CORPORATE STRATEGIES AND FINANCIAL PERFORMANCE OF SELECTED COMMERCIAL BANKS IN MOGADISHU, SOMALIA

BY

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A DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILMENT FOR THE AWARD OF A

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DECLARATION

I Said Abdikadir Farah, hereby declare that this dissertation is as result of my personal effort and has never been presented to any Institution of Higher Education for any award.

Sign Said

Date 28/08/2024

SAID ABDIKADIR FARAH

2022-08-12183

APPROVAL

This is to certify that this research dissertation titled "Corporate strategies and financial performance of selected commercial banks in Mogadishu Somalia" was done under my supervision.

Sign____________________ **Date** 28th/08/2024

Dr: Byamukama Eliab Mpora

DEDICATION

I dedicate this piece of work to my brothers, mother and siblings for their financial and emotional support during the course of my studies. May God richly bless them.

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I express my deepest gratitude to the Almighty Allah for the gift of life and wisdom that sustained me throughout my academic journey.

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I acknowledge and appreciate the authors whose works have been referenced in this study, as their contributions laid the foundation for my research.

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LIST OF ACRONYMS

CEOs	Chief Executive Officers
GDP	Gross Domestic Product
JIT	Just-In-Time
PLC	Programmable Logic Controller
RBV	Resource-Based View
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment

ABSTRACT

This study aimed to investigate the effect of corporate strategies on the financial performance of commercial banks in Mogadishu, Somalia utilizing a mixed methods research design comprising both quantitative and qualitative approaches. Primary data was collected through a questionnaire targeted at 219 bank employees using simple random sampling to obtain a sample of 142 respondents. Descriptive statistics such as frequencies, percentages, means and standard deviations along with inferential linear regression analysis were used to analyze the data. The findings revealed that competitive strategy significantly affects financial performance (R^2=0.153, p=0.000), as does operational strategy (R^2=0.234, p=0.000) and resource governance (R^2=0.286, p=0.000). It was thus concluded that corporate strategies play a substantial role in influencing the financial performance of commercial banks in Mogadishu and recommendations include banks adopting advanced market research, innovative service delivery processes and continuous staff training to enhance performance. The study helps contribute to the knowledge in the banking sector on the pivotal role of competitive strategies, operational strategies, and resource governance in the Somali context.

Keywords: commercial banks, corporate strategies, financial performance, Mogadishu, Somalia

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains background of the study, statement of the problem, purpose of the study, objectives of the study, research question, scope, significance of the study, and operational definition of key terms.

1.1 Background to the Study

1.1.1 Historical Perspective

Globally, commercial banking dates back centuries, gaining widespread adoption in European nations in the 17th-19th centuries as their economies developed (Moudud, 2021). Strategic management practices evolved over this era to enhance banks' financial performance.

In Africa, the banking sector is seeking to survive competitiveness, achieve high financial performance, and as well expect what their customers need and at the same time determine if they are satisfied with the firm's goods (Ajayi, 1998). However, in a country such as Kenya, there are difficulties in the marketplace, which includes the increase in competition, and updating the customer requirement. Similarly, in Uganda, commercial banks need stronger market presentation, which comprises of innovation on marketing practices, which enables in the survival of competitiveness. This implies that commercial banks in Uganda and Kenya need to manage their main markets more effectively and efficiently compared to their competitors. This means that business entities need to adjust their operations continuously so as to seize opportunities in the market as well as vend of any business challenges that will affect the business strategies. For instance, Kenya Commercial Bank (KCB) opened a branch in Kampala (Uganda) that was later closed due to poor finance performance. The bank however, successfully ventured into Tanzania, Rwanda and Southern Sudan before re-opening the Kampala branch (Fielding & Shields, 2001).

In Somalia, a fledgling banking sector developed in the post-independence period but suffered major setbacks from 1969 onwards due to shifts in government and the outbreak of civil conflict (Samatar, 1994). Most banks closed or relocated outside the country by the early 1990s (Duale et al., 2018). In the autonomous Somalia regions, a revival of regional banking occurred from the late 1990s with the establishment of several domestic commercial banks (Bates et al., 2020).

Since 2012, relative peace in Mogadishu and parts of south-central Somalia enabled the return and opening of various foreign and domestic banks (Abdulle, 2019). These selected commercial banks now employ diverse corporate strategies to attract customers and strengthen financial results amid ongoing security and policy uncertainties (Ahmed et al., 2021). However, limited academic studies have examined the strategic practices influencing banks' performance outcomes specifically in the unstable Somali milieu.

1.1.2 Theoretical Perspective

Resource-Based View (RBV)

RBV developed in the 1980s by Wernerfelt (1984) and Barney (1991) theorizes that firms can develop competitive advantage by acquiring and utilizing internal resources and capabilities that are rare, valuable, imperfectly imitable and non-substitutable. Commercial banks rely on diverse tangible and intangible resources like capital, skilled employees, technology and brand reputation to differentiate strategically (Pekkola et al., 2016).

Dynamic Capabilities Theory

Proposed by Teece et al. (1997), this theory suggests that in turbulent environments, success depends on continually adapting, integrating and reconfiguring resources through capacities like product development, alliancing and business model renewal (Teece, 2018). To thrive amid Somalia's instability, banks may need dynamic capabilities to modify strategies accordingly (Abdirahman, 2020).

Of the two theories, Dynamic Capabilities Theory appears more directly applicable to the Somali context. While RBV focuses on static resource advantages, Dynamic Capabilities Theory acknowledges that maintaining effectiveness necessitates continuous strategic evolution relative to changing conditions (Franco & Haase, 2019). Given Somalia's protracted instability, selected commercial banks likely require dynamic strategic management to iteratively build, amend and redeploy resources for optimal performance over time (Abdirahman, 2020).

1.1.3 Conceptual Perspective

Corporate strategy is defined by Ngwili (2016) as a strategic platform, or organization capability to cope a business in different environments with a set of strategic capabilities. Rivera-Rodríguez et al., (2017) argue that corporate strategy is a dynamic framework for a company strategy involving three interconnected elements that shape a company strategy itself, which are identifying success factors, company's initiative strategy and architecture design. Corporate strategy is also a continuous process upon which the company is compelled to work tirelessly so that the investors are convinced that their money is being effectively utilized thus increasing the equity of the company (Babafemi, 2015). In this study, corporate strategy was operationalized as competitive strategy, and operational strategy, and resource governance.

Financial performance refers to the degree to which financial objectives is being or has been accomplished (Kong et al., 2019). It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period and include liquidity, profitability, market expansion, operating cash flows, debt to equity ratio among others (Ratembo, 2017). In this study, financial performance

1.1.4 Contextual Perspective

Ideally, the banking sector in Somalia would play a key role in supporting economic growth by facilitating financial intermediation, payment systems and credit allocation (Abdulle, 2019). However, the actual context in Mogadishu presents challenges.

Strategically, prolonged political instability and insecurity has hindered long-term strategic planning in Somali commercial banks (Abdirahman, 2020). Volatile security conditions make it risky for banks to commit substantial resources in fixed assets or long-term projects (Duale et al., 2018). This undermines strategic resource investments that could boost performance.

In terms of performance, non-performing loans in Somali banks averaged 30-40% over 2018-2020 due to risks of default in the unstable operating environment (Central Bank of Somalia, 2022). Further, high overhead costs associated with security and loss of senior management to emigration drain financial returns (Abdulle et al., 2021). As a result, return on assets for commercial banks averaged only 1.5-2% versus the 5-10% range common in stabilized African markets (IMF, 2020).

While 12 domestic and foreign banks had reopened branches in Mogadishu by 2022, outreach and services remain limited compared to needs (Central Bank of Somalia, 2022). Liquidity in the nascent banking system is also relatively low, with bank credit to the private sector accounting for only 8% of GDP versus over 20-30% averages regionally (World Bank, 2021). This highlights capacity and performance issues amid strategic difficulties operating in Somalia's high-risk milieu.

1.2 Problem Statement

There has been a poor in the financial performance of selected commercial banks in Mogadishu-Somalia (Kaneza et al., 2019). The banks have a challenge of achieving profitability targets, total operational efficiency and service quality queried. For instance, the profitability of Amal bank dropped from $ 1,547million in 2016 to $1,481million in 2017 due to losses in unpaid loans. Similarly, the cash flow of Dahabshil bank dropped from $112million in 2016 to $101.8million in 2017 (Schuman, 2018). Furthermore, a report by SSB in 2018 revealed that the bank’s earnings in return on assets (ROA) dropped by 2% in 2017 (SSB Annual Report, 2018). This poor financial performance exposes selected commercial banks to high levels of credit risk due to reduction in the capital base of the banks.

Furthermore, several empirical studies have been done in areas of corporate strategies and financial performance by proponents such as Gikunju et al., (2019); Amburuka et al., (2019); Ratembo (2017); Arasa and Nduku (2015), however, with mixed results due to measurement variations, industry, and country. this study seeks to measure corporate strategies differently using competitive strategy, operational strategy, and resource governance, in the banking industry in Somalia. This study investigated to establish whether corporate strategy is among the reasons for the poor financial performance of selected commercial banks in Somalia.

1.3 General objective

To investigate the effect of corporate strategies on the financial performance of selected commercial banks in Mogadishu Somalia.

1.4 Specific objectives

i. To examine the effect of competitive strategy on the financial performance of selected commercial banks in Mogadishu.
ii. To determine the effect of operational strategy on the financial performance of selected commercial banks in Mogadishu.
iii. To establish the effect of resource governance on the financial performance of selected commercial banks in Mogadishu.

1.5 Specific research Questions

i. What is the effect of competitive strategy on the financial performance of selected commercial banks in Mogadishu?
ii. What is the effect of operational strategy on the financial performance of selected commercial banks in Mogadishu?
iii. What is the effect of resource governance on the financial performance of selected commercial banks in Mogadishu?

1.6 Hypotheses

Ho1: There is no significant effect of competitive strategy on the financial performance of selected commercial banks in Mogadishu.

Ho2: There is no significant effect of operational strategy on the financial performance of selected commercial banks in Mogadishu.

Ho3: There is no significant effect of resource governance on the financial performance of selected commercial banks in Mogadishu.

1.7 Scope of the study

1.7.1 Geographical Scope

This study was conducted in Mogadishu, which is the capital city of Somalia. The selected commercial banks in Somalia include: Amal Bank, Salam Bank, Premier Bank and Dahabshil Bank.

1.7.2 Content Scope

This study was limited to the effect of competitive strategy on the financial performance, the effect of operational strategy on the financial performance, and the effect of resource governance on the financial performance. Furthermore, the study measured the independent variable (corporate strategy) using competitive strategy, operational strategy, and resource governance; while the dependent variable (financial performance) was measured using profitability.

1.7.3 Time Scope

This study looked at a period of 5 years, that is, from 2017-2022. This is because this period is the time when most commercial banks registered high level of financial performances in their annual reports. It is therefore important to establish whether domestic market entry strategies were some of the enhancers for the good performance.

1.8 Significance of the Study

This study's findings would benefit the management of commercial banks by participating in effective corporate strategy that would strategically position the institution in the market.

The findings would also be vital to the government and its regulatory and policy frameworks. It might also enable the government to come up with effective regulations and policies that would help the commercial banks to mitigate challenges and ensure that there is conducive policy and regulatory framework for the development of the banking sector. This is only possible under a well thought and negotiated regulation and policy to steer growth in the banking sector.

The findings would also be used as input in the design of the policy and regulatory framework. The academic community might also benefit from the study through the added knowledge acquired through training, which might act as basis for further research. It might also fill the existing knowledge gap, which would add knowledge to all academicians with regard to corporate strategy.

The study would contribute to the body of knowledge in terms of theory required to understand the influence of corporate strategy and financial performance of commercial banks in Somalia. It would also provide a basis for referencing to other scholars who would wish to conduct similar studies in developing countries.

1.9 Operational Definition of Key Terms

Corporate strategy: refers to competitive strategy, operational strategy, and resource governance that will enable a commercial bank to meet the needs of their customers.

Competitive strategy: refers to when the commercial banks focus on customers, competitors, technological advancement, market research, advertisements and promotions, and employees to offset competition.

Operational strategy: refers to efficiency in a bank's service delivery processes, development of new processes, introduction of new service delivery processes, training of employees, adequacy in financial resources, and pursues constant improvement.

Resource governance: refers to when a commercial bank only invests in profitable ventures, competently manages its resources, successfully integrates its resources, has good business relationship with other businesses, and expands the competence of its employees through regular **employee training, and symposiums.**

Financial Performance: refers to the performance of selected commercial banks in Somalia in terms of profitability.

Profitability: refers to the increase in sales volume, return on assets, return on equity, net profit, customer base, market share, and growth on investment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature from different authors, scholars and publishers regarding the study constructs. The chapter was subdivided into theoretical, conceptual and review of related literature.

2.1 Theoretical Review

This study was guided by two theories, namely Dynamic Capabilities Theory and Resource-based theory. The two theories are further discussed in the following sections.

2.1.1Resource-Based View

The Resource-Based View (RBV) theorizes that firms can achieve competitive advantage by harnessing internal resources and capabilities that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). Barney (1991) proposed RBV, identifying resources as essential assets enabling organizations to conceive and implement value-adding strategies. RBV assumes resources are heterogeneously distributed among firms and can cause performance differences (Barney et al., 2001).

Resources in banking may include capital, talent, technology, brand reputation, and customer data (Lepetit et al., 2008). RBV suggests effective utilization of unique resource combinations can strategically position banks relative to competitors. For example, employee expertise and capital reserves enabled some Somali banks to weather instability better than others (Hughes et al., 2020). However, RBV neglects the dynamism of strategy in turbulent contexts like Somalia where resources alone may not sustain advantage.

2.1.2 Dynamic Capabilities Theory

Dynamic Capabilities Theory emerged from the works of Teece et al. (1997) seeking to reconcile RBV with realities of changing markets. It conceptualizes organizational processes directing resources towards evolving environmental demands (Teece, 2018). Dynamic capabilities encompass routines by which firms integrate, build and reconfigure internal and external competencies to address rapidly transforming business conditions (Eisenhardt & Martin, 2020).

In constantly changing Somali markets, dynamic strategic adaptations through initiatives like new branches, digital products and alliances may determine banks' competitiveness and growth more than static resources alone (Abdirahman, 2020). Dynamic Capabilities Theory thus appears more relevant in understanding how to leverage strategies effectively in volatile contexts. While RBV focuses inward on present resource advantages, dynamic capabilities emphasize continuous strategic evolution vital under Somalia's instability (Hughes et al., 2020).

Therefore, Dynamic Capabilities Theory enables a more externally oriented examination relevant to the research problem environment compared to RBV’s inward focus on current resource situations. Its strategic flexibility lens is particularly suited to analyzing corporate performance dynamics in unpredictable contexts like Somalia’s banking sector.

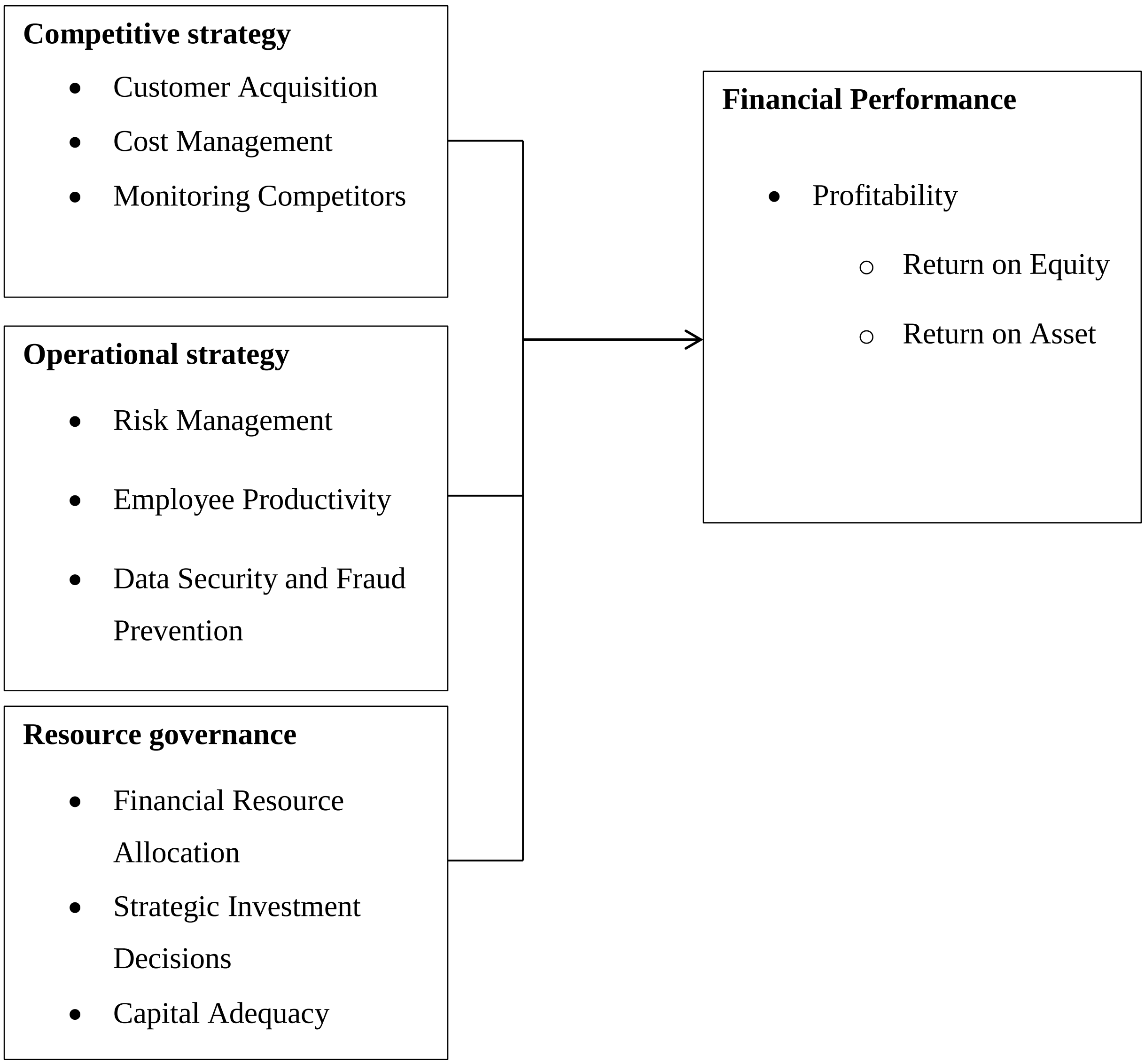
2.2 Conceptual Review

Figure 2.1: Conceptual Framework

Independent Variable

Dependent Variable

Corporate Strategies



Source: Seidu (2021), modified by Researcher, 2024

The figure 2.1 above shows that corporate strategies is the independent variable measured using competitive strategy, operational strategy, and resource governance. On the other hand, financial performance, which is the dependent variable, has been measured using profitability. The effect the corporate strategy and financial performance is that when selected commercial banks employ competitive strategy such as using advanced technologies and improving customer service, it increased customer satisfaction, loyalty and eventual increase in profits. Similarly, when selected commercial banks employ operational strategies such as efficient service delivery, and market research, they eventually earned more profits from such strategies due to customer contentment. Lastly, when selected commercial banks employ better resource governance by investing on their employees and profitable ventures, their profit earnings will also increase. Thus, it implies that better use of corporate strategies drive high profitability for commercial banks in Somalia.

2.2.1 Corporate Strategy

Corporate strategy is a step taken by an organization in order to accomplish its goals with the aim of attaining superior financial performance (Liu & Lin, 2019). It is concerned with how companies create value across different businesses. The development of a successful corporate strategy entails creation of value and kind attention in three vital fields. The core function of corporate strategy is ensuring that at all time, the enterprises' value exceeds the sum of its components. Corporate level strategy is mainly concerned with the strategic decisions made by a business, which influence the organization as a whole. Mergers and acquisitions, financial performance, resource allocation and human management of the personnel are elements of corporate level strategy. An effective corporate strategy should aid effective resource allocation to bring the best investment opportunities, enhances the competitive position of a firm, add value beyond the sum of its parts and drive raise expectations of the firm both internally and externally Mubin, M., Iqbal, A., & Hussain, (2024).

Grinblatt and Titman (2016) recommend that a corporate strategy coincide with the competitive environment requirements. It also must makes use of present and emerging opportunities and diminish the effects of major threats, placing realistic terms on the company‘s resources. Liu and Lin (2019) stipulates that corporate strategy must be developed and acted upon to reinforce set goals by a firm‘s business policy. It sets to answer questions such as, what set of businesses should the company be in? ‘More specifically, a corporate strategy is a company‘s way of creating value through the configuration and coordination of its multi-business corporation. A corporate strategy differs from a business strategy, which focuses on building a competitive advantage in the specific business or market of operation and hence can be considered as part of corporate strategy.

Therefore a corporate strategy describes an organization's overall direction towards growth through investment in diversification, vertical integration, mergers and acquisition, turnaround, strategic alliances and outsourcing. With increased complexities in terms of uncertainties, threats and constraints in the business world, corporate strategy helps to keep at pace with the business dynamic and fast changes, minimizes competitive disadvantage and competition (Porter, 2015).

There is no standard criterion for the selection of the most suitable performance indicator since performance measurement could be performed for different reasons and each performance measurement is carried out for a specific reason. Firm performance entails the comparison of an organizations' actual output against the intended output. To boost performance, an organization's governing body and managers formulate programs ascertain the organizations current level of performance and comes up with ideas for improving the infrastructure and behavior of the organization which are then implemented to attain higher yield. Simple forms of measurements are used to determine performance at organizational level such as conducting surveys on customer satisfaction upon which qualitative information regarding performance could be obtained from the customers' point of view (Parast, 2019).

Obeidat et al., (2019) opine that because corporate strategy is concerned with multi-business, it implies diversification of business. Diversification may be defined as the entry of a firm or business unit into new lines of activity, either by processes of internal business development or acquisition, which entails changes in its administrative structure, systems, and other management process. Ireland et al., (2022) also stated that a corporate level strategy specifies actions a firm takes to gain a competitive advantage by selecting and managing a group of different businesses competing in different product market. Meanwhile, Shi and Li (2019) said parent firms' strategies refer to strategic motives, importance, focus, and competitiveness.

Corporate strategy contributes to making the organization become integrated as one body through the addition of value in comparison to it acting as separate grouped components; it's made of four categories namely managing portfolio-practice, change of structure, skill movement, and sharing of knowhow (Kwabena, 2016). The creation of shareholder value through diversifying the firms portfolio depends on other mechanism as the factors cannot be mostly exclusive mutually. According to Altay (2018), portfolio–practice and restructuring does not need connection but skill movement and knowledge sharing depends on communication through an established connection. In the present situation more practicability is displayed by others although majority of them have brought success in the best situations. The ignorance of any of them can be a receipt to failing (Porter, 2020).

Strategy at the corporate level deals with decisions that have big impact on the entire organization (Kalombo, 2015). Performance on finance, and when business merge and acquire, management of human capital and the process of resource distribution happens at the corporate level. Strategies at the corporate levels can be employed in three types (Ageeva & Foroudi, 2019). Businesses can strive to fight out competition to add its market share by using value-adding strategies. It is from using the above strategy that organizations are able to progress in value addition by taking advantages of capacity and capital endowed to its self and share them throughout the organization to lower cost and create effectiveness.

Fonseca (2017) explains that diversifying is attributed as among the forms used in creation of value to organizations. The lack of distributing capital and human resource in a market by and an organization forms the value-neutral strategy; its main work is to increase the organization operations. Reduction-value strategies come up when organizations shareholders of a large organization feel it‘s going opposite it core business and also feel It is only the strategic management who are gaining in diversifying.

According to Haddad et al., (2019), the major elements of corporate strategies include competitive strategy, operational strategies and resource governance. Thus, this study will expound on each of the elements of corporate strategies and their relationship with financial performance in the subsequent sections of this chapter.

2.2.2.1 Competitive strategy

According to Porter, (2020) Competitive strategy refers to the long-term plan and actions that a business undertakes to gain a competitive advantage in its industry or market. It involves making choices and allocating resources to position the business in a way that allows it to outperform its rivals. The goal of competitive strategy is to create a sustainable advantage that enables the business to deliver superior value to customers, generate higher profits, and achieve long-term success. Analyzing the relevance of competitive strategy to the study of corporate strategies and financial performance of selected commercial banks in Mogadishu, Somalia involves understanding how these banks position themselves in the market and how their strategic decisions impact their financial outcomes.

Customer Acquisition

Corporate strategies focused on customer acquisition and retention contribute to financial performance. Understanding customer needs and preferences allows banks to tailor their services and maintain a competitive edge. Loyalty programs, innovative products, and excellent customer service are components of competitive strategies that can positively impact financial performance ((Doyle &Hardie, 2022).

Cost Management:

Operational efficiency is a critical factor in financial performance. Banks can adopt cost leadership strategies to streamline operations and reduce expenses. Implementing technological advancements and process improvements contribute to cost-effective operations, positively affecting the bottom line (Mugo et al., 2019).

Monitoring Competitors and Industry Trends:

Regularly monitoring competitors and industry trends is integral to refining and adapting corporate strategies. Banks need to stay informed about changes in customer behavior, technological advancements, and emerging market opportunities. Agility in responding to competitive moves is a key aspect of maintaining a resilient and high-performing financial position (Ndede, 2020).

2.2.2.2 Operational strategy

According to Mubin, M., Iqbal, A., & Hussain, A., (2024), Operational strategy refers to the plan and set of actions that an organization undertakes to manage and optimize its day-to-day activities in order to achieve specific business objectives. It involves making decisions related to the design, management, and improvement of processes, resources, and systems within an organization. The goal of operational strategy is to enhance efficiency, reduce costs, improve quality, and ultimately contribute to the overall success and competitiveness of the organization.

Risk Management

Operational strategies play a key role in identifying, assessing, and mitigating operational risks. In the context of commercial banks in Mogadishu, where the operating environment may have uncertainties, effective risk management is critical for financial stability. Identifying and mitigating operational risks that may impact the organization's ability to achieve its objectives. This includes contingency planning, disaster recovery, and compliance with regulations (Tatoglu et al., 2019).

Employee Productivity

Operational strategies should address workforce productivity and skill development. Well-trained and motivated employees contribute to efficient operations, which, in turn, positively affect the financial performance of the bank. Investing in the skills and knowledge of the workforce to improve overall performance. Well-trained and motivated employees contribute to operational efficiency and effectiveness (Wolniak, 2019).

Data Security and Fraud Prevention

Operational strategies related to data security and fraud prevention are critical for maintaining customer trust. A breach in security can lead to financial losses and reputational damage, underscoring the importance of robust operational measures. Establishing a culture of continuous improvement to regularly assess and enhance operational processes. This involves monitoring key performance indicators, soliciting feedback, and implementing changes to drive ongoing efficiency gains (Hosseini et al., 2018).

2.2.2.3 Resource governance

According to Chan & Reiner, (2019), resource governance refers to the systematic and responsible management of an organization's resources to ensure their effective utilization, sustainability, and alignment with strategic goals. These resources can include financial capital, human capital, natural resources, technological assets, information, and more. The concept is relevant across various sectors, including business, government, and non-profit organizations.

Financial Resource Allocation

Effective resource governance ensures that financial resources are allocated strategically to support the implementation of corporate strategies. In the context of commercial banks, proper allocation of funds is crucial for investments, risk management, and day-to-day operations. Involves the oversight and management of financial assets, budgeting, and financial decision-making. It includes ensuring transparency, accountability, and compliance with financial regulations ((Parast, 2019).

Strategic Investment Decisions

Resource governance guides the decision-making process regarding strategic investments. This includes evaluating potential projects, assessing their alignment with corporate strategies, and determining the optimal allocation of financial and human resources to support these investments. Involves making informed decisions about the allocation of resources to support the organization's strategic objectives. This includes prioritizing projects, investments, and initiatives that align with the overall strategy (Ngwenya, 2017).

Capital Adequacy

For banks, managing capital adequacy and liquidity is crucial. Resource governance involves overseeing the allocation of financial resources to meet regulatory requirements, maintain liquidity, and ensure the bank's financial stability. Resource governance includes engaging with and managing relationships with various stakeholders, including shareholders, customers, employees, and the broader community. Effective communication and collaboration with stakeholders are essential components (Tolla et al., 2019).

2.2.4 Financial Performance

Financial performance

Financial performance is a multidimensional concept measured using both accounting-based and market-based indicators (Richard et al., 2009). Common accounting metrics include return on assets (ROA), return on equity (ROE), net interest margins, non-interest income and cost-to-income ratios (Athanasoglou et al., 2008). ROA and ROE specifically gauge profitability relative to balance sheet size and ownership equity (Sufian, 2020).

ROE assesses net income generated from the shareholders' equity invested in the bank (Sufian, 2020). Higher ROE signifies better usage of owners' funds towards value creation. Studies of Nigerian banks linked strong corporate governance to increased ROE through prudent risk oversight (Mohammed, 2021). Meanwhile, Masiringit et al. (2020) found innovative strategies for accessing deposits boosted ROE at Kenyan banks through a lowered cost of funds.

ROA captures how effectively a bank employs its total assets to generate earnings (Anasofia et al., 2020). It measures overall operational efficiency independent of capital structure or tax considerations. In Ghana, Owusu-Ansah et al. (2020) observed aggressive market penetration tactics raised banks' ROA by growing business volumes. Meanwhile, digital product initiatives benefited South African banks' ROA through better cost-management (Mlambo et al., 2021). Higher ROA generally signals a bank is productively deploying its balance sheet towards profitability.

Meanwhile, market valuation ratios reflect the financial market's perception of a bank. Price-to-book value compares share prices to book values as an indicator of growth potential (Lepetit et al., 2008). Liquidity is also critical and assessed using indicators like loans-to-deposits ratio and cash reserves ratio (Antypas, 2021). Together, these metrics provide a comprehensive view of financial health and competitiveness.

Various internal and external factors influence banks' financial results. Internally, corporate governance quality is positively linked to performance through risk management and strategic guidance (Mohammed, 2021). Liquidity management also significantly impacts profitability, with excess reserves tied to lower returns (Asantey et al., 2021).

Operationally, cost structure critically determines performance as overhead consumption eats into margins if disproportionate to income levels (Gizaw et al., 2015). Loan portfolio quality also drives bank performance - higher non-performing assets curb ROA and ROE through provisions (Mante & Ogbo, 2019).

Externally, macroeconomic factors can impact performance through loan demand and risk cycling effects (Abdi & Musiega, 2019). Additionally, competitive intensity shapes conditions for acquiring business, increasing network benefits and boosting performance (Al-Tarawneh, 2020).

2.2.4.1 Profitability

Profitability is the ability of a business to earn a profit (Wahlberg, 2017). Profitability is ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations (Pustelnik & Hallberg, 2023). Profitability is the primary goal of all business ventures. Gaganis et al., (2019) explains that without profitability a banking institution will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Stierwald (2016) contends that profitability is one of the four building blocks for analyzing financial statements and company performance as a whole. The other three are efficiency, solvency, and market prospects. Investors, creditors, and managers use these key concepts to analyze how well a company is doing and the future potential it could have if operations were managed properly (Stierwald, 2016).

According to Gituma (2017), the two key aspects of profitability are revenues and expenses. Revenues are the business income. This is the amount of money earned from customers by selling products or providing services. Generating income is not free, however Gituma (2017) maintains that businesses must use their resources in order to produce these products and provide these services. Al-Nimer and Yousef (2015) reason that resources, like cash, are used to pay for expenses like employee payroll, rent, utilities, and other necessities in the production process. Therefore profitability looks at the the effect the revenues and expenses to see how well a company is performing and the future potential growth a company might have (Al-Nimer & Yousef, 2015).

Profitability is measured by an income statement that maintains a record of income and expenses over an interval of time (Adefulu, 2015). Businesses cannot survive without profitability, and a highly profitable business rewards its owners with a considerable return on their investment. According to Gateka (2019), business managers are responsible for increasing a firm's profitability, by subjecting each process under scrutiny, the aim is to point out changes that improve profitability. These changes can be examined with pro forma income statement, also referred to as, Partial Budget, allowing one to analyze the impact of these modifications on profitability, before implementing it (Asimakopoulos et al., 2017).

According to Fitzsimmons et al., (2016), different decision tools or profitability ratios can be employed to evaluate a bank's profitability. The tools include among others, profit margin, return on assets and return on equity. According to Meriläinen (2015) profit margin is expressed in percentage and can be assessed by dividing net income by revenue. Net income or net profit is the remaining amount after subtracting company expenses from total revenue. Gross profit margin, pre-tax profit margin, net margin, operating margin are different kinds of profit margins commonly used during evaluation.

Andersson and Wachtmeister (2016) claim that though it is quite helpful in comparing the profitability of two different companies, it is necessary that both these organizations have to be from the same industry, containing similar business models and demonstrating the same revenue. A comparison otherwise would be inaccurate, and therefore, redundant. In the case of companies that are losing money, the profit margin is inconsequential as they are not generating any profit (Alharthi, 2016). According to Seidu (2021) four useful measures of firm profitability are the rates of return on firm assets (ROA), the rate of return on firm equity (ROE), operating profit margin and net firm income.

Return on Assets

In additionally, ROA measures the return to all firm assets and is often used as an overall index of profitability, and the higher the value, the more profitable the firm business (Kharatyan, 2016). According to Baten and Kamil (2016), return on assets (ROA), also known as return on investment (ROI), acts as an indicator of company profitability in relation to its total assets. It reveals how efficient the management is in employing resources to its full potential, to generate profit. ROA is denoted as a percentage and is calculated by dividing an organization's annual earnings by its total assets (Akhmedjonov & Balci, 2015). In the case of public companies, ROA varies significantly as they are quite dependent on the industry. Therefore, ROA, when used to compare company profitability should be evaluated against past ROA numbers or ROA of an analogous company. Higher ROA is the preferable result as it denotes that the business is generating more revenue on less investment (Chavarin, 2016).

Return on Equity

ROE measures the rate of return on the owner's equity employed in the firm business (Mubin et al., 2024). Similarly, ROE is the ratio that assesses revenue generated by a company in relation to investments made by equity holders (Alarcon & Sanchez, 2013). It is also denoted as a percentage and measures a company's efficiency, indicating its capacity to generate profit without much investment (Mungal, 2015). A higher ROE is a measurement of management efficiency when utilizing investment. One should be aware that decrease in value of shareholder's equity, for instance, write-downs or share buy-backs, boosts ROE number mechanically. The same thing can be observed in cases of high debt. Therefore, to get accurate ROE, comparisons should be made within the same industry, and evaluation (high or low) should be achieved under the same context (Cardesjö & Lind, 2017).

Furthermore, profit margin, net margin, net profit margin or net profit ratio is a measure of profitability. It is calculated by finding the net profit as a percentage of the revenue (Heino, 2015). Profit margin is calculated with selling price (or revenue) taken as base times 100. It is the percentage of selling price that is turned into profit, whereas "profit percentage" or "markup" is the percentage of cost price that one gets as profit on top of cost price (Iglesias et al., 2019). While selling something one should know what percentage of profit one will get on a particular investment, so companies calculate profit percentage to find the ratio of profit to cost. According to Dao (2016), the profit margin is used mostly for internal comparison. It is difficult to accurately compare the net profit ratio for different entities. Individual businesses' operating and financing arrangements vary so much that different entities are bound to have different levels of expenditure, so that comparison of one with another can have little meaning. Ginting (2015) argues that low profit margin indicates a low margin of safety: higher risk that a decline in sales will erase profits and result in a net loss, or a negative margin. Profit margin is an indicator of a company's pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies (Svahn, 2023).

2.3 Conceptual Review

2.3.1. Competitive Strategy and Financial Performance

Competitive strategy is defined as those strategies employed to determine how the firm competed in its markets, aiming to secure sustainable competitive advantage. In other words, strategies that operates at the business level of the firm (Doyle &Hardie, 2022). Examples of competitive strategies include the discovery of new market opportunities, and the development of new products and services to satisfy customer demand. The most influential competitive strategy typologies include those of Miles and Snow's (2018) reactor, prospector, analyzer and defender model, and Porter's(2020) generic competitive strategies. According to Porter (2015), competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs.

Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Okwemba (2019) noted that competitive strategy is concerned with how a business achieves a competitive advantage in its domain of activities. Porter (2016) argues that competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Competitive strategy is concerned with how a company can gain a competing advantage through a distinctive way of competing. Ombasa and Nzulwa (2018) lament that having a competitive advantage is necessary for a firm to compete but what is more important is whether the competitive advantage is sustainable.

Hosseini et al., (2018) posit that the core of a firm's competitive strategy consists of its external and internal initiatives to deliver superior value to its customers. It includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long-term competitive capabilities and market position and tactical efforts to respond to whatever market conditions prevailing at the moment. The competitive aim is therefore to do significantly better job of providing what buyers are looking for, thereby enabling the companies earn a competitive advantage and out compete rivals in the market place.

According to Maina (2019), a firm in a very attractive industry may not earn profits if it has chosen the wrong strategy and conversely, a firm in an excellent competitive position may be in a poor industry that is not profitable. Porter's (2015) five forces framework helps identify the attractiveness of an industry in terms of five competitive forces: the threat of a new entrant, the threat of substitutes, the power of buyers, the power of supplies and the extent of rivalry between competitors.

Furthermore, Mugo et al., (2019) conducted an investigation into competitive intelligence practices and their effect on profitability of firms in the banking industry using a case of Equity Bank. The study highlighted intelligent product development as one measure of effectiveness in the application of competitive strategies. Using intelligence from the market, organizations need to develop new products and services aimed at meeting the unmet customer needs on the market. Their findings showed that intelligent products deliver a whole new range of capabilities that cannot be found in other products.

Albanian et al., (2015) examined the impact of generic competitive strategies on organizational performance and established significant positive effects of the three competitive strategies: cost leadership, differentiation and focus strategies on performance. Dirisu et al., (2023) studied product differentiation as a tool of competitive advantage and optimal organizational performance using a study of Unilever Nigeria PLC. The study concentrated on product differentiation as a tool of competitive advantage on the organizational performance of manufacturing companies. The results indicate that product differentiation has a positive and significant influence on organizational performance of Unilever Nigeria PLC.

Ndede (2020) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value added features provided to the customers.

A study by Sadoulet (2015) did a study on the the effect competitive strategies and market penetration of commercial banks in Europe. The study used a longitudinal study using data for ten years. A semi-structured questionnaire was used to collect primary data and secondary was obtained from financial statements. The study concluded that commercial banks that adopted competitive strategies highly penetrated the market compared to other banks. Through cost leadership strategy banks these banks attracted all classes of customers.

2.3.2 Operational Strategy and Financial Performance

Operational strategy is defined as those functional level strategies created to implement and execute competitive strategy. Short-term operational strategies direct individual departments within the firm. Johnson and Scholes (2019) defined operational strategies as those concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver the corporate and business level strategic direction.

According to Amoako-Gyampah et al., (2019), organizations seek to integrate the overall corporate strategy with the operations of the individual banking facilities. Thus, how well this integration is achieved affects the profitability and long-term success of the firm. Tatoglu et al., (2019) explain that there are two main elements to the operations strategy. First is what it must be able to do to produce a competitive product such as efficiency, goals, flexibility, costs and quality. The other is the set of decisions made to support banking services equipment choices, vertical integration, quality procedures, etc. and these choices must match the product strategy (Tatoglu et al., 2019).

According to Hosseini et al., (2018), the pattern of banking choices that a company makes is one element of a banking strategy. Cox et al., (2016) classifies strategic banking decisions as “bricks and mortar” decisions and infrastructure. "Bricks and mortar" decisions are decisions about facilities, technology, vertical integration, and capacity. Banking infrastructure decisions relate to topics such as organization, quality management, workforce policies, and information systems architecture (Tatoglu et al., 2019). “Achieving long-term success requires that banks possess not only the operational capabilities and competencies to compete in existing markets, but also the ability to recombine and reconfigure assets and organizational structures to adapt to emerging markets and technologies,” (Raffaelli et al., 2019).

Amoako-Gyampah et al., (2019), focused on five major banking practices: workforce development, process quality management, just-in-time (JIT) flow, supplier relationship management, and product-process development. Workforce development practices improve workers’ abilities through enhance worker control over their work and cross training

(Schonberger, 2016). Process quality management practices make use of associated tools to promote the continuous improvement of process capabilities. Just-in-time flow practices have the primary goal of eliminating wastes such as unnecessary movement, work-in-process inventories, and queuing (Wolniak, 2019).

According to Hosseini et al., (2018), supplier relationship management practices moves the company from arm's length transactions toward partnerships and promotes closer involvement with fewer, select suppliers by establishing long-term relationships, information sharing systems, certification and training, and joint investments. These partnerships allow for more learning through problem solving with customers and suppliers and have been called external learning (Schroeder et al., 2022). One of the big advantages from a RBV and competitive advantage point of view is that relationships with customers and suppliers create tacit knowledge that is not easy to duplicate (Bates& Junttila, 2022).

2.3.3 Resource Governance and Financial Performance

Resource governance encompasses the deliberate intent to capture, accumulate, reconfigure, protect and leverage renewable, existing, potential and unrealized resources (Alonso & Andrews, 2019). They also noted that additional value can be created when firms leverage their resources, thus increasing the effectiveness of the resource. Resource leverage encompasses maximizing the return from resources, further developing resources through learning, exploitation, and spreading resources into additional arenas, that is, resource widening (Chan & Reiner, 2019). Resource leverage can be achieved by concentrating resources on strategic targets, resource accumulation, increasing value by complementing resources, resource conservation, and the rapid recovery of resource expenditure to payoff (Alonso & Andrews, 2019).

Fernandes and Machado (2019) argued that managerial capabilities are utilized by firms to "build, integrate, and reconfigure organizational resources and competences" (p. 1012). To create value, resources need to be "released", that is, transferred or deployed. The main mode of delivery of these decisions is via corporate strategy: "The corporate centre can act as an internal capital market - that is, as an alternative to the outside capital market - in allocating resources to the divisions" (de Figueiredo et al., 2019). Corporate strategy accumulates, leverages and allocates the firm's resource base. For example, specific corporate strategies, such as mergers, acquisitions, alliances and joint ventures, are often employed to accumulate additional resources.

Various typologies for classifying firm resources have been advanced in the literature; for example, Ngwenya (2017) categorized resources into tangible and intangible resources, whereas Chhabra and Popli (2019) identified categories of physical, human, and organizational resources. In contrast, Miller and Shamsie in their 2016 study on Hollywood firm studios divided resources into property-based resources (e.g., physical assets and human capital) and knowledge based resources (e.g., organizational culture and managerial resources).

According to Golesorkhi et al., (2019), interfirm competition involves the competition for the core competencies of the future. The characteristics of core competencies, that is, long-term, investment heavy, firm-wide, and their importance to firm survival, mean that core competency management eclipses viewing resource governance simply as an allocation programme between small business units (Tolla et al., 2019). Dubey et al., (2019) suggested that the transference of core competencies throughout the company can lead to synergy. Consequently, core competency governance should be managed centrally (via corporate strategy decisions) so that the core competencies are integrated and repeatedly used firm-wide, rather than in a decentralized, fragmented manner. In other words, "because core competencies are the highest level, longest-lasting units for strategy making, they must be the central subject of corporate strategy" (Tolla et al., 2019).

de Boer (2016), predicts that the possession and utilization of valuable resources leads to firm performance, for example, only accumulated competences that enable the firm to build new strategic assets more quickly and efficiently than its competitors allowed it to sustain supernormal profits. The means of achieving firm performance is by the proficient exploitation and renewal of resources and capabilities relative to competitors (Bekele, 2018). Likewise, Krishnan et al., (2019) suggested that industry leadership were determined by the ability of firms to leverage their resources. Hartnell et al., (2019) advocated that the successful management of firm resources leads to the creation of corporate advantage. Furthermore, it has been argued that firm performance can be attributed to the creation of synergy from the possession of similar resources amongst various small business units although synergy occurs from the successful integration and administration of resources (Alekseenko et al., 2019).

Faems and Madhok (2019) also noted that resources held within and across firm relationship networks (e.g., suppliers) can lead to firm performance through such mechanisms as investing in relationship specific assets, knowledge exchange (organizational learning), creating new products and technologies through combining complementary resources and lastly, the effective governance mechanisms which lower transaction costs. Moore et al., (2018) found that inter firm relationships improved firm performance due to resource leverage resulting from access to additional core competencies and capabilities, expansion and improvement in existing core competencies, development of complementary resource combinations, network capabilities, and the creation of multiple knowledge flows.

2.4 Empirical Review

Gikunju et al., (2019) in their study examined whether Marketing Promotion Strategy influence performance of tea industry in Mount Kenya region. The study adopted descriptive research design. The target population was 117 management team comprised of five regional management team; regional accountant, operations manager, production manager, auditor, and 112 top management in 16 factories who include, 16 manager 16 production managers 32 accountants 32 training managers and 16 field coordinators sixteen factories that lie in Mount Kenya region. Correlation results indicated that there was a strong positive association between marketing promotion strategy and performance of tea industry. The results showed marketing promotion strategy was significant with performance of tea industry. Regression results showed that there is a strong positive the effect marketing promotion strategy and financial performance of the tea industry. The study concluded that marketing promotion strategy has a high prediction power when grouped together in terms of tea pricing using predictive discriminate analysis.

Abdul and Rahman (2019) tested the impact of strategic planning on enhancing the strategic performance of Bahraini banks. The study has two variables. The strategic planning as an independent variable included a group of four perspectives, namely environmental scanning, strategy formulation, strategy implementation, and strategy evaluation. The strategic performance as a dependent variable also included a group of four perspectives: financial, customer, internal business process, and learning and growth. The sample of the study consisted of the employees of 10 of all the 12 commercial banks in Bahrain. A questionnaire was developed to gather the data. Five questionnaires were distributed to each bank totaling 50 questionnaires. The results showed that the strategic planning had a good statistically significant effect on financial, customer, and learning and growth. The results also showed a medium statistically significant effect of strategic planning on internal business process. The research recommended focusing on all aspects of the strategic performance in the banks under study, specifically the internal business process perspective.

Amburuka et al., (2019) investigated on the moderating influence of firm-level factors on the effect strategic planning and performance. Through a cross-sectional descriptive survey, data was obtained using a structured questionnaire from 72 manufacturing firms representing 52.17 percent response rate. Data obtained were analyzed using both descriptive and inferential statistics. Hypothesis was tested using both simple and multiple regression analysis. The findings established that firm-level factors had a significant moderating influence on the effect strategic planning and performance. The independent influences of the firm-level factors' indicators used were all significant. The study suggested that the managers of the manufacturing firms in Kenya need to synchronize the strategic planning and firm-level factors for superior performance.

Ratembo (2017) conducted a study to find out the association between corporate strategy and financial performance of the Kenyan insurance companies. The data were analyzed through regression analysis and it was established that corporate strategy adopted had an influence on the firm performance as measured by financial and non-financial metrics, and it was also established that more companies are adopting strategic alliances and partnerships in order to increase and maintain respective market shares. It was established that corporate strategy enhances competitive advantage of the organization over its rivals. The research recommended that government through its various agencies should put in place the right policies, which support the insurance firms as a way of increasing the contribution to the economy. Further studies are recommended to establish the effect of competitive advantage on the survival of insurance companies and how portfolio mix influence the adoption of generic corporate advantage strategy by insurance companies in Kenya.

Arasa and Nduku (2015) conducted a study to examine the influence of international market entry strategies on the financial performance of manufacturing multinationals in Kenya. Questionnaire was used as the preferred data collection tool. Both descriptive and inferential statistics were utilized to facilitate data analysis. Results indicated that manufacturing multinationals used various international market strategies to venture into business. These strategies include licensing, whole owned subsidiaries, joint venture, exporting, direct investment and strategic alliances. Study findings also indicated that firms intending to go international do consider various factors when making a choice of a market entry strategy. These considerations include resources available, company competence, competition in the market, size of the host country, availability of possible partnering firms within host country, host country requirements and state of firm development. Regression results indicated that market entry strategies do influence firm financial performance (profitability and market share). The study concluded that manufacturing multinational firms use more than one market entry strategy to venture into the international arena and all market entry strategies have a positive and significant relationship with performance of firms. The study recommends that multinationals firms to invest in research to facilitate fact-based decisions on the choice of international market entry strategies.

Arasa and Obonyo (2022) examined the effect strategic planning and firm performance giving attention to the strategic planning steps. Correlation analysis results indicated the existence of a strong the effect strategic planning and firm performance. Further, all the strategic planning steps (defining firm's corporate purpose, scanning of business environment, identification of firm's strategic issues, strategy choice and setting up of implementation, evaluation and control systems) were found to be positively related to company performance.

Tornyeva and Wereko (2022) conducted a study in Ghana on corporate governance and firm performance. The primary data used in the study was gathered through the administration of questionnaires whereas the national insurance commission was used to extract secondary data. Data analysis was executed using the panel data methodology. The study findings indicated that board skill, large board size, experienced CEOs, management skill, audit committee independence, of selected ownership, institutional tenure, dividend policy and annual general meeting have a positive linkage with the financial performance of the Ghanaian insurance companies. Thus, insurance companies were advised to adopt good practices of corporate governance so as to attain better financial performances and safeguard the shareholders' interests.

Furthermore, a study on corporate governance and insurance company growth was carried out by Fadun .(2023) in Nigeria. The study used an empirical research design and data was collected from 112 respondents using a structured questionnaire. Data analysis and testing of hypothesis was performed using the Pearson product coefficient of correlation. The research findings state that desirable corporate governance promotes effective supervision, sound insurance practices promotes superior corporate governance for the insurance industry in Nigeria, which has enhanced growth in the sector. Kipkurui (2021) studied on the association between financial performance and corporate governance of the Kenyan insurance companies, and established that a negative association exists between the Board size and non-executive directorships exist with return on Asset.

Mbaabu (2020) further studied on the link between corporate governance, ownership structure and financial performance of the Kenyan insurance companies. The study comprised 41 licensed insurance companies. The findings revealed that the average number of Department heads in Kenyan insurance companies was either 6 or 7 with non-executive directors being in the range of 5 and 6. The results showed a positive return on assets however, when ownership was considered, the results became negative. The results further showed that board size and constitution and financial leverage have a significant effect on both return on equity and return on assets.

2.5 Research Gap

Literature Gaps:

The studies focus on different contexts other than the banking sector in Somalia. Gikunju et al ., (2019); focused on the tea industry in Kenya while Amburuka et al(2019); studied manufacturing firms. Mbaabu(2020) looked at insurance firms in Kenya. None specifically examined commercial banks in Somalia.

None of the studies focused on the relationship of corporate strategies particularly. (Ginsburgh, 2006).looked at marketing promotion strategy only. A wider range of competitive, operational and resource governance strategies were not examined.

The moderating factors analyzed were also different. Amburuka et al(2019);   studied firm-level factors but not the specific instability context of Somalia.

Limited recent literature exists on the turbulent Somali banking context specifically. Most previous studies are over 5 years so presenting time gab. and do not capture the evolving dynamics.

Methodological Gaps:

Methodological gabs refer to the limitations or weaknesses in researcher methods or approaches that can lead to incomplete, inaccurate or unreliable findings Ratembo (2017)

there exist methodological gab as many studies were done based on cross-sectional design they do not used Explanatory design and descriptive design.

The sample sizes were relatively small. Larger samples from multiple banks would provide more robust insights for the Somali banking sector.

Financial performance was analyzed generally without decomposing into specific accounting and market-based indicators suitable for banking. Moderators like security volatility particular to Somalia were not specifically controlled for in previous analyses.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter included research design, study population, sample size, sampling technique, data sources, data collection instruments, validity and reliability, data collection procedure, data analysis, ethical considerations and anticipated limitations of the study.

3.1 Research Design

The study was adopt a mixed methods research design comprising both descriptive and explanatory components.

3.1.1 Descriptive Design

A descriptive design was used at the start to broadly characterize the corporate strategies employed by selected banks in Somalia. This involves documenting the various strategic practices in areas such as market penetration, product diversification, funding sources etc. through review of organizational documents and interviews. Descriptive research aims to depict the nature of a phenomenon as it exists naturally without inference (Keiser, 2016).

3.1.2 Explanatory Design

However, to address the objectives of identifying relationships between strategies and performance which involve causal inference, an explanatory component is also required. An explanatory design aims to establish associations and causal influences between variables (Kothari, 2004). This study will employ an explanatory design using quantitative analysis to test hypothesized relationships between strategic factors (independent variables) and financial outcome metrics (dependent variables).

3.1.3 Research Approach

Given the need for descriptive profiling as well as causal inference testing, a mixed methods research approach integrating both quantitative and qualitative strands will be followed. Quantitative data will be collected from financial statements on performance metrics while qualitative data on strategic practices is collected through interviews and documents. Combining approaches can provide more insightful, validated and generalized conclusions than a single approach alone (Creswell & Creswell, 2018).

3.2 Study Population

The population of the study in this current research comprised of the selected commercial banks in Mogadishu-Somalia, which included: Amal Bank, Salam Bank, Premier Bank and Dahabshil Bank (Human Resource Reports, 2022). The target population included all employees (i.e. Department heads, senior management audit committees and technical staff) of the selected commercial banks. The total target population was 219 employees.

3.3 Sample Size

The sample size for this study was calculated using Slovene's formula.

$n = \frac{N}{1+N(\alpha)^2}$; Where N=target population, n=sample size, and α=0.05 level of significance.

$n = \frac{219}{1+219(0.05)^2}$;

$\boldsymbol{n = 142}$

Therefore, the sample size of this study was 142 respondents. Table 3.1 gives the summary of the population and sample size.

Table 3.1: Study Population and Sample Size

Category	Target population	Sample size	Sampling technique
Department heads	21	19	Purposive sampling
Senior Management	12	10	Purposive sampling
Audit Committees	09	07	Purposive sampling
Technical staff	177	106	Simple random sampling
TOTAL	**219**	**142**	

3.4 Sampling Technique

Probability/random sampling were used in selecting organizations and respondents. It is a technique in which the probability of getting any particular sample may be calculated (Creswell, 2009). The advantage of probability sampling is that it allows for the generalization of the findings from the sample to the larger population.

3.4.1 Simple random sampling

According to Creswell (2009), simple random sampling ensures that every member has an equal chance of being recruited into the sample. This study used simple random sampling to collect data from the technical staff. This was achieved by the researcher writing the names of the technical staff in different pieces of papers. The papers were then put in a bowel and shaken to randomize them. The researcher then randomly selected the names of the respondents from the pieces of papers and until he was satisfied with the numbers of respondents that he needed. This sampling technique was preferred because it gives equal opportunity for each participant to be included in the study without bias.

3.4.2 Purposive sampling

Purposive sampling was adopted to sample members of the Board of Governors, Audit Committee Members and Senior Management. Mugenda and Mugenda (1999) purposive sampling focuses on particular characteristics of a population that are of interest, which best enables the researcher to answer her research questions.

3.5 Data Source

The study used primary data sources. Primary data was collected using questionnaire on the topics of corporate strategy and financial performance.

3.6 Data Collection Method

3.6.1 Questionnaire

The study employed questionnaire survey as the data collection method. The questionnaire survey was done objective by objective targeting the technical staff to respond to questions regarding corporate strategies and financial performance. The data collection tool that was employed in this method was questionnaires (structured questionnaire). The questionnaire was preferred because it is easy to administer, saves time and allows for doubts to be clarified on spot from many respondents (Sekaran, 2003).

3.6.2 Interviews

As part of the qualitative data which is meant to offer detailed explanations of the results, key informant interviews were conducted. According to Kothari (2004), key informant interview provides for a chance to explain the significance of the phenomenon being portrayed by the statistical data. Since the study investigated a sensitive issue of finances in an organization, it was important to explore further why and how these CSOs experience with financial sustainability and corporate governance issues (Groves et.al (2009). A structured interview using a key informant interview guide was used providing for little deviations from the subject being investigated (Somekh & Lewin, 2005).

3.7 Data Collection Instrument

3.7.1 Questionnaire

The questionnaire was the main research instrument for this study. A questionnaire is easier to administer, less costly, and ensures greater depth of response (Mugenda & Mugenda, 2003). This study employed close-ended questionnaires (structured questionnaire) – where some questions was presented and the responses were fined and the respondent was expected to choose the answer from the options given him/her. Furthermore, the questionnaire were sub-divided into three sections; namely: Section A, was used to collect data regarding the profile of the respondents, that is, gender, age, education level, and work experience. Section B was used for collecting data regarding corporate strategies, and section C captured data on financial performance. A five Likert scale was used; where 1=strongly disagree; 2=disagree; not sure; 4=agree; and 5=strongly agree. The five Likert scale was preferred by the researcher because it captures all the ideas, views and opinions of the respondents.

Questionnaire were preferred in this study because it is cheap and can cover a wide range of respondents; provides respondents with adequate time to understand the questions asked and provide answers accordingly; a researcher is able to collect data from a wide range of samples from the target population, group or elements under investigation; and questionnaires maximise objectivity since the researcher is dependent on respondent's views/ opinion (Kothari, 2004).

3.7.2 Interview Guide

Ten open ended questions were developed and used for discussion and recording information from key informants. These covered all the variables under study focusing the effect corporate strategies on the financial performance of selected commercial banks.

This was rather an organized conversation that was recorded on permission of the interviewees enabling further data processing procedures described late (Junker & Pennink, 2010 ; Ragin, 2007). The researcher interviewed board Member, members from senior management and audit committee member.

3.8 Validity and Reliability

3.8.1 Validity

Validity as the extent to which a measuring instrument on application performs the function for which it is designed (Uyimadu, 2015). To ascertain the validity of the instrument, content validity was adopted. The instrument was validated by the researcher's supervisors at the College of Economics and Management of Kampala International University. They ensured that the instrument represents the entire range of possible items to be tested in the study. The questionnaires were modified in line with their recommendations. Furthermore, content validity index (CVI) was used; where CVI value greater than 0.70 was considered valid otherwise not valid (Amin, 2015).

$$CVI = \frac{items\ declared\ valid\ by\ experts}{total\ number\ of\ items}$$

The CVI of 0.92 of this study implies that the instrument was valid, according to 0.70 recommended by Amin (2015).

3.8.2 Reliability

Reliability is the tendency toward consistency found in repeated measurements (Sekaran & Bougie, 2020). The reliability of the instrument was ascertained using the internal consistency method. The questionnaire was given to a 10-man expert on the field for their grading based on 5-point Likert scale. The researcher used the Cronbach's alpha correlation matrix to test the reliability of the instrument as ranked by the experts. Table 3.2 provides the rule of thumb for Cronbach's alpha coefficient value by Zikmund et al. (2020), while table 3.3 gives the Cronbach's results for the study.

Table 3.2: Rule of Thumb for Cronbach's alpha Coefficient Value

Alpha Coefficient Range	Strength of Association
0.90 to 1.0	Excellent
0.80 to 0.89	Very Good
0.70 to 0.79	Good
0.60 to 0.69	Moderate
Less than 0.60	Poor

Adopted from: Zikmund et al. (2020)

Table 3.3: Cronbach's Reliability Results

Tested variables	Number of items	Cronbach's alpha
Corporate strategies	18	0.931
Financial performance	8	0.847

The above results show that Cronbach's alpha value on corporate strategies were interpreted as 'Excellent', implying that there was high level of reliability because of the high level of internal consistency. On the other hand, the Cronbach's alpha value for financial performance was interpreted as 'Very Good', implying a high level of reliability due to high level of internal consistency.

3.9 Data Collection Procedure

An introduction letter was obtained from the College of Economics and Management of Kampala International University (KIU) for the researcher to solicit approval to conduct the study from the four commercial banks. During the administration of the research instruments on the selected respondents, the respondents were properly and adequately oriented on the study and why it was being carried out. The respondents were requested to sign the informed consent form. They were also guided on how to fill the questionnaires, and the importance of answering every item of the questionnaire without leaving any part unanswered. The respondents were requested to kindly respond to the questionnaire on time. The researcher retrieved the filled questionnaires within 2 days. After retrieving them back, he thoroughly checked then to ensure that all items were adequately answered by the respondents.

3.10 Data Analysis

Analysis of data followed the study objectives. Since two approaches was used in data collection, both quantitative and qualitative data was analyzed using appropriate methods to identify themes and pattern as presented in the theories and hypotheses (Ragin, 2007)

3.10.1. Quantitative Data Analysis

After retrieving back, the questionnaire and collecting the required data, it was then prepared for analysis by using Statistical Package for Social Scientists (IBM SPSS, version 22.0) software. In this process, the data underwent data editing which was involved checking the filled questionnaires for any omissions or mistakes; then data coding which involved giving each item of the questionnaire or variable a code to be used when imputing the data into the computer, and lastly data entry into the computer for analysis.

The analysis was conducted in the following manner: The frequency and percentage distribution was used to determine the profile of the respondents; descriptive statistics, such as mean and standard deviations was used to describe corporate strategy and financial performance in regard to central tendency and dispersion of dataset respectively.

Inferential statistics such as linear regression analysis was used to determine the corporate strategy and financial performance (equation 1); effect of competitive strategy on the financial performance (equation 2); the effect of operational strategy on the financial performance (equation 3); and the effect of resource governance on the financial performance (equation 4)

The equation to determine the effect of corporate strategy (independent variable) and financial performance (dependent variable) was represented as:

$Y = a + bx$……………………………….. (1)

Where; Y=dependent variable; a=intercept; b=slope; x= independent variable.

$FP = a_0 + b_1(CS) + \varepsilon$……………………….. (2)

$FP = a_0 + b_2(OS) + \varepsilon$………………………. (3)

$FP = a_0 + b_3(RG) + \varepsilon$………………………. (4)

$FP = a_0 + b_1 xCS + b_2 xOS + b_3 RG + \varepsilon$………………… (5)

Where, CS=competitive strategy; OS=operational strategy; RG=resource governance; and FP=financial performance; a_0=when the intercept is zero; b_1=regression line for competitive strategy,b_2 =regression line for operational strategy; b_3=regression line for resource governance; ε=Error Term.

The null hypothesis was tested using the level of significance ($p \leq 0.05$); the decision rule was that: if the p-value is less or equal ($p \leq 0.05$), it would be considered significant; otherwise, the null hypothesis was rejected

Quantitative data arose from the survey questionnaire. These were sorted, coded and entered into SPSS 22.0 software for analysis. Quantitative data analysis was in two parts namely descriptive statistics and inferential statistics. Descriptive statistics were computed for the background information of the respondents like age, gender, education level and employment level. This was not relied on to draw conclusions about the study. Quantitative data got from the questionnaires were computed into frequency counts and percentage. The key data analysis techniques to establish the effect the key study variables were Pearson product moment correlations and Regression analysis. Correlation Coefficients help to assess/test the degree of the effect the variables of the study.

3.10.2 Qualitative Data Analysis

Recordings from the key informant interviews were the main source of qualitative data supplemented by documentary reviews. To grasp the meaning of all qualitative data produced by the interviews and document analysis, Content analysis as an interpretive technique was adopted to draw inferences that explained key concepts of the study (Creswell, 2009). Data from recordings were transcribed, summarized into major themes related to the research questions. These were later used as explanatory notes for statistical data. Having promised to blur identity of the key informant, no names were attached to data segments extracted.

3.11 Ethical Considerations

Research ethics involve requirements on daily work, the protection of dignity of the subjects and the conduct of research in a manner that does not harm the subjects.

Respect for Privacy and Informed consent: Fouka and Marianna (2021) believe that an invasion of privacy happens when private information such as beliefs, attitudes, opinions and records, is shared with others, without one's knowledge or consent. In a bid to respect privacy, the author observes that all aims, instruments and methodology must be discussed with the prospective subject and the research workers prior to the investigation. Similarly, Borbasi et al., (2015) observes that researchers should make sure that the human subjects in the research fully understand the study. In addition, they must ascertain that the respondents have understood their right to withdraw at any time. More important, consent should be obtained freely, with full awareness of implications. In view of this, the principle of the respect for privacy as well as informed consent was observed in the study. A copy of the informed consent form is attached (refer to Appendix II).

Furthermore, respondents were made aware of the rationale, objective, methodology, their expected contribution, and any potential benefits versus the harm/risks of participating in the study and how they could seek more information about the study. Upon this, they were able to appreciate the study and therefore gave their consent to participate in the study. In addition, any request not to provide information on some issues was considered. Even after their consent to participate in the study, respondents were allowed an option to quit at any moment they felt they needed to do so. Fortunately, all respondents were appreciated and consented to participate in the study and none expressed interest to quit in the course of the data collection.

Confidentiality and anonymity: The issue of confidentiality and anonymity is closely connected with the rights of beneficence, respect for the dignity and fidelity. Anonymity is protected when the subject's identity cannot be linked with personal responses (Fouka & Marianna, 2021). If the researcher is not able to promise anonymity, he or she has to address confidentiality, which is the management of private information by the researcher in order to protect the subject's identity (Müller, 1994).

In the context of this study, data was collected from human subjects and the data collection tools showed no identity of persons by names but rather a unique number identifying each respondent was used. This ensured that information provided cannot be identified with specific individuals. At the stage of reporting findings, the individuals were not revealed but rather general trends arising from analysis of data from individuals were reported. Where verbatim was used, no identity of names or persons was revealed. Before seeking consent to participate in the study, every respondent was made aware of these provisions for anonymity through the consent form which was hand delivered and was endorsed by each of them before their participation in the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis of the data gathered and their interpretation. It gives the demographic characteristics of the respondents and variables used. The data on the variables were presented, analyzed and respectively interpreted in accordance to the specific objectives.

4.1 Response Rate

Table 4. 1: showing response rate

Issued questionnaires	Questionnaires filled and returned	Response rate
142	142	100%

Source: Field Data (2023)

The response rate, also referred to as the completion rate or return rate in research, is a critical metric that denotes the proportion of individuals who have responded to a survey or questionnaire compared to the total number in the sample. Typically expressed as a percentage, it serves as a key indicator of the study's reach and potential for sampling bias. Sampling bias may arise if non-response is unevenly distributed among participants with respect to the study's outcomes. In the current study, the sample size was established at 142 respondents, and remarkably, the study successfully obtained responses from all 142 individuals, resulting in a 100% response rate. This outstanding response rate is not only commendable but also renders the obtained data highly representative. The fact that every participant in the sample provided responses contributes to the study's reliability and minimizes the risk of bias. This achievement surpasses the standards proposed by Holbrook et al. (2016), reinforcing the robustness of the study's methodology. A 100% response rate not only signifies a comprehensive data collection process but also enhances the study's validity, as it ensures that the perspectives of the entire intended sample are incorporated into the analysis.

4.2 Demographic Characteristics of the Respondents

The demographic characteristics of respondents in this study included age, gender, education level, and work experience. Tables 4.2, 4.3, 4.4, 4.5 give the summary of the demographic characteristics of the Respondents.

4.2.1 Gender of respondents

Table 4. 2: showing the gender of respondents

Gender	Frequency	Percent (%)
Male	92	64.8
Female	50	35.2
Total	142	100.0

Source: Primary Data, 2024

The results show the distribution of respondents by gender who participated in the study on corporate strategies and financial performance of commercial banks in Mogadishu. A total of 142 bank employees responded to the survey/interview questions.

Of these, 92 respondents which forms 64.8% of the sample were male. This indicates that majority of the employees in the banking sector in Mogadishu are male. This reflects the trend in the broader Somali context where traditionally, banking and senior management roles have been male-dominated.

However, the study also found 50 female respondents comprising 35.2% of the total. This is a significantly large proportion compared to previous years and suggests commercial banks in Mogadishu are making efforts towards gender diversity and inclusion in employment. Greater female representation could provide different strategic perspectives and aid in serving the needs of the overall customer base which includes both male and female clients.

Overall, the gender distribution provides insights regarding the profile of the banking workforce in Mogadishu. While male dominance persists, growing female participation reflects positive changes. Examining any differences in strategic practices or performance assessments between male and female bank employees could offer additional findings relevant to management and policy. Ensuring diversity remains an important consideration given the sector's role in development.

Table 4. 3: showing the Age of respondents

Age	Frequency	Percent (%)
20-29	41	28.9
30-39	30	21.1
40-49	61	43.0
50 and above	10	7.0
Total	142	100.0

Source: Primary Data, 2024

The table presents findings on the ages of bank employees who participated in the study. It is evident that majority of the respondents, 61 representing 43% of the total sample, were between 40-49 years old. This age bracket captures those with considerable years of banking experience, as the industry has been stabilizing in the past decade. Their strategic insights and performance assessments are valuable.

The next major category were those aged 20-29 years at 41 people or 28.9%. This is an encouraging trend as it suggests commercial banks in Mogadishu are actively recruiting young talent who can help develop innovative solutions suitable to the evolving context.

Meanwhile, those 30-39 years formed 21.1% whilst the category of 50 years and above accounted for the smallest share at 7%. This age profile depicts a workforce with a balanced mix of youth, middle management and experienced personnel. Such diversity allows for cross-fertilization of new and established ideas supportive of objectives.

In general, the results affirm that selected banks have developed age groups relevant to the need for institutional memory, technical skills transfer to new entrants, as well as stimulating fresh perspectives. All these are core for formulating adaptive corporate strategies and sustaining financial viability in Somalia's unstable sector.

4.2.3 Education of respondents

Table 4. 4: showing the Education of respondents

Education	Frequency	Percent (%)
Certificate	11	7.7
Diploma	25	17.6
Bachelor Degree	88	62.0
Master's Degree	18	12.7
PhD	0	0.0
Total	142	100.0

Source: Primary Data, 2024

The majority at 88 respondents representing 62% of the sample held a Bachelor's degree. This emphasizes the focus on graduate recruitment within the sector, a strategic move that ensures analytical competencies needed for complex financial decision making.

The next major group comprised staff with a Diploma, at 25 people accounting for 17.6% of employees. Diploma qualifications remain relevant for technical operational roles.

Meanwhile, 18 respondents or 12.7% had achieved a Master's degree, demonstrating a culture of continuous skills deepening. This is critical in an unstable context that demands innovative, evidence-based solutions.

Interestingly, none was reported to have a PhD level qualification. While research capabilities are developing, this could be an area for future skills refinement.

Overall, the education profile affirms selected banks' strategic prioritization of developing human capital necessary to effectively design and implement policies and programs responsive to the unstable Somali operating environment's needs. A blend of technical and higher-order analytical competencies bodes well for optimizing corporate strategies and outcomes.

4.2.4 Work experience of respondents

Table 4. 5: Showing the Work experience of respondents

Work experience	Frequency	Percent (%)
Less than 1 year	9	6.3
1-5 years	40	28.2
6-10 years	62	43.7
More than 10 years	31	21.8
Total	142	100.0

Source: Primary Data, 2024

The results show that majority of staff, representing 43.7% of respondents, had 6-10 years of work experience in the banking sector. This signifies that most employees have served long enough to have accrued meaningful insights into changes in strategic approaches over time.

The next major category was those with 1-5 years of experience at 40 people or 28.2% of respondents. This relatively young pool of talent provides perspectives on contemporary strategies.

In addition, 31 employees equivalent to 21.8% had over 10 years in banking. Such institutional memory is invaluable given the sector's tumultuous past.

Only 9 employees or 6.3% had less than one year's experience. This small proportion suggests limited recent volatility in staffing.

Overall, the experience profile illustrates selected banks' strategic success in retaining skilled staff over the decades despite instability. It ensures both a blend of well-established expertise alongside fresher market understandings - critical mixes for navigating Somalia's unpredictable trends. The results signal stability strengthening over time.

4.3 Descriptive Statistics

This study's variables included corporate strategy, which was measured using competitive strategy, operational strategy, and resource governance. On the other hand, the financial performance variable was measured using profitability. Mean and standard deviations were used as the descriptive statistics of the study variables measure central tendency and measure dispersion respectively. Table 4.2 and 4.3 gives the summary of the findings.

Table 4.21: The interpretation of criteria

Mean range	interpretation
4.2-5	Very satisfactory
4.21-3.4	satisfactory
3.41-2.6	Fairly satisfactory
2.61-1.8	Unsatisfactory
1.81-1.00	Very unsatisfactory

4.3.1 The Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Table 4. 6: Showing the Descriptive Statistics of the Competitive Strategies and financial performance

Competitive strategy	Mean	Std. Deviation	Interpretation
This bank largely focuses on customers to have a better competitive advantage.	4.11	1.009	Satisfactory
This bank focuses on technological advancement to offset competition in the market.	3.97	1.091	Satisfactory
This bank invests heavily on advertisements and promotions to offset competition.	3.80	1.040	Satisfactory
This bank focuses on market research to have a better competitive advantage.	3.78	1.066	Satisfactory
This bank focuses on the competitors to have a better competitive advantage.	3.74	1.029	Satisfactory
This bank invests heavily on its employees to offset competition.	3.73	.946	Satisfactory
Average Mean	3.86	1.030	Satisfactory

Source: Primary Data, 2024

Concerning competitive strategy, as indicated in Table 4.6, respondents evaluated it as satisfactory with an average mean of 3.86 (Std=1.030). This assessment stems from the consensus among respondents that their banks predominantly prioritize key areas, including customer-centric initiatives (mean=4.11, Std=1.009), technological advancements (mean=3.97, Std=1.091), and substantial investments in advertising and promotions (mean=3.80, Std=1.040), all aimed at gaining a competitive advantage. Moreover, respondents expressed agreement that their banks place a strong emphasis on market research (mean=3.78, Std=1.066), competitor analysis (mean=3.74, Std=1.029), and significant investments in employees (mean=3.73, Std=0.946) as part of their competitive strategy. These findings underscore the proactive approach adopted by commercial banks in response to the intense competition in the of selected market. The banks strategically engage in customer behavior analysis, competitor assessment, and substantial investments in technology and human resources. This comprehensive approach enables them to not only understand market dynamics but also to innovate and introduce advanced technologies that set them apart in the banking industry, attracting and retaining customers. Furthermore, the recognition of employees as a pivotal component in the competitive strategy signifies a departure from the conventional notion that "the customer is the boss." Instead, by prioritizing well-trained, skilled, and satisfied employees, commercial banks aim to enhance customer experiences, believing that satisfied employees contribute to superior customer service. This strategic alignment positions these banks to navigate and excel in a highly competitive market landscape.

A respondent from Amal Bank noted that

*In their bank, work plans are drawn and reviewed on time (*Primary data, 2024), these influence financial performance, if well drawn the plans yield fruits.

A respondent in contradiction to survey findings was of the view that;

'*Board decisions are not timely communicated to management and staff in many commercial banks in Mogadishu District like Salam Bank.'* In most cases effective board decisions on financial matters can lead to financial performance.

A Finance Officer from Kaana Foundation had this to say;

"In the last few years there has been more pressure on boards to show how they govern and add value to their organization especially on ensuring that financial resources are acquired and properly utilized."

In Another key, a respondent noted that;

"*Boards in commercial banks in Mogadishu District play a general function did not provide strategic planning incentives to the commercial banks. Some of the Department heads behave like regular employees of the bank and many lack knowledge and skills in the sectors acted upon by the commercial banks in order to give proper strategic direction." Said by Member of Senior Management team. (Primary Data, 2024).*

A Senior Officer in Accounts in a CSO noted

Some Department heads are not keen in monitoring and supporting organizations to avert risks let alone understanding risk assessment, control and management with proper financial decisions. He added that; *the boards prefer to play safe and appeal to good will of employees and donors rather than challenge them to venture out.* Risk monitoring averts so many challenges that may be an impediment to financial performance.

4.3.2 Correlations analysis of Competitive strategy and financial performance

Table 4. 7: Correlations of Competitive strategy and financial performance

		Competitive strategy	**Financial performance**
Competitive strategy	Pearson Correlation	1	.170**
	Sig. (2-tailed)		.002
	N	**141**	**141**
Financial performance	Pearson Correlation	.170**	1
	Sig. (2-tailed)	.002	
	N	**141**	**141**
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data, 2024

In order to examine the relationship between Competitive strategy and financial performance of Commercial banks in Mogadishu Somalia, Pearson's Linear Correlation Coefficient was computed as shown by the results in Table 4.7. The results reveal that there is a significant and positive ($r=0.170^{**}$, $N=141$, $p=0.002<0.01$) relationship between Competitive strategy and financial performance. This means that Competitive strategy is an important factor as it determines the level of financial performance and good financial performance is the result of efficient Competitive strategy (Horne & Wachowitz, 1998). However, the null hypothesis which was previously stated that there is no significant relationship between Competitive strategy and financial performance of Commercial banks in Mogadishu Somalia can be accepted and null hypothesis be rejected by concluding that there is a significant and positive relationship between Competitive strategy and financial performance. The relationship is significant because the probability value (0.002) is less than 0.01<0.05. Hence, efficient Competitive strategy contributes positively to the financial performance of firms and their survival.

4.3.3 Regression analysis Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

The first objective of this study was to examine the effect of competitive strategy on the financial performance of commercial banks in Mogadishu. Table 4.13 gives the summary of the findings.

Table 4. 8: The Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.392[a]	.153	.147	.56807	.153	25.355	1	140	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.182	1	8.182	25.355	.000[b]
	Residual	45.179	140	.323		

Total	53.361	141

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	2.240	.312		7.187	.000
	Competitive strategy	.402	.080	.392	5.035	.000

a. Dependent Variable: financial performance

Source: Primary Data, 2024

The findings presented in table 4.8 presents compelling evidence of the positive and significant effect of competitive strategy on the financial performance of commercial banks in Mogadishu, with an R-squared value of 0.153 and a p-value of 0.000. This signifies that competitive strategy can explain up to 15.3% of the variance in financial performance, highlighting the substantial influence of strategic approaches on the banks' overall viability. Specifically, the utilization of advanced technology, employee training and development, and strategic promotional ventures emerges as key contributors to market penetration and financial success.

Hypothesis I, which posits that there is no significant effect of competitive strategy on the financial performance of commercial banks in Mogadishu, was rigorously tested. The decision rule, guided by a significance level of 0.05, led to the reject of the null hypothesis and acceptance of the alternative hypothesis, affirming a substantial and meaningful effect of competitive strategy on financial performance.

Additionally, the study demonstrated that the regression model is robust, providing a good fit for predicting the impact of competitive strategy on financial performance (F=25.355, p=0.000). This statistical significance reinforces the credibility of the model in capturing the effect competitive strategy and financial outcomes.

Further, the investigation revealed that enhancements in competitive strategy, such as leveraging advanced technology and investing in regular employee training, can lead to a notable 39.2% improvement in financial performance (Beta=0.392, p=0.000). This underscores the practical importance of strategic initiatives in driving financial success for commercial banks in Mogadishu.

Thus the equation: $FP = a_0 + b_1(CS) + \varepsilon$……………………….. (2)

Will be $FP = 2.240 + 0.392\ b_1 + 0.312$

In summary, the findings highlight the strategic imperative for of selected commercial banks to invest in and optimize their competitive strategies, considering the specific context of Mogadishu. The study not only establishes a robust statistical relationship but also quantifies the potential positive impact, offering valuable insights for strategic decision-making in the dynamic banking landscape of Mogadishu.

4.3.4 Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Table 4.3.2.1 the interpretation of criteria.

Mean range	interpretation
4.2-5	Very satisfactory
4.21-3.4	satisfactory
3.41-2.6	Fairly satisfactory
2.61-1.8	Unsatisfactory
1.81-1.00	Very unsatisfactory

Table 4. 9: Showing the Descriptive Statistics of the Operational Strategy and financial performance

Operational strategy	Mean	Std. Deviation	Interpretation
This bank pursues constant improvement in its operational processes.	3.80	1.055	Satisfactory
This bank has adequate financial resources to meet its operational costs.	3.65	1.375	Satisfactory
This bank has well trained and skilled employees who know how to meet customers' needs.	3.58	1.333	Satisfactory
This bank develops new processes to deliver products and services to customers.	3.32	1.193	Fairly Satisfactory
This bank introduces new service delivery processes to add value.	3.25	1.541	Fairly Satisfactory
This bank is efficient in its service delivery processes.	3.18	1.222	Fairly Satisfactory
Average Mean	3.46	1.287	Satisfactory

Source: Primary Data, 2024

In examining operational strategy, as illustrated in Table 4.9, respondents rated it as satisfactory with an average mean of 3.46 (Std=1.287). This assessment stems from respondents' acknowledgment that their banks actively pursue continuous improvement in operational processes (mean=3.80, Std=1.055) by allocating adequate financial resources to meet operational costs (mean=3.65, Std=1.375). Additionally, the availability of financial resources enables these banks to recruit well-trained and skilled employees capable of satisfying customer needs (mean=3.58, Std=1.333). However, the study revealed certain areas of potential improvement. Respondents indicated a lower frequency in the development of new processes to deliver products and services (mean=3.32, Std=1.193), infrequent introduction of new service delivery processes to add value (mean=3.25, Std=1.541), and perceived inefficiency in service delivery processes (mean=3.18, Std=1.222). These findings suggest that while commercial banks actively invest in constant improvement and workforce quality, there is room for enhancing innovation in product and service delivery. The perceived limitations in introducing new processes and ensuring efficiency might be addressed through strategic initiatives and investments in research and development. The study underscores the critical role of financial resources in the success of operational strategies. The availability of sufficient funds allows commercial banks to continually enhance and expand their market presence. Consequently, future operational strategies could benefit from a renewed focus on innovation and efficiency to ensure sustained growth and competitiveness in the dynamic banking industry.

In the interview with a member of Premier Bank, he noted that;

Premier Bank decisions are limited. The board is often appealed to when major decisions including new employee hire, change of sector interventions, and purchase of assets among others are being made.

A respondent who at employee level was of the view that;

"The Department heads of these commercial banks lack capacity to bring in financial resources since it requires a lot of skill in negotiations and making proposals and expressions of interest in funding call. He added that; *I would rather see this as mainly done by the senior management team"(Primary data, 2024)*

In an interview with an employee, she mentioned that;

Senior management informs the board of the status of the operations and the strategic decisions taken but in all the senior management seems to have more information and knowledge about the organizations operations than the board (primary data 2017). A bank that acts strategically can easily achieve financial performance.

A key respondent also noted that

Senior management follows the approval by the Board of Directors, operating within annual plans and budgets, a sign indicating that the Board is effectively executing its functions. Even donors wait for board approval of plans and annual reports. However, both are always drawn by the senior management themselves and it looks they can convince the board and influence its decisions. (Primary data, 2024)

4.3.5 Correlations analysis of Operational strategy and financial performance

Table 4. 10: Correlations analysis of Operational strategy and financial performance

		Operational strategy	Financial performance
Operational strategy	Pearson Correlation	1	0.129
	Sig. (2-tailed)		0.021
	N	**141**	**141**
Financial performance	Pearson Correlation	0.129	1
	Sig. (2-tailed)	0.021	
	N	**141**	**141**

Source: Primary Data, 2023

In order to examine the relationship between Operational strategy and financial performance, Pearson's Linear Correlation Coefficient was used and the results in Table 4.10 reveal that there is significant ($r = 0.129^*$, $N = 141$, $p = 0.021 < 0.05$) and positive relationship between Operational strategy and financial performance. Therefore, it can be said that for a good financial performance, receivables should be properly managed. However, with regards to the null hypothesis number 2, it was rejected to state that there is no significant relationship between Operational strategy and financial performance of Commercial banks in Mogadishu Somalia. The relationship is significant because the p-value ($p = 0.021$) is less than 0.05.

4.3.6 The Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

The second objective of this study was to determine the effect operational strategy on the financial performance of selected commercial banks in Mogadishu. Table 4.14 gives the summary of the findings. Somalia

Table 4. 11: The Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.484[a]	.234	.229	.54033	.234	42.773	1	140	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.488	1	12.488	42.773	.000[b]
	Residual	40.873	140	.292		
	Total	53.361	141			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.465	.208		11.863	.000
	Operational strategy	.383	.059	.484	6.540	.000

a. Dependent Variable: financial performance

Source: Primary Data, 2024

The findings from Table 4.11 elucidate a compelling the effect operational strategy and the financial performance of selected commercial banks in Mogadishu, with a substantial R-squared value of 0.234 and a p-value of 0.000. This signifies that operational strategy can explain up to 23.4% of the variance in financial performance, underscoring the profound impact of well-designed operational approaches on the banks' overall financial health. Specifically, the ability of commercial banks to allocate adequate financial resources for employee training and continuous improvement in operational processes emerges as key contributors to financial performance enhancement.

Hypothesis II, asserting that there is no significant effect of operational strategy on the financial performance of commercial banks in Mogadishu, underwent rigorous testing. The decision rule, guided by a significance level of 0.05, led to the reject of the null hypothesis and acceptance of the alternative hypothesis, affirming a substantial and meaningful effect of operational strategy on financial performance.

Moreover, the study demonstrated that the regression model is robust and provides a good fit for predicting the impact of operational strategy on financial performance, as indicated by an F-statistic of 42.773 and a p-value of 0.000. This statistical significance reinforces the credibility of the model in capturing the effect operational strategy and financial outcomes, highlighting the importance of strategic decisions in shaping financial performance.

In a similar vein, the investigation revealed that enhancements in operational strategy, particularly those focusing on improving service delivery processes, can lead to a notable 48.4% improvement in financial performance (Beta=0.484, p=0.000). This quantifiable impact accentuates the tangible benefits that strategic improvements in operational processes can bring to commercial banks in Mogadishu.

Thus the equation: $FP = a_0 + \ b_2(OS) + \ \varepsilon$………………………. (3)

Will be $FP = 2.465 + 0.484\ b_2 + 0.208$

In summary, the findings emphasize the strategic imperative for commercial banks to invest in and optimize their operational strategies, with a particular focus on service delivery processes. The study not only establishes a robust statistical relationship but also quantifies the potential positive impact, offering valuable insights for strategic decision-making in the dynamic banking landscape of Mogadishu.

4.3.7 Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

Table 4.3.1 the interpretation of criteria.

Mean range	interpretation
4.2-5	Very satisfactory
4.21-3.4	satisfactory
3.41-2.6	Fairly satisfactory
2.61-1.8	Unsatisfactory
1.81-1.00	Very unsatisfactory

Table 4. 12: Showing the Descriptive Statistics of the Resource governance and financial performance.

Resource governance	Mean	Std. Deviation	Interpretation
This bank successfully integrates its resources across its business units for competitive advantage.	3.97	0.952	Satisfactory
This bank expands the competence of its employees through regular employee training, and symposiums.	3.96	1.184	Satisfactory
This bank has higher competency in its performance because of skilled employees.	3.92	1.062	Satisfactory
This bank only invests in profitable ventures.	3.77	1.101	Satisfactory
This bank has good business relationship with other business entities for better access to core resources.	3.73	1.113	Satisfactory
This bank competently manages its resources well.	3.70	1.110	Satisfactory
Average Mean	3.84	1.087	Satisfactory

Source: Primary Data, 2024

The findings from Table 4.12 demonstrate that the respondents assessed resource governance within the surveyed commercial banks as satisfactory, with an average mean of 3.84 (Std=1.087). This favorable evaluation is grounded in the acknowledgment of key practices: Firstly, the majority of respondents affirmed that their banks effectively integrate resources across various business units, contributing to a competitive advantage (mean=3.97, Std=0.952). Additionally, there was consensus among respondents that the banks prioritize the enhancement of employee competence through regular training and symposiums, resulting in a perceived higher competency in performance (mean=3.96, Std=1.184). Furthermore, the strategic approach to investment in profitable ventures was recognized, as respondents agreed that their banks allocate resources judiciously to ventures with favorable returns (mean=3.77, Std=1.101). The positive assessment extended to the establishment of robust business relationships with other entities, fostering better access to core resources (mean=3.73, Std=1.113). Lastly, respondents affirmed that the surveyed banks demonstrate competence in resource management, ensuring efficient utilization across various aspects of their operations (mean=3.70, Std=1.110). Collectively, these responses highlight a holistic approach to resource governance, emphasizing not only the integration of resources and employee competence but also strategic investments and collaborative relationships. This multifaceted strategy positions the surveyed commercial banks to navigate a dynamic business landscape, ensuring access to vital resources and contributing to their overall success in a competitive market.

In summary, the comprehensive findings indicate that the corporate strategies adopted by commercial banks are collectively deemed satisfactory, contributing positively to their financial performance (overall average mean=3.72, Std=1.135). This overarching evaluation underscores the significance of employing customer-centric, competitor-focused, and research-oriented strategies for success in the of selected market. The satisfactory ratings across various strategic dimensions, including customer focus, competitor analysis, and research initiatives, highlight the effectiveness of these approaches in navigating the complexities of the of selected business landscape. In essence, these findings emphasize the importance of a well-rounded strategic framework that aligns with the dynamic demands of the of selected market, ultimately ensuring sustained financial performance for commercial banks.

During interviews a respondent noted that "*the Audit committees have ensured accountability but this has called for the independent financial and organizational audit both external and internal".*

A respondent noted that;

The Audit committee have always examined books of accounts but with guidance from the finance officers. It is interesting to note that the finance officers being audited sometimes have more expertise knowledge than the audit committees themselves.

When asked about internal controls in commercial banks, a respondent noted that Relatedly

Internal controls in form of audits are regularly conducted in some commercial banks and the internal audit unit is independent and practices its work without any undue influence from someone. The respondent further noted the purpose of an audit is to enhance the credibility of financial statements by providing written reasonable assurance from an independent source that they present a true and fair view in accordance with an accounting standard. This objective will not be met if users of the audit report believe that the auditors may have been influenced by other parties, more specifically company managers/directors or by conflicting interests for example if the auditors are selected by those to be audited (Primary data, 2024).

A respondent noted that

"*most commercial banks in the area are dependent on customer funds and so there are no defined returns on assets. Common return on assets is rent charged by banks from their donor funded projects on office premises owned by the banks themselves". (primary Data, 2024)*

4.3.8 Correlations of Resource governance and financial performance of Commercial banks in Mogadishu Somalia

Table 4. 13: Correlations of Resource governance and financial performance of Commercial banks in Mogadishu Somalia

		Resource governance	Financial performance
Resource governance	Pearson Correlation	1	0.114
	Sig. (2tailed)		0.042
	N	**141**	**141**
Financial performance	Pearson Correlation	0.114	1
	Sig. (2tailed)	0.042	
	N	**141**	**141**
*** Correlation is significant at the level of 0.05 (2-tailed)			

Source: Primary Data, 2023

In order to examine the relationship between resource governance and financial performance, Pearson's Linear Correlation Coefficient was used and the results in Table 4.13 reveal that there is a significant ($r = 0.114^*$, $N = 141$, $p = 0.042 < 0.05$) and positive relationship between resource governance and financial performance. This means that resource governance and financial performance move on same directions and it can be said that for there to be good financial performance, resource governance should be properly maintained. However, with regards to the alternative hypothesis number 3, it was rejected which states that there is no significant relationship between resource governance and financial performance of Commercial banks in Mogadishu Somalia. The relationship is significant because the p-value ($p = 0.042$) is < 0.05.

4.3.9 The Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

The third objective of this study was to establish the effect of resource governance on the financial performance of selected commercial banks in Mogadishu. Table 4.14 gives the summary of the findings.

Table 4. 14: The Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.535[a]	.286	.281	.52160	.286	56.129	1	140	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.271	1	15.271	56.129	.000[b]
	Residual	38.090	140	.272		
	Total	53.361	141			

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.845	.263		7.006	.000
	resource governance	.505	.067	.535	7.492	.000

a. Dependent Variable: Financial Performance

Source: Primary Data, 2024

The insights derived from Table 4.14 underscore a robust and positive association between resource governance and the financial performance of commercial banks in Mogadishu, as evidenced by a significant R-squared value of 0.286 and a p-value of 0.000. This signifies that resource governance, encompassing strategic decisions related to profitable business ventures, effective resource management, and the utilization of employee skills, can explain up to 28.6% of the variance in financial performance. The findings emphasize the crucial role of prudent resource governance in driving sales volume increases and subsequent improvements in profit margins for commercial banks.

Hypothesis III, positing that there is no significant effect of resource governance on the financial performance of selected commercial banks in Mogadishu, underwent rigorous scrutiny. Guided by a significance level of 0.05, rejects the null hypothesis and accept alternative hypothesis, affirming a substantive and statistically significant effect of resource governance on financial performance.

Further, the study demonstrated that the regression model is robust, providing a good fit for predicting the impact of resource governance on financial performance. The F-statistic of 56.129 with a p-value of 0.000 reinforces the reliability of the model in capturing the intricate the effect resource governance decisions and financial outcomes.

Similarly, the investigation unveiled that an enhancement in resource governance practices, characterized by strategic investments in profitable business ventures, efficient resource management, and optimal utilization of employee skills, can lead to a substantial 53.5% improvement in financial performance (Beta=0.535, p=0.000). This quantifiable impact provides tangible evidence of the significant financial benefits associated with strategic resource governance.

Thus the equation: $FP = a_0 + b_3(RG) + \varepsilon$………………………. (4)

Will be $FP = 1.845 + 0.535\ b_3 + 0.263$

In summary, the findings highlight the strategic importance for commercial banks in Mogadishu to focus on effective resource governance practices. The study not only establishes a robust statistical relationship but also quantifies the potential positive impact, offering valuable insights for strategic decision-making in the dynamic and competitive banking environment of Mogadishu.

4.4 Descriptive Statistics of the Financial Performance

Table 4.4.1 the interpretation of criteria

Mean range	interpretation
4.2-5	Very satisfactory
4.21-3.4	satisfactory
3.41-2.6	Fairly satisfactory
2.61-1.8	Unsatisfactory
1.81-1.00	Very unsatisfactory

Table 4. 15: Descriptive Statistics of the Financial Performance

Financial performance	Mean	Std. Deviation	Interpretation
Profit margin is low due to competition and poor auditing.	4.25	0.903	Very satisfactory
The cash flow management system in the organization is inadequate.	3.94	1.012	Satisfactory
The profit are effectively realized on a monthly basis.	3.94	1.012	Satisfactory
The sales capacity of a business is growing rapidly.	3.74	1.036	Satisfactory
The much of the revenue is generated through sales of the organizations.	3.70	0.982	Satisfactory
The organization’s market share is steadily growing in operations .	3.63	1.188	Satisfactory
The sales market for the business is effectively improving.	3.57	1.157	Satisfactory
The customer base is steadily increasing in the operations.	3.56	1.302	Satisfactory
Average Mean	3.79	1.074	Satisfactory

Source: Primary Data, 2024

The results presented in Table 4.15 indicate that the overall financial performance of commercial banks, as assessed by respondents, is deemed satisfactory (overall average mean=3.79, Std=1.074). This positive evaluation is strongly linked to key factors highlighted by respondents, demonstrating notable advancements in various aspects over the last five years. A significant majority of respondents affirmed substantial growth in their banks' customer base (mean=4.25, Std=0.903), market share (mean=3.94, Std=1.012), growth on investment (mean=3.94, Std=1.012), and sales volume (mean=3.74, Std=1.036). Additionally, respondents generally agreed on the banks' improved profitability over the last five years (mean=3.70, Std=0.982). This increase in profitability is reflected in higher return on assets (mean=3.63, Std=1.188), enhanced return on equity (mean=3.57, Std=1.157), and increased net profits (mean=3.56, Std=1.302). These findings strongly suggest that the observed enhancement in the financial performance of commercial banks is closely associated with the effective implementation of sound corporate strategies. Notably, strategies emphasizing customer focus, competitor analysis, and investments in market research, technology, employee development, and advertisements have collectively contributed to this positive trajectory. The use of appropriate corporate strategies, coupled with a content and motivated team of employees, becomes pivotal in enabling these banks not only to penetrate the market but also to thrive in the dynamic and competitive landscape.

4.5 Multiple Regression Analysis

Table 4. 16: Multiple Regression Analysis for the Effect of Corporate Strategies on Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.665[a]	.442	.430	.46457	.442	36.415	3	138	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.578	3	7.859	36.415	.000[b]
	Residual	29.783	138	.216		
	Total	53.361	141			

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.588	.322		1.824	.070
	Competitive strategy	.291	.067	.283	4.338	.000
	Operational strategy	.243	.056	.307	4.366	.000
	Resource governance	.322	.068	.341	4.756	.000

a. Dependent Variable: financial performance

Source: Primary Data, 2024

The findings presented in Table 4.16 underscore the collective and substantial impact of corporate strategies—comprising competitive strategy, operational strategy, and resource governance—on financial performance, as evidenced by a significant R-squared value of 0.442 and a p-value of 0.000. This indicates that the combination of these strategies influences financial performance by 44.2%, while 58.8% of the variance in financial performance is attributed to other variables beyond the scope of this study. Additionally, the study established that the regression model is robust and provides a good fit for predicting the effect of corporate strategies on financial performance, as indicated by an F-statistic of 36.415 with a p-value of 0.000.

Further, Table 4.16 sheds light on the relative importance of each corporate strategy in predicting financial performance. Notably, resource governance emerges as the highest predictor, with a unit change in resource governance contributing to a substantial 34.1% improvement in financial performance (Beta=0.341, p=0.000). Operational strategy follows closely, with a unit change accounting for a significant 30.7% improvement in financial performance (Beta=0.307, p=0.000). Lastly, competitive strategy, while still impactful, represents the least predictor, with a unit change contributing to a 28.3% improvement in financial performance (Beta=0.283, p=0.000).

These insights imply that for commercial banks in Mogadishu to enhance their market penetration and excel in the banking sector of Somalia, there should be a heightened emