

THE MODERATING ROLE OF ENVIRONMENTAL DIMENSION IN THE RELATIONSHIP BETWEEN STRATEGIC ORGANIZATIONAL POLICIES AND THE PERFORMANCE OF COMMERCIAL BANKS

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Abstract: Most organizations have adopted strategy implementation practices that should lead to optimum organizational performance but with little evidence of success. The purpose of this study, therefore, was to establish the moderating role of environmental dimension in the relationship between strategic organizational policies and the performance of commercial banks in Kenya. The study employed a descriptive research design. The study was conducted in five commercial banks operating in ten counties in the western part of Kenya. Stratified and simple random sampling technique was employed to pick a sample size of 307 respondents from a target population of 463 heads of bank sections. Primary data was collected using structured questionnaires. Descriptive statistics was used to analyze data with the help of Statistical Package for Social Sciences version 22. Data was presented in form of tables, graphs, percentages, frequencies, mean and standard deviation. Pearson's product moment correlation analysis was used to test the strength of the relationship between the variables. Simple linear regression analysis was used to measure the direct effect of the variables. The study concluded that there was a significant relationship between organizational policies and the performance of commercial banks. The study recommended that commercial banks should develop organizational policies that are strategic to strategy implementation for organizational performance.

Keywords: strategy implementation, organizational policies, organizational performance

Introduction

Large companies have innovatively adapted unique ways of formulating and implementing organizational strategies for their competitive advantage. These companies successfully formulate implementation approaches and management strategies that are based on organizational capabilities to manage the influence of the ever changing external and internal environment. However, as it has been pointed out by some authors, strategy implementation still seems to be a challenge because it does not lead to expected outcome (Rajasekar, 2014; Narikae, 2017; Kheyley and Ragui, 2018).

This study was influenced by Okumus' Strategy Implementation Model of 2003. This model demonstrate that specific variables combine and complement each other hence a need for managers to identify those factors that do not create a weak link in the system.

Statement of the Problem

Most banks formulate corporate strategies and implementation strategies to enhance the performance of bank branches. Although commercial banks have exhibited in the past strong strategies; customer dissatisfaction, customer retention, technological dimension and regulatory conditions seem to be dogging most bank branches (Kombo & Njuguna, 2017). While many individual banks have made large profits, some have made significant losses running into millions of shillings putting them under receivership such as Imperial Bank in 2015. Over the last ten years, well to do banks are now trailing to those that were thought to be poor performers then. For example, Standard Chartered bank and Barclays Bank of Kenya (now Absa) in 2014, dropped in terms of profitability and yet they were industry leaders (Omondiet *al.*, 2017). National Bank of Kenya also, which had very well formulated strategies in 2016, its capital position deteriorated from ksh10 billion as at December 2016 to Ksh 2 billion in March 2019 despite its formulated strategy and implementation strategies. Within that period, 39 branches were closed leading to the loss of 1620 jobs and was a subject of a takeover in July 2019 (Musau *et al.*, 2018).

Objective of The study

- i. To determine the effect of organizational policies on the performance of commercial banks operating in Western Kenya.
- ii. To determine the effect of the moderating role of the environmental dimension in the relationship between strategic organizational policies and performance of commercial banks operating in Western Kenya.

Hypothesis;

H₀₁: Organizational policies have no statistically significant effect on the performance of commercial banks operating in Western Kenya

H₀₂: Environmental dimension has no statistically significant moderating role in the relationship between strategic organizational policies and the performance of commercial banks operating in Western Kenya.

Scope and Justification of the Study

The scope of the study was limited to 307 managers and heads of departments of five commercial banks operating in western Kenya. The study focused on the moderating role of environmental dimension in the relationship between strategic organizational policies and the performance of commercial banks operating in Western Kenya. The rationale for undertaking this study was that it is an under researched area and studying it is expected to provide valuable contribution to existing literature on the management of strategy implementation on commercial bank branches.

