency, but also by social and cultural factors and concerns for legitimacy. Institutions are transported by cultures, structures, and routines and operate at multiple levels. The theory claims that firms become more similar due to isomorphic pressures and pressures for legitimacy. This implies that firms in the same field tend to become homologous over time, as competitive and customer pressures motivate them to copy industry leaders. For example, rather than making a purely internally
driven decision to adopt e-commerce, firms are likely to be induced to adopt and use e-commerce by external isomorphic pressures from competitors, trading partners, customers, and government

**Technology adoption lifecycle Model (TALC)**

The technology adoption lifecycle (TALC) describes how a market develops for a new product category. Understanding TALC helps business managers focus product management, develop future marketing strategies and allocate resources for radically innovative products which are referred to as discontinuous innovations (marsdd.com, 2013). According to Wiefels (2002) the stages of technology adoption lifecycle includes; the early market which consists of visionaries and technology enthusiasts, chasm, bowling alley/pragmatists, the tornado/pragmatists, main street/conservatives and total assimilation/skeptics.

The Early Market (consists of visionaries and technology enthusiasts. The market at this stage consists of visionaries and technology enthusiasts (Wiefels, 2002). In the Bowling Alley/Pragmatists phase of the lifecycle, the innovation appeals to customers within narrowly defined market niches, who are conservative but open to new ideas, and who are influential and active in the community (marsdd.com, 2013). In the Tornado/Pragmatists represents the stage the market development expands outside the niche markets of the previous phase and develops into a mass market (Wiefels, 2002). In the Main Street/Conservatives, the market has entered the mature stage of its lifecycle, experiencing declining growth rates. Total Assimilation/Skeptics is the stage, near the end of the lifecycle; it is the laggards or skeptics who embrace the product. Some after-sale services offered by marketers will provide lingering revenues. By this stage, the interests of the media and analysts have changed and evolved.

**Katz’s theory of managerial skills**

Management is a set of goal-directed, interrelated and interdependent activities, aimed at accomplishing organizational goals in an efficient and effective manner (Mantha & Shna, 2006). Robert Katz identified three types of management skills, technical, human and conceptual skills (Koontz & Weihrich, 1988). Technical skills incorporate the knowledge of and proficiency in activities involving methods, processes and procedures which involves working with tools and apply specific techniques in a task (Koontz & Weihrich, 1988). Human or interpersonal skills entail the ability to work with people and involve the creation of an environment in which people feel secure and free to relate while conceptual skills involve the ability to see the big picture and entails recognizing significant elements in a situation (Koontz & Weihrich, 1988). The relative importance of technical, interpersonal and conceptual skills varies with the level of management where top level managers require more of conceptual skills to have a holistic perspective of the organization which comes handy in strategic planning and decision-making. Technical skills help to manage the specialist functions of departments. All levels of management require
interpersonal skills in order to interact and communicate with other people successfully (Mantha & Shna, 2006).

**Empirical Review**

A study by Kamunde (2010) on Turnaround strategies at Development Bank of Kenya adopted a case study research design to gain an in depth understanding of the strategies. The study revealed that Development Bank employed various strategies to confront declining performance. The process involved top management change, which saw the exit of the previous CEO and other changes at the board level. The process involved all the stakeholders to provide support for the much needed changes. For any turnaround to be successful, the organization must move fast to salvage the core of the business. Increasing efficiency is an important factor as these actions improve profitability in the short run and allow the company to release resources that may be used elsewhere. This can also play an important role in winning back stakeholders support and help raise external resources to fund other strategies.

A study by Gitonga, (2010) on the role of board capital on strategic turnaround in Kenya Commercial Bank Limited used a case study design. The study found out that board capital measures such as expertise, prestige, knowledge of market and products, as well as professional experience was inherent in the bank's board of directors. The study concludes therefore that the board capital of the bank was very instrumental in shaping the course of the bank in terms of turning around its dwindling performance at the time. The study recommends that the management of other companies in turnaround processes should emulate the practice used by the Kenya Commercial Bank by having experts in the board with varied professional experiences and knowledge of banking sector if they are to turnaround.

Kasembeli (2013) noted that KCB has come through a successful turnaround strategy that has seen it stop making losses to posting double digit growth in net profit in the last two years after posting a net loss of KSh4.1 billion in 2002. On the other hand, Equity Bank, a once micro finance institution turned bank with an enormous growth rate, has also begun its race for the region. Other Kenyan banks that have succeeded in implementation of a runaround strategy include Southern Credit Bank, which recently launched a regional expansion programme.

Anyanzwa (2013) identified that the National Bank of Kenya (NBK) has been mulling over a major turnaround strategy with hopes of attaining tier one status in the next five years. The bank announced plans for a major cash call from its existing shareholders by mid next year to support its growth and expansion strategy scheduled for completion in 2017. The plan, which has been crafted by the Bank’s new management, seeks to reposition NBK as a key player in the banking industry. The move will restore its foothold on its rapidly fading market share. NBK board has also outlined a raft of new measures to transform the 44-year-old institution into a highly profitable and competitive banking entity.
The bank turnaround strategy entails a restructuring process that includes the diversification of the Bank’s balance, which has highly concentrated on retail banking. The bank has so far created a new corporate and institutional banking division to rival top lenders like Barclays, Kenya Commercial Bank (KCB) and Standard Chartered Bank. The move reduces its reliance on consumer lending (Anyanzwa, 2013). The bank turnaround strategy has strengthened the capacity for its Treasury department; recruited new talents in market risk, operational risk and credit risk. It has also revamped customized value prepositions by venturing into Islamic banking. The bank has also has hired six executives to head the finance, currency trading, retail banking, Islamic banking and institutional banking divisions in the quest for a larger share of the debt market, currency trading and custody business (Anyanzwa, 2013).

Innovativeness

Wairagu (2011) conducted a study on the relationship between financial innovation and profitability of commercial banks in Kenya. The study applied a descriptive research design. The study found out that there is no doubt that many commercial banks have embraced financial innovation as way increase efficiency and improve the banks performance. This innovations have included massive branch network expansion, development of unique product that serve specific groups and automation of banking services that have enabled customers to carry out banking transaction outside the confine of the banking premises, either on their phone or over the internet.

Gakure and Ngumi (2013) carried out a study to determine of bank innovations influenced profitability of commercial banks in Kenya. The study adopted a descriptive survey research design. The study found out that the influence of bank innovations on bank profitability was statistically significant. This indicated that the combined effect of the bank innovations was statistically significant in explaining the profits of commercial banks in Kenya. The study identified that Banks in Kenya have achieved more than a decade of boosting their earning capability and controlling costs through adoption of innovations like the mobile banking, internet banking and recently the agency banking. Due to the growing adoption of innovations by many leading commercial banks in Kenya, the study recommended that the management of banks which are laggards of innovation adoption, to move in and adopt various innovations in their operations in order to shore up their profitability. This recommendation was well supported by the fact that in Kenya, the leading banks in terms of profitability are mostly the fast movers in adoption of new technologies.

Government policy

Government policy entails the general principles by which a government is guided in its management of public affairs, or the legislature in its measures. As applied to a law, ordinance,
or Rule of Law, the general purpose of government policy is directed to the welfare or prosperity of the state or community (RoK, 2013).

In Kenya, government policies on banking matters are enforced by the central bank of Kenya. The Central Bank of Kenya (CBK) has implemented a requirement that all banks need to build their core capital to KES 1 billion (USD 12 million) by December 2012 up from KES 250 million (USD 4 million) in 2008 (KBA, 2013). The argument from the CBK’s perspective is that increased capital base is important for financial sector stability and may lead to cost reduction from economies of scale which may lead to lower prices (lending rates). However, other market players with an alternative perspective argue that the banking industry is already too concentrated and increasing the capital requirement further will only create more concentration (Gudmundsson, Ngoka-Kisinguh & Odongo, 2013).

Following the financial crisis of the 2007-2009 central bank introduced stringent regulatory measures, such as higher capital requirements have become more prominent as a move towards having stable and more competitive banking sector (CBK, 2009). CBK makes and enforces rules which govern the minimum capital requirement for Kenyan banks and are based on the international standards developed by the Basel Committee. In the year 2008, CBK reviewed the minimum capital requirements for commercial banks and mortgage finance institutions with the aim of maintain a more stable and efficient banking and financial system. According to the Banking Act (2008), every institution was expected to maintain; A minimum core capital of at least KES 1 billion (USD 12 million) by 2012; A core capital of not less than 8% of total risk adjusted assets plus risk adjusted off balance sheet items; A core capital of not less than 8% of its total deposit liabilities; A total capital of not less than 12% of its total risk adjusted assets plus risk adjusted off balance sheet items; In addition to the above minimum capital adequacy ratios of 8% and 12%, commercial banks were required to hold a capital conservation buffer of 2.5% over and above these minimum ratios to enable the institutions withstand future periods of stress (CBK, 2013)

This brings the minimum core capital to risk weighted assets and total capital to risk weighted assets requirements to 10.5% and 14.5%, respectively. In comparison with the international set standards, the regulatory capital within Basel III framework require banks to hold 6% of Tier I capital (up from 4% in Basel II) of risk-weighted assets and 8% of Tier II total capital (8% in Basel II) of risk-weighted assets. Basel III also introduced additional capital buffers (mandatory capital conservation buffer of 2.5% and a discretionary counter-cyclical buffer which would allow national regulators to have up to another 2.5% of capital during periods of high credit growth (KBA, 2013).

Technology Adoption

Technology adoption is the process through which organizations or individuals decide to make full use of an innovation in their daily businesses. Rogers (2003) defines adoption as a decision
to make full use of an innovation as the best course of action, and conversely, rejection is a
decision not to adopt an available innovation”. Furthermore, Rogers states that technology users
go through five stages before they can adopt a new technology. The five stages are: awareness,
interest, evaluation, trial, and adoption. Rogers differentiates the adoption process from the
diffusion process of innovation in that the diffusion process occurs within society, as a group
process; whereas, the adoption process pertains to an individual (Mohammad & Angela, 2010).

Technology itself can be a barrier to change in organizations. Technological change is especially
rapid in information technology, a supreme challenge for organizations that try to keep up with
the pace of innovation while controlling costs. Significant technological changes can create
major dislocations, rendering investments in existing technologies obsolete. Organizations
cannot depreciate prior investments fast enough to keep up with the rate of change or shift their
technical and human infrastructures rapidly enough without undermining organizational
performance As organizations introduce new technologies, full implementation and successful
adoption will not be achieved unless the workforce accepts technologies.

Various studies have demonstrated that the issue of technology adoption is a complex one, as
adopting a particular technology depends on many factors that contribute to the success or failure
of IT adoption in organizations. These factors may inhibit the success of the technology
adoption. Prospective and targeted users may reject the new technologies for several factors.
Absence of user involvement, lack of an understanding, technical difficulties, lack of training,
and insufficient support from top management and perceived complexity, are considered as the
main causes of user resistance. Moreover, users may reject some technologies because
technologies are not compatible with the values, beliefs, and past experiences of their social
system. Thus, user attitude is a key issue in technology adoption and diffusion (Rogers, 2003).
Therefore, it is important to understand the factors that motivate or hinder users attitude towards
the adoption of technological systems because a favorable attitude is a key requirement for the
successful application of such innovation (Mohammad & Angela, 2010).

Managerial Skills

Managerial skills are sets of qualities and attributes in the personality of managers that enable
them to effectively manage the working of a firm. Good managerial skills can create a world of
difference in the efficiency and performance of the organization (Becker, 1993). Managers needs
three important skills, these includes; technical, human and conceptual skills. Technical
knowledge is concerned with the ability to use methods, technique & equipment. In other words
manager should get adequate knowledge regarding work, methods and styles through education
and learning. Managers need to develop skills to understand his people and have regular contact
with his subordinates. Manager should learn how to motivate and seeking co-operation. To
maintain informal relation is necessary to enhance organization’s performance (Raju, 2011).
Manager should learn or develop conceptual skills, conceptual skills means ability to understand the complexities of the overall organization, his ability to think in abstract, analyze work situation and his creature & innovative ability to access the environment. In short he should understand environment, organization & his own job, so that he can stand to obtain organization goal. According to Drucker (2010) manager's first job is to take decisions. Manager should develop ability to solve the problems logically, objectively and scientifically and use modern techniques to arrive at right and optimal solution.

Abosede, Arogundade, Adebisi and Akeke (2011) found out that there is a causal relationship between management skills and organizational performance. Abosede, eta al (2011) identified six symptoms called managerial malpractice in organizations. These are selection of new managers from among the best performers regardless of presence or lack of interpersonal skills, promoting employees that lack supervisory or management talent, and retaining managers who are ineffective in securing results through others. Others are managers who reward individual efforts instead of teamwork, allowing managers to say one thing and do another and wasting valuable resources on attempts to fix incompetent manager instead of hiring qualified candidates. The bottom line here is that corporate performance is dependent on what managers of organization do. This is because managerial actions are grounded in ones traits, skills, and competence. Corporate performance in organization should be linked to the quality of management techniques in the context of the operating environment (Abosede, eta al, 2011).

Research Methodology

Research Design

The study adopted a descriptive research design. According to Sekaran (2003), descriptive research design is a non-experimental in that it deals with the relationships between non manipulated variables in a natural rather than laboratory setting. Since the events or conditions have already occurred, the researcher selects the relevant variables for an analysis of their relationships. Kothari (2006) describes descriptive research as including surveys and fact-finding enquiries adding that the major purpose of descriptive research is description of the state of affairs as it exists at present. Orodho (2009) describes a descriptive research design as a systematic empirical inquiry in which the researcher does not have direct control of independent variables because their manifestation have already occurred or they are inherently not manipulable.

Population

Target population is the entire set of units for which the study data are to be used to make inferences; the target population thus defines those units for which the findings of the study are meant to generalize (Dempsey, 2003). The target population comprised of 140 management staff
working at consolidated bank in Kenya. The study targeted the management staff since they are the one concerned with the implementation of turnaround strategy and understands technical issues on the influence of turnaround strategy on bank performance. The list containing the number of the management staff will be obtained from the Consolidated Bank Human Resource Management and formed the basis of the sampling frame for the study.

**Sampling Frame and Technique**

Sampling frame is the source list, it is a group of items or respondents from which sample has to be drawn, it constitute all the components of the target population (Dempsey, 2003). In this study the sampling frame was a list of 140 bank management staff. The list was obtained from the bank human resource management department. The study adopted a stratified random sampling technique to select the sample size for the study. According to Orodho (2009) stratified random sampling is considered appropriate since it gives all respondents an equal chance of being selected as a study respondent and thus it has no bias and eases generalization of the obtained findings. Kerlinger (1986) indicates that a sample size of 10% of the target population is large enough so long as it allows for reliable data analysis and allows testing for significance of differences between estimates. In this case, a sample size of 50% was preferred.

The sample size depends on what one wants to know, the purpose of the inquiry, what is at stake, what was useful, what had credibility and what can be done with available time and resources (Patton, 2002). A sample size represents the number of respondents who are selected from the target population to constitute a sample, the sample size therefore represents the actual number of respondents who were picked from each population category and issued with the questionnaires. Stratified random sampling was used to group respondents into three stratas namely; top management staff, middle level management staff and lower management staff.

Orodho (2003) states that stratified sampling are applicable if a population from which a sample is to be drawn does not constitute a homogeneous group. Simple random sampling was then used to select 50% of the population from each stratum. This led to a total of 70 respondents as the sample size for the study. A sample size of 50% is justifiable since according to Orodho (2009) 50% of the sample gives unbiased representation of all respondents’ opinions in the target population and this assists in generalization of research findings when the study design is descriptive. The sample population of the study was thus 70 respondents i.e. 50% of the study population.

**Data Collection Instruments**

Data collection instrument is a device used to collect data in an objective and a systematic manner for the purpose of the research (Orodho, 2009). In this study the main data collection instruments were questionnaires containing both open ended and close ended questions with the quantitative section of the instrument utilizing both a nominal and a Likert-type scale format.
The Likert-type format was selected since according to Kiess & Bloomquist (2009), this format yields equal-interval data, a fact that allows for the use of more powerful statistical statistics to test research variables. Questionnaire were preferred since according to Dempsey (2003) they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the researched problem. According to Kothari (2006) the information obtained from questionnaires is free from bias and researchers influence and thus accurate and valid data will be gathered. The questions addressed by the questionnaires sought to gather quantitative and qualitative data on the influence of turnaround strategy on performance of Consolidated Bank.

**Data Collection Procedure**

Primary data presents the actual information that was obtained for the purpose of the research study. Primary data was gathered through the use of questioning method in form of a semi structured questionnaire (open and close ended questions). The questionnaires were self-administered to a total of 70 respondents and later collected for data analysis.

Secondary data involved previously collected and tabulated data through the use of graphs, charts and reports. This type of data was collected from reference materials with key information helpful to this research study. Collection of secondary data was obtained through desk research mainly from past published scholarly articles on the influence of turnaround strategy on performance of Consolidated Bank.

**Data Analysis**

Since the study gathered both quantitative and qualitative data using semi structured questionnaires. The study applied a descriptive statistics data analysis method to analyze numerical data gathered using closed ended questions. The Statistical Package for Social Sciences (SPSS) computer software was used for analysis to generate data array that was used for subsequent analysis of the data. The data was cleaned, coded, categorized per each of the research variables and then analyzed using descriptive analysis such as percentage mean and STD deviation. Qualitative data analyses method was applied to analyze the data gathered using open end questions. This was analyzed through summarising the set of observations drawn from the respondents. Common set of observation was assigned numerical value and entered into the SPSS computer system.

Inferential statistics through the use of Multiple Linear Regression model was employed to establish the significance of the independent variables on the dependent variable. The findings will be presented using tables and charts. The following multiple regression model was applied:

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Y = a + B_1 \cdot X_1 + B_2 \cdot X_2 + B_3 \cdot X_3 + B_4 \cdot X_4 + B_5 \cdot X_5 + e
\]
Where:

\[
Y = \text{Bank Performance (Dependent Variable)} \\
a = \text{Constant} \\
b_1, b_2, b_3 \text{ and } b_4 = \text{coefficients} \\
X_1 = \text{Innovativeness (Independent Variable)} \\
X_2 = \text{Government Policies (Independent Variable)} \\
X_3 = \text{Technology Adoption (Independent Variable)} \\
X_4 = \text{Management Skills (Independent Variable)} \\
e = \text{error term}
\]

**Research Results**

**Regression Analysis**

The study further carried out regression analysis to establish the statistical significance relationship between the independent variables notably, \((X_1)\) innovativeness, \((X_2)\) government Policies, \((X_3)\) technology Adoption and \((X_4)\) management Skills and dependent variables \((Y)\) bank performance. According to Green & Salkind (2003) regression analysis is a statistics process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between one or more predictor variables and the response variable. The regression analysis results were presented using regression model summary table, Analysis Of Variance (ANOVA) table and beta coefficients table. The model used for the regression analysis was expressed in the general form as given below:

\[
Y = a + B_1\cdot X_1 + B_2\cdot X_2 + B_3\cdot X_3 + B_4\cdot X_4 + B_5\cdot X_5 + e
\]

For this model, bank performance was used as the dependent variable \((Y)\) and independent variables included \((X_1)\) innovativeness, \((X_2)\) government Policies, \((X_3)\) technology Adoption and \((X_4)\) management Skills. The relationships between the dependent variable and independent variables, and the results of testing significance of the model were also respectively interpreted. In interpreting the results of multiple regression analysis, the three major elements considered were: the coefficient of multiple determinations, the standard error of estimate and the regression coefficients. R squared was used to check how well the model fitted the data. R squared is the proportion of variation in the dependent variable explained by the regression model. These elements and the results of multiple regression analysis were presented and interpreted accordingly in table 1, table 2 and table 3.

From the findings of the study it shows that the regression model coefficient of determination \((R^2)\) is 0.901 and \(R\) is 0.949 at 0.05 significance level. This is an indication that the four independent variables notably; innovativeness, government Policies, technology Adoption and
management Skills were significant in contributing to bank performance. The coefficient of determination indicates that 94.9% of the variation on bank performance is influenced by independent variables (X1) innovativeness, (X2) government Policies, (X3) technology Adoption and (X4) management Skills. This implies that there exists a strong positive relationship between independent variables and bank performance. The remaining 6.1% of the variation on bank performance can be explained by other variables not included in the model. This shows that the model has a good fit since the value is above 75%. This concurred with Graham (2002) that (R2) is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around its mean. In general, the higher the (R2) the better the model fits the data.

Table 1: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.949</td>
<td>.901</td>
</tr>
</tbody>
</table>

Predictors: (Constant), X1, X2, X3, X4

The study further used one way Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green & Salkind (2003) posits that one way Analysis of Variance helps in determining the significant relationship between the research variables. Table 2 hence shows the regression and residual (or error) sums of squares. The variance of the residuals (or errors) is the value of the mean square which is 2.280. The predictors X1, X2, X3 and X4 represent the independent variables notably; (X1) innovativeness, (X2) government Policies, (X3) technology Adoption (X4) management Skills as the major factors influencing bank performance.

Table 2 presents the results of ANOVA test which reveal that all the independent variables notably; (X1) innovativeness, (X2) government Policies, (X3) technology Adoption (X4) management Skills have a significance influence on bank performance. Since the P value is actual 0.00 which is less than 5% level of significance. Table 4.13 also indicates that the high value of F (84.353) with significant level of 0.00 is large enough to conclude that all the independent variables significantly influence bank performance.

Table 2: Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>P-Value.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>9.119</td>
<td>4</td>
<td>2.280</td>
<td>84.351</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>1.000</td>
<td>37</td>
<td>.027</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>10.119</td>
<td>41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X1, X2, X3, X4
b. Dependent Variable: Y
Table 3 presents the results of the test of beta coefficients which indicates that the significant relationship between independent variables notably; \((X_1)\) innovativeness, \((X_2)\) government Policies, \((X_3)\) technology Adoption \((X_4)\) management Skills and dependent variables \(Y=\text{Bank Performance}\). As presented in table 4.1, \((X_1)\) innovativeness coefficient of 0.898 was found to be positive at significant level of 0.001 and this indicates that innovativeness has a positive influence on bank performance. \((X_2)\) government policies coefficient of 0.544 was found to be positive at significant level of 0.004 and this indicates that government policies has a positive influence on bank performance. \((X_3)\) technology adoption coefficient of 0.644 was found to be positive at significant level of 0.003 and this indicates that technology adoption has a positive influence on bank performance. \((X_4)\) management skills coefficient of 0.787 was found to be positive at significant level of 0.002 and this indicates that management skills has a positive influence on bank performance. This clearly demonstrates that all the independent variables significantly influenced bank performance but the relative importance of each independent variable was different. However, since the significance values were less than 0.005, all the coefficients were significant an thus the regression equation was:

\[
Y = 217 + 898X_1 + 544X_2 + 644X_3 + 787X_4 + X_5 + e
\]

Table 3: Coefficients

<table>
<thead>
<tr>
<th>B- Coefficients</th>
<th>Std. Error</th>
<th>Sig F</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.217</td>
<td>.211</td>
</tr>
<tr>
<td>X1</td>
<td>0.898</td>
<td>.184</td>
</tr>
<tr>
<td>X4</td>
<td>0.787</td>
<td>.184</td>
</tr>
<tr>
<td>X3</td>
<td>0.644</td>
<td>.170</td>
</tr>
<tr>
<td>X2</td>
<td>0.544</td>
<td>.168</td>
</tr>
</tbody>
</table>

Dependent Variable \(Y\)

The regression model above has established that taking all the independent variables into account notably; \((X_1)\) innovativeness, \((X_2)\) government Policies, \((X_3)\) technology Adoption and \((X_4)\) management Skills constant at Zero influences bank performance (0.217). The results presented also shows that taking all other independent variables at zero, a unit increase in innovativeness leads to a 0.898 increase in bank performance; a unit increase in government policies leads to 0.544 increase in bank performance; a unit increase in technology adoption leads to 0.644 increase in bank performance and a unit increase in management skills leads to 0.787 increase in bank performance. Inferences can therefore be made that innovativeness followed by managerial skills, technology adoption and government policies influences bank performance. These findings echoed findings by Oliveira and Martins (2011) who found out that performance of commercial banks in many developing nations is greatly influenced by the level of technology adoption, innovations in product development, government regulations and management and leadership skills amongst the top executives. The study therefore concluded that through improvement of innovativeness, managerial skills, technology adoption and government policies bank performance would be increased.
Summary of the Findings

The main objective of this study was to establish the influence of turnaround strategy on performance of Consolidated Bank. The study found out that implementation of turnaround strategy helped the bank to realize increased performance in terms of return on asset, growth of the loan book and profitability. The study established that the major factors that influenced bank performance included; innovativeness, managerial skills, technology adoption and government policies.

How Does Innovation Influence The Performance of Consolidated Bank?

The findings of the study revealed that innovativeness influenced bank performance to a large extent since it helped commercial banks to develop new products that made it possible for the bank to venture into new market and implement new technology in its operation functions hence leading to increased performance. These echoed findings by Rukwaro (2013) that implementation of turnaround strategies in many commercial banks have led to implementation of modern technology in banks operations and development of new products which have in turn increased the performance of commercial banks. The study noted that innovativeness factors notably; research and development, new product development, venturing into new market and new processes influenced the bank performance to a large extent affect bank performance. These findings concurred with Bhavika (2012) that performance of many commercial banks is greatly determined by new product development, acquisition of new market and implementation of new operation management processes. Petel (2009) opined that investment in research and development helps commercial banks to develop new products that make the bank to venture into new markets hence leading to increased bank performance in terms of profitability.

What is The Effect of Government Policies on The Performance Of Consolidated Bank?

The study found out those government policies influenced bank performance to a large extent since new banking policies and directives from Central Bank interfered with bank internal management functions hence making it difficult for bank management to effectively implement various strategies that lead to increased bank performance. These findings was in line with Mbiti and Wiel (2011) regular changes of bank regulations and new Central Bank directives interferes with operations of commercial banks and this makes it difficult for banks to sell various product to customers hence leading to declined banks sales revenue especially loan products. The study noted those factors of government policies such as banking regulations, political climate, investment policies and a Central Bank directive to large extent affects bank performance. These findings were validated by Oliveira and Martins (2011) that government regulations challenges such as change of banking regulations, change of political climate affects banks operating environment and this has negative impact on bank performance. Omit (2007) also argued that government policies issues such as introduction of new investment policies and Central bank directives affects cost of bank loans and this leads to declined banks profitability.
To what extent has technology affected the performance of Consolidated Bank?

The study identified that adoption of new banking technology influenced bank performance to a large extent since implementation of modern and latest ICT based banking systems plays a key role in easing execution of bank operations and thus bank is able to serve many customers hence leading to increased performance. These findings was in line with Kamunde (2010) that implementation of modern and latest ICT based banking systems plays a key role in easing execution of banks operational functions and this enables banks to capture a big market share and increase profitability. The study affirmed that technology adoption factors notably communication channel, time, social system, IT skills, level of ICT application and IT Training and IT policy influence bank performance to a large extent. These findings were in line with Raju (2011) that technological factors such as implementation of effective communication systems, adoption of ICT based banking systems, employment of professional IT staff and existence of effective IT training policy, to a large extent influences performance of many commercial banks. Prasad (2006) also noted that technology factors such as the use of ICT based banking systems, training of bank staff on IT and technology acceptance by the society has helped many commercial banks to increase on performance.

In Which Way Did Management Skills Affect The Performance of Consolidated Bank?

The study findings revealed that management skills affected bank performance to a large extent since appointment of top management staff with effective leadership skills, human resource management skills, technical and conceptual skills, analytical and decision making skills helped to successfully implement turnaround strategy and realize increased bank performance. These findings were in agreement with Mugambi (2009) that successful implementation of turnaround strategies in many banks is determined by bank managers ability to employ effective leadership skills, human resource management skills, technical and conceptual skills and analytical and decision making skills. It was established that management skills factors notably education level, work experience, leadership skills, human resource management skills, technical skills, conceptual skills, analytical and decision making skills and communication skills influence bank performance to a large extent. These findings corroborated with Newton (2009) that the effectiveness of management skills amongst the top executives in many banks is determined leadership styles and skills, human resource management skills, work experience, education level, communication skills and decision making skills.

Overall Effect of the Variables

The study findings showed that a great influence of all the four variables notably; innovativeness, managerial skills, technology adoption and government policies on bank performance. The study found out that there was 94.9% corresponding change in bank performance for every change in all the four predictor variables jointly. Test of overall significance of all the five variables jointly, innovativeness, managerial skills, technology adoption and government policies using ANOVA at 0.05 level of significant found the model to be significant. The study finally found out that the key factors that determined the state of bank
financial performance included; return on assets, growth on loan book and profitability influenced the bank performance. This was in line with Druncker (2010) performance of many commercial banks is determined by increases in return on asset, growth of the loan book and increase in profitability.

Conclusions

The study drew conclusion that turnaround strategy had a great contribution towards realization of increased bank performance. The study findings established that there is a significant positive relationship between, government policies, technology adoption and management skills and bank performance. The findings also indicated that innovativeness followed by managerial skills, technology adoption and government policies influences bank performance.

The study noted that innovativeness to be the major contributor towards realization of increased bank performance. Innovativeness determines the uniqueness and competitiveness of bank products in the market and this plays a key role in determining the state of bank performance. Innovativeness helped the bank to adopt new technology and develop new products that led to increased customer base hence leading to increased performance. Innovativeness factors notably; research and development, new product development, venturing into new market and new processes influenced the bank performance to a large extent affect bank performance.

Government policies influences bank performance to a large extent since new banking policies and directives from Central Bank interferes with bank internal management functions and this makes it for bank to sell various product to customers hence leading to declined banks sales revenue especially loan products. Government policies factors notably; banking regulations, political climate, investment policies and a Central Bank directives to large extent affects bank performance. Technology adoption to a large extent greatly influences ban performance since adoption of modern and latest ICT based banking systems plays a key role in easing execution of banks operational functions and this enables banks to capture a big market share and increase profitability. Technology adoption factors notably; communication channel, time, social system, IT skills, level of ICT application and IT Training and IT policy influence bank performance to a large extent.

Management skills influences bank performance to a large extent since existence of top management staff with effective leadership skills, human resource management skills, technical and conceptual skills, analytical and decision making skills helped to successfully implement turnaround strategy and realize increased bank performance. Management skills factors notably education level, work experience, leadership skills, human resource management skills, technical skills, conceptual skills, analytical and decision making skills and communication skills influence bank performance to a large extent. Finally the study concluded that the key factors that determined the state of bank financial performance included; return on assets, growth on loan book and profitability.
Recommendations

To improve on innovativeness and influence realization of increased bank performance, the study recommends that the bank management should invest in research and development and develop new products that are competitive in the target market. The bank should also venture into new market and re-engineer business processes through business process outsourcing. The bank should also employ effective reward management systems in order to attract and retain professional staff with creative and innovative ideas. The bank should also employ effective talent management practices in order to identify staff with unique capabilities that would help bank in innovating new products and bank processes.

To improve on government policies, the government should enact effective banking policies that create a favorable environment for bank operations. The government should not enact regulations that interfere with internal bank management functions and instead it should collaborate with banks in order to improve on various bank regulations that interfere with bank performance. The government should improve on investment policies by giving tax incentives to make bank loan products affordable to many customers. The central bank should collaborate with banks before issuing any directives on interest rates adjustment and other activities that affects bank operations.

To improve on technology adoption, the bank should implement latest ICT based banking systems and automate all bank processes. The banks should implement effective ICT infrastructure in order to create a supportive environment for the implementation of ICT based banking systems. The bank should recruit professional trained ICT staff and continuously train them on emerging issues on ICT application. The bank should also improve on IT policy and train customers on how to use IT based services such electronic banking services.

To improve on management skills the bank should recruit management staff with effective leadership skills, human resource management skills, technical and conceptual skills, analytical and decision making skills, higher education level on management, higher work experience and effective communication skills. The bank should offer better remuneration packages and provide career development opportunities to the staff.

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Appendix: Factor Analysis Results

<table>
<thead>
<tr>
<th>Innovativeness Factor Analysis Results</th>
<th>Cronbach’s Alpha Before</th>
<th>Indicators</th>
<th>Factor Loadings</th>
<th>Cronbach’s Alpha After</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.983</td>
<td>1. Research and development</td>
<td>.908</td>
<td>.983</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. New Product Development</td>
<td>.888</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Venturing into new market</td>
<td>.843</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. New processes</td>
<td>.884</td>
<td></td>
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### Managerial Skills Factor Analysis Results

<table>
<thead>
<tr>
<th>Cronbach’s Alpha Before</th>
<th>Indicators</th>
<th>Factor Loadings</th>
<th>Cronbach’s Alpha After</th>
</tr>
</thead>
<tbody>
<tr>
<td>.960</td>
<td>1. Education level</td>
<td>.956</td>
<td>.960</td>
</tr>
<tr>
<td></td>
<td>2. Work experience</td>
<td>.944</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Leadership Skills</td>
<td>.954</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Human resource management skills</td>
<td>.835</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Technical skills</td>
<td>.946</td>
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</tr>
<tr>
<td></td>
<td>6. Conceptual skills</td>
<td>.962</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Analytical and decision making skills</td>
<td>.930</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Communication skills</td>
<td>.931</td>
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### Technology Adoption Factor Analysis Results

<table>
<thead>
<tr>
<th>Cronbach’s Alpha Before</th>
<th>Indicators</th>
<th>Factor Loadings</th>
<th>Cronbach’s Alpha After</th>
</tr>
</thead>
<tbody>
<tr>
<td>.971</td>
<td>1. Communication channel</td>
<td>.940</td>
<td>.971</td>
</tr>
<tr>
<td></td>
<td>2. Time</td>
<td>.897</td>
<td></td>
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<td></td>
<td>3. Social system</td>
<td>.948</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. IT skills</td>
<td>.837</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Level of ICT application</td>
<td>.900</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Training</td>
<td>.882</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. IT policy</td>
<td>.942</td>
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### Government Policies Factor Analysis Results

<table>
<thead>
<tr>
<th>Cronbach’s Alpha Before</th>
<th>Indicators</th>
<th>Factor Loadings</th>
<th>Cronbach’s Alpha After</th>
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</thead>
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<tr>
<td>.956</td>
<td>1. Banking Regulations</td>
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<td>2. Political climate</td>
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<tr>
<td></td>
<td>3. Investment policies</td>
<td>.930</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Central Bank Directives</td>
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