Limitations of the Study

The study was on a sample of commercial bank branches operating in ten counties in Western Kenya to generate conclusions and inferences on the role of environmental dimension in the relationship between strategic organizational policies and the performance of commercial banks. The study was limited to organizational policies and environmental dimension when actually there could be more other implementation strategies and dimension that determine performance outcome. This limitation was overcome by having extensive empirical literature review from other studies on the same topic. The study was also limited to

commercial banks as organizations of which the conclusions and inferences may differ if such a study is carried in other firms that are not in the banking industry.

Literature Review

The study was anchored on Okumus' strategy implementation model (2003) and Eliyahu's Theory of Constraints (1984). Okumus' model argues that, external and internal environment consist of some factors which influence both strategy development and the operational process for the outcome of an effective implementation effort. External environment pauses uncertainties such as technological dynamics that influence strategy development, organizational planning, and resource mobilization. These external and internal environmental dimension influences the operational processes positively or negatively. On the other hand, Eliyahu concurs by theorizing that in any system there exists a weak link that constraints the outcome hence new knowledge and expertise required to moderate or realign strategies to environmental changes (Mutunga&Wainaina, 2019).

Organizational Policies

Organizational policies are part of management strategies that effectively lead to the achievement of organizational objectives (Saxena, 2016). For effective organizational performance, organizational policies must be well developed, documented and motivating to employees. Skilled personnel should be involved in the formulation and its implementation if it has to be owned by employees for effective organizational performance. Organizational policies should survive the test of time and environmental turbulences for the organization to achieve its objectives (Tint *et al.*, 2017). Organizations adapt specific policies for strategy implementation to achieve organizational goals.

A study by Chimeke *et al.*, (2017) revealed that quality organizational performance is related to effective organizational policies in most African countries. The study concurs with Kokemuller (2013) that organizational policies institutionalize strategy, reduces uncertainty in repetitive and day-to-day activities in the direction of efficient strategy execution. Organizational policies limit individual independence and discretionary decisions and behavior in the implementation of formulated strategies (Kokemuller, 2013). This implies that organizational policies control and align employee actions and behaviors in the implementation of organizational strategies.

In Kenya, organizational policies are employed to minimize zigzag decisions (especially where work experience is lacking) and conflicting practices which end up lowering the expected quality of performance. Organizational policies lead to consistency, resulting in patterning actions that lead to the success of strategies (Bakari, 2015). Instead of policies reducing uncertainty, employees can easily be confused by too many changes to organizational policies leading to uncertainty and misunderstanding (Paul, 2012). Policies are intended to lead to effective strategy implementation, but they can be a constraint leading to a total collapse of a formulated strategy if not tactically employed by communicating specific key elements in formulated policies, empowering employees (by training and financing) and fostering commitment to new policies (Pearce & Robinson, 2014, Thompson *et al.*, 2012).

Environmental Dimension

Kareen and Haseeni (2015 and Kamran (2017) pointed out that internal factors directly affect organizational performance and keep controlling organizational performance while external environmental factors (uncertainty, competition, and resources) rarely control organizational performance. However, environmental changes come with uncertainty and pause challenges to a strategic management process. Andrews *et al.* (2014)

observed that implementation management strategies determine performance in a competitive industry but only with the combination of appropriate strategic choices and strategic orientation. Inherent complexities in the external environment could come from industrial competition, social/cultural requirements and expectations, technological changes, economic factors or legal requirements.

Bandile (2019) noted that for organizations to achieve their intended goals (strategic intents) it is necessary for them to adjust to their environment internally through the management of implementation strategies. Organizations are open to external (uncontrollable) and internal (controllable) environmental factors which influence any strategies laid down for competitive advantage (Voiculet *et al.*, 2010; Magambo, 2012). In an industry, organizations are faced with stiff competition from the same players forcing managers to formulate stringent and advanced competitive strategies and management of strategies for sustainable competitive advantage (Kenneth, Anderson & Eddy, 2010).

Ketchen and Short (2018) pointed out that crafting a strategy implementation approach requires a skillful analysis and synthesis of environmental industry metrics, and a creative process that requires analytical skills and sound mind for strategic inflections. This was also echoed by Marcus (2011) and Ryszard (2014). Further, managers must seek to understand the implementation process that involves annual objectives, policies and procedures, resource allocation, management of organizational issues, organizational design, managing change resistance and the culture of organization. Implementation strategies are selected with the aim of limiting the effect of environmental challenges on organizational performance.

According to Kim and Rhee (2009), Ahmad (2014) and Valentia *et al.* (2017) the strategic management process is susceptible to constraints. These constraints may hinder or militate or control the outcome of a strategy implementation approach. Hence managers must develop specific competencies to address these environmental uncertainties. Environmental changes may constrain implementation effectiveness and efficiency. On the other hand, environmental turbulence and complexity are likely to increase environmental uncertainty which in turn increase the uncertainty of a specific implementation strategy for organizational performance. Hence, the most affected stage of a strategic process in any organization is the implementation stage since this is the stage of resource mobilization where there is a possibility of high risk in decision making. Jaleha and Machuki (2018) concluded that external environment moderated the relationship between strategy implementation and organizational performance.

Organizational culture tends to influence the outcome of implementation management strategies through employees. Organizational culture influences organizational policies, resources motivational arrangements and structural factors (Valencia *et al.*, 2011). An organization's culture can present barriers when the organization tries to implement strategies and practices necessary for organizational performance (Winkler & Fyffe, 2016). In an ideal world, culture sustains employee efforts to work towards common goals and objectives, however, in practice this is not the case. Counterproductive behavior can arise because of motivated self-interest, lack of a clear understanding of goals and objectives or improper conduct. Organizational culture therefore, may become an internal constraint that can trigger a specific strategic management approach. Culture may limit the effectiveness and efficiency of the managerial process (Gareth & Jennifer, 2008).

Organizational Performance

Organizational performance is based on the achievement of organizational objectives on which all activities of the organization are based on. Performing or successful organizations such as commercial banks represent a key ingredient for developing nations (Corina *et al.*, 2011). Organizations and institutions performance determine the economic, social and political progress of any nation. Organizational performance in this context

refers to the improvement in service delivery and customer satisfaction in commercial banks (Muriu, 2016). The performance is measured by considering inputs, activities and outputs (products and services). The performance indicators can be either quantitative, qualitative or a hybrid of the two.

The performance indicators of an organization can be financial or non-financial which can be measured through efficiency, marked by production costs, output of labor and capital (Jaleha & Machuki, 2018). Organizational performance in this context will be a measure of how value will be delivered to customers and how other stakeholders are managed in a competitive environment. While there is a bias to measure performance in terms of financial achievements, this study will base the measurement in terms of organizational effectiveness in customer service delivery and market positioning.

Organizations such as banks ensure that they run efficiently and transparently in a competitive environment by ensuring they develop strategies for operational excellence to lead to optimum performance (Ngo'ng'a *et al.*, 2018). In any economy, particularly in Kenya, the banking sector is the engine that drives economic growth through its strategic efforts of allocating financial resources to various economic sectors of a country (Kimonge, 2018). Strategy implementation stage is crucial to organizations that are in a competitive industry like commercial banks; it maximizes revenue of companies and helps to give positive profit growth (Zaidi *et al.*, 2018).

Most executives in banks spend time, energy and money in formulating a strategy but less on implementation. This is because of disruption in the banking industry brought about by exponential technological advancements in the industry such as; cloud, artificial intelligence (AI), data veracity, frictionless business and internet of thinking. While technology and organizational culture are critical drivers of change in the banking industry and key factors in the performance of commercial banks in executing new strategies for competitive purposes, staff resistance to adopt new technology, lack of commitment and motivation, lack of new skills and poor strategy leadership have been established as the cause of ineffective strategy implementation for industry performance (Magambo, 2012; Mwando & Muturi, 2016; Goromonzi, 2016).

Conceptual Framework

Matula *et al.*, (2018) pointed out that a conceptual framework is a research tool used by researchers to develop awareness and a clear understanding of the constructs under investigation. The relationships between independent variables, dependent variables and moderating variables are shown in fig. 1.

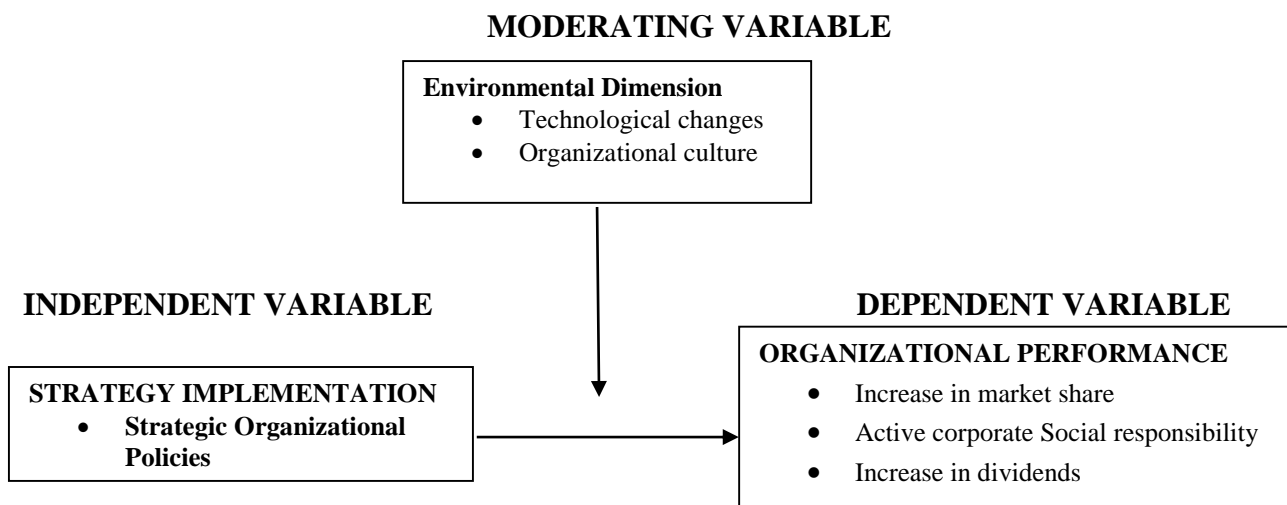


Figure 1: Conceptual Framework

Organizational policies are the independent variables that affect the dependent variable directly as shown by the direct line from the independent variables to dependent variables. The moderating variables are the environmental dimension that moderate the influence of independent variables on dependent variables. Moderating variables influence the effect of independent variables on dependent variables by either reducing the effect or by increasing the effect of independent variables on dependent variable.

Research Methodology

Descriptive research design was employed to present the picture of phenomena under investigation. Primary data was collected from 307 heads of sections of five commercial banks sampled from a target of 463 heads of sections in the 90 bank branches in the Western Counties of Kenya.

The rationale to use descriptive research design is because the study gathered quantitative data that described the findings to strategy implementation in commercial banks in Kenya. This was also in line with positivism philosophy. Further, the use of descriptive design was adopted due to its usefulness in testing the relationship between variables in a population and also very appropriate in collecting in depth information about variables under study. This enabled the researcher to provide recommendations that are specific and relevant. Inferential statistics techniques were used to test the hypotheses.

Descriptive Statistics

The respondents were asked to indicate the level of agreement to which commercial banks use the strategic policies in an effort to improve the overall organizational performance. The descriptive statistics methods were used. The results were presented in form of tables, minimum and maximum, mean, standard deviation, skewness and kurtosis

Organizational Policies

The sampled opinions in respect to organizational policy implementation on organizational performance of commercial banks operating in Western Kenya were sought. The pertinent responses were assessed analyzed and presented in table 1.

Table 1: Descriptive statistics for Organizational Policies

	N	Min.	Max.	Mean	Std.	Skewness	Std.	Kurtosis	Std.
					Deviation		Error		Error
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Error	Statistic	Error
Policy documents received	227	2	5	4.67	.565	-1.661	.162	2.573	.322
Policies and procedures adhered	227	3	5	4.56	.548	-.745	.162	-.541	.322
Bank employee decisions	227	1	5	3.01	1.313	.043	.162	-1.101	.322
New policies and procedures explained	227	1	5	4.48	.674	-1.283	.162	2.288	.322
Flexibility to policies	227	1	5	3.87	1.077	-.764	.162	.061	.322
Employees' policy proposal participation	227	1	5	3.94	1.041	-.872	.162	.273	.322
Branch managers' monitoring implementation	227	2	5	4.73	.511	-1.904	.162	4.014	.322
Policy challenges to employees are often reported to managers	227	1	5	4.48	.661	-1.289	.162	2.533	.322
AVERAGE MEAN				4.22					

Source: Author, 2021

The findings in table 1 illustrated that respondents agreed (mean =4.67; std. dev. =.565) that Policy documents are regularly received from the head quarter. It was also admitted that (mean =4.56; std. dev. =.548) Policies and procedures are adhered to by employees. However, respondents were indifferent with regard to the statement; ‘bank employees are allowed to make decisions on behalf of management’ (mean =3.01; std. dev. =1.313). Respondents also admitted (mean =4.48; std. dev.=.674) that new policies and procedures are regularly explained and adopted. In addition, it was agreed (mean =3.87; std. dev. =1.077) that flexibility to policies and procedures are often practical in their organization. On the same note, majority respondents agreed (mean =3.94; std. dev. =1.041) that employees are allowed to make policy proposals. It was further admitted (mean =4.73; std. dev. =.511) that branch managers are involved in monitoring adherence to policies and also policy challenges to employees are often reported to managers (mean =4.48; std. dev. =.661). From the average mean score of 4.22, organizational policies have an effect on organizational performance hence significant.

Environmental Dimension

Environmental changes stand out and seem to be a challenge to a strategic management process. This is because these organizations have to align or adapt themselves to the environmental uncertainties, opportunities and constraints. This dimension could be industrial competition, social/cultural requirements and expectations, technological changes, economic factors or legal requirements.

Table 2: Descriptive Statistics for Environmental Dimension

	N	Min.	Max.	Mean	St.Deviatn	Skewness std	Kurtosis std		
	Statistic	Statistic	statistic	Statistic	statistic	Statistic	Error	Statistic	Error
Technlgical/policies	227	1	5	4.39	.917	-1.960	.162	4.039	.322
Bank’s culture	227	2	5	4.52	.626	-1.183	.162	1.339	.322
Average mean	4.46								

Source: Author,2021

From the study results in table 2, respondents admitted (mean =4.39; std. dev. =.917) that technological changes influence organizational policies by disrupting normal bank operations. It was also agreed that the banks culture influences organizational policies.

Organizational Performance

The study sought to find out respondent’s perception with regard to organizational performance of commercial banks operating in Western Kenya. The study results are shown in table 3

Table 3: Descriptive statistics for Organizational Performance

	N	Min.	Max.	Mean	Std. Deviation	SkewnessStd.	Kurtosis	Std.	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Error	Statistic	Error
Employee motivation	227	1	5	3.23	1.358	-.099	.162	-1.281	.322
Increase market share	227	1	5	4.07	.803	-1.016	.162	1.915	.322
Dividend increasing	227	1	5	3.75	.893	-.246	.162	-.176	.322
Shares in NSE	227	1	5	3.80	.874	-.074	.162	-.534	.322
Taxes paid promptly	227	3	5	4.65	.578	-1.447	.162	1.098	.322
Deposits secure	227	2	5	4.75	.525	-2.430	.162	6.978	.322
Offers credit facilities	227	1	5	4.74	.586	-2.802	.162	9.927	.322
Bank pay creditors	227	1	5	4.67	.654	-2.310	.162	6.337	.322
Corprt responsibility	227	3	5	4.66	.584	-1.521	.162	1.287	.322
AVERAGE MEAN				4.26					

Source: Author, 2021

The study findings in table 3 revealed that respondents were indifferent (mean =3.23; std. dev. =1.358) that employees are well motivated and feel secure. However, they admitted (mean =4.07; std. dev.= .803) that bank keeps on increasing their market share. Further, respondents admitted (mean =3.75; std. dev. = .893) that dividend payable to shareholders has been increasing and also bank’s Share premium in Nairobi stock exchange keeps on increasing (mean =3.80; std. dev. =.874). Majority of respondent agreed (mean =4.65; std. dev. =.578) that their banks pay taxes to government promptly. Most respondents also admitted (mean =4.75; std. dev. =.525) that customers deposits are secure and also the bank has the capacity to offer other products e.g. credit facilities (mean =4.74; std. dev. =.586).

Correlation Analysis

A value of 1 indicates perfect positive correlation implying that an increase/decrease in one variable is followed by a proportional increase/decrease in the other variable while a value of -1 indicate perfect negative correlation.

Table 4: Correlational Matrix

	Organizational Policies	Organizational Performance
Organizational Policies	1	
	Pearson Correlation	
	Sig. (2-tailed)	
	N	227
organizational performance	.381**	1
	Pearson Correlation	
	Sig. (2-tailed)	.000
	N	227

Source: Author, 2021

The study results in table 4 indicate that there is a moderate positive correlation between organizational policies and organizational performance of commercial banks operating in Western Kenya. The *p* value is .000 implying that the relationship is significant, (r=.381, *p*<.01). This means that organizational policies moderately determine organizational performance of commercial banks operating in Western Kenya.

Effect of Organizational Policies on Organizational Performance

The first objective of the study was to determine the effect of organizational policies on the performance of commercial banks operating in Western Kenya.

The hypothesis of the study was:

H01: organizational policies have no statistically significant effect on the performance of commercial banks operating in Western Kenya.

A simple linear regression model was conducted. The model was formulated as;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where

Y= Organizational performance

X₁=Organizational policies

ε= Error Term

β₀ = Constant

β₁ = Regression coefficient for Organizational policies

Table 5 provides the R, R², adjusted R² and the standard error of the estimate, which is used to determine how well a regression model fits the data

Table 5: Model Summary of Organizational Policies and Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381 ^a	.145	.141	.36288

a. Predictors: (Constant), Organizational policies

Source: Author, 2021

Results in Table 6 showed that organizational policies had (R² = .145). This implied that organizational policies explain up to 14.5% of the changes in organizational performance of commercial banks operating in Western Kenya (Dependent variable). The ANOVA results were presented in table 7.

Table 6: ANOVA of Organizational Policies and Organizational Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.018	1	5.018	38.105	.000 ^b
	Residual	29.629	225	.132		
	Total	34.647	226			

Source: Author, 2021

ANOVA findings (F (1, 226) = 38.105, p=.000 < .05) in table 6 shows that there is correlation between the predictors variable (Organizational policies) and dependent variable (organizational performance) hence the regression model is a good fit of the data.

Calculated F = 38.105, while the F Critical = 3.84; at α = 5% (95% C.I), numerator degrees of freedom - V1 = 1(226-225) and denominator degrees of freedom - V2 = 225 (226-1). Since F calculated is more than F critical at a p value of < 0.05 the null hypothesis is rejected. This means organizational policies have a statistically significant effect on organizational performance, hence an indication that organizational policy is a significant predictor of commercial banks' strategic performance outcome.

These findings resonate with the findings of Narikae *et al.*, (2017) who established that commercial banks use factors of organizational policies to effectively implement organizational strategies. Further, it was observed

that the manager’s dictatorial influence on employees affected the ultimate outcome of strategy implementation policies. This concurs with Linda (2017) who also found out that policy flexibility leads to a motivated workforce and hence effectively implementing strategies. Chimeke *et al.*, (2018) concluded that organizational policies have a positive relationship with quality of work life and employee engagement because policies are guidelines on work related approaches for organizational performance.

Bakari (2015), concluded that policies greatly impact on organizational culture but where culture has been well established policies are part of the cultural aspects of the organization. In the same way, Tosun & Treib (2018) asserted that in decentralized implementation arrangements, implementers have flexibility and autonomy to adjust policies for effective implementation outcome. Similarly, Chimeke *et al.*, (2018) alluded that organizational policies have a positive relationship with quality of work life and employee engagement because policies are guidelines on work related approaches.

The regression coefficients in table 7 explained the mean change in organizational performance for one unit of change in the organizational policies.

Table 7: Coefficients of Organizational Policies and Organizational performance

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	2.820	.234		12.050	.000
Organizational policies	.341	.055	.381	6.173	.000

a. Dependent Variable: Organizational performance

Source: Author, 2021

The study findings showed that organizational policies had coefficients of estimate which was significant basing on $\beta_1 = .381$ (p-value = .000 which is less than $\alpha = .05$). The null hypothesis was therefore rejected and it was concluded that organizational policies has significant effect on organizational performance of commercial banks operating in Western Kenya. This suggested that there was up to .381-unit increase in organizational policies for each unit increase in organizational performance. Further, the effect of organizational policies was over six times that of the error associated with it ($t=6.773$). Based on the above results the results derived the following simple linear regression model.

$$Y = 2.820 + 0.341X_1 + e$$

Environmental Dimension, organizational policies, and Organizational Performance

The second objective designed to establish the moderating role of environmental dimension in the relationship between organizational policies and organizational performance. The following hypothesis was tested;

H₀₂: Environmental dimension have no statistically significant moderating role in the relationship between organizational policies and the performance of commercial banks operating in Western Kenya

The following model was generated;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 Z + \beta_3 XZ + \epsilon$$

Where

Y = Organizational performance

$\beta_0 - \beta_3$ = Coefficient for respective determinants

X₁ = Organizational policies

Z = Environmental dimension

XZ = Cross product variables of management strategies and environmental dimension

ϵ = Error Term

The findings in tables 8, 9 and 10 presented the findings on overall moderating effect of environmental dimension.

Moderating Role of Environmental Dimension in the Relationship Between Organization Policies and Organizational Performance

The second objective was to determine the moderating role of environmental dimension in the relationship between organizational policies and organizational performance of selected commercial banks operating in Western Kenya. The hypothesis stated as;

H₀₂: Environmental dimension has no statistically significant moderating role in the relationship between organizational policies and the performance of commercial banks operating in Western Kenya. The study findings were presented in tables 8, 9 and 10.

Table 8: Model Summary of Environmental Dimension in the Relationship between Organization Policies and Organizational Performance

Model	R	R Square	Change Statistics						
			Adjusted R Square	R Std. Error of the Estimate	Square Change	Sig. F Change			
1	.381 ^a	.145	.141	.36288	.145	38.105	1	225	.000
2	.513 ^b	.263	.257	.33759	.118	35.983	1	224	.000

Source: Author, 2021

The results presented in table 8 indicate that before introducing environmental dimension, about 14.5% (R².145) of organizational performance were explained by organizational policies. After introducing the environmental dimension (OP*EC) the value for R² increased to 26.3%, hence environmental dimension account for 11.8% of the changes.

Table 9: ANOVA of Environmental Dimension in the Relationship between Policies and Organizational Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.018	1	5.018	38.105	.000 ^b
	Residual	29.629	225	.132		
	Total	34.647	226			

2	Regression	9.119	2	4.559	40.006	.000 ^c
	Residual	25.528	224	.114		
	Total	34.647	226			

Source: Author, 2021

After introducing the product variable organizational policies and environmental dimension (OP*EC), F increased by 35.983 (refer table 8).The ANOVA in table 9 shows that the model was fit to predict the moderation of environmental dimension between organizational policies and organizational performance of commercial banks operating in Western Kenya ($F = 40.006, p < .05$). Hence, the null hypothesis was rejected and the results concluded that environmental dimension has a statistically significant moderating role in the relationship between organizational policies and the performance of commercial banks operating in Western Kenya.

These findings are at variant with the findings of Muriu (2017) that technological turbulence does not significantly moderate the relationship between strategy implementation and the performance of commercial banks. These findings resonate with Eruemegbe (2015) who in his study on the impact of environmental factors on organizational performance, found out that scarce materials and financial resources caused by government policies often create uncertainty in organizations. Mbithi *et al.*, (2017) and Njoroge *et al.*, (2016) similarly found out that complexities of ever changing nature of external environment constrains organizational strategies and recommended that organizations should develop policies that navigate the impact of environmental dynamism.

Table 10: Coefficients of Environmental Dimension in the Relationship between Organizational Policies and Organizational Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.820	.234		12.050	.000
	Organizational policies	.341	.055	.381	6.173	.000
2	(Constant)	2.575	.221		11.625	.000
	Organizational policies	.360	.051	.402	7.003	.000
	X ₁ Z	.158	.026	.345	5.999	.000

a. Dependent Variable: Organizational policies

Source: Author, 2021

The regression results indicated that environmental dimension positively moderates the relationship between organizational policies and organizational performance ($\beta = .345, p < .05$).Based on the above results, the study derived the following simple linear regression model shown below.

$$Y = 2.575 + 0.158X_1Z + e$$

Conclusion

The study sought to assess the effect of organizational policies on the performance of commercial banks operating in Western Kenya. The findings showed that policy documents were regularly received from the head quarter. It was also admitted policies and procedures were adhered to by employees. However, respondents were indifferent with regard to the statement; 'bank employees are allowed to make decisions on behalf of management'. This revealed that bank policies were strict and employees were expected to follow them strictly without offering any suggestions or make decisions in the event of a new challenge. These findings reveal some dissatisfaction of creative employees who could be more innovative in making decisions on time to solve an immediate challenge.

Respondents also admitted that new policies and procedures were regularly explained and adopted. This revealed that environmental dimension triggered the formulation of new policies on strategy implementation for effective organizational performance. In addition, it was agreed that flexibility to policies and procedures are often practical in their organization. On the same note, majority of respondents agreed that employees are allowed to make policy proposals. It was further admitted that branch managers are involved in monitoring adherence to policies and also that policy challenges to employees are often reported to managers. The average mean score of organizational policies, therefore, showed that there is generally an effect on organizational performance.

The negative skewness for all policies except (bank employees are allowed to make decisions on behalf of management) implied that the distribution is asymmetrical with a long tail to the left while bank employees are allowed to make decisions on behalf of management is positive implying the distribution is skewed to the right. Most items for organizational policies reported a kurtosis less than 3 implying that the distribution was approximately symmetric and thus platykurtic with only one item (branch managers are involved in monitoring adherence to policies) hence no perfect distribution was observed.

The study results were in tandem with the hypothesis test which revealed that there is correlation between the predictor variable (Organizational policies) and dependent variable (organizational performance) hence the regression model was a good fit of the data. Further the F test showed that organizational policies have a statistically significant effect on organizational performance, hence an indication that organizational policy is a significant predictor of commercial banks' strategic performance outcome. Therefore, the null hypothesis that environmental dimension had no statistically significant moderating role in the relationship between organizational policy and organization performance of commercial banks operating in Western Kenya was rejected and supported the alternative.

The study sought also to find out the effect of the moderating role of environmental dimension in the relationship between organizational policies and the performance of commercial banks operating in Western Kenya. The study found out that technological changes influence organizational policies by disrupting normal bank operations. It was also found out that the banks culture influences employee activities and bank policies.

The study concluded that commercial banks apply organizational policies that are well developed, documented and motivating to employees. The study recommended that skilled personnel should be involved in the formulation and its implementation if it has to be owned by employees for effective organizational performance. Findings also conclude that various policies intended to lead to effective strategy implementation, should tactically be employed through effective communication, empowering employees (by training and financing) and fostering commitment. Further, it was found that lack of motivation and non-participation in policy formulation due to poor strategic leadership leads to poor performance. The study was

limited to only technological and cultural influences; it is recommended that such a study can also be carried out in other regions or with other moderating variables.

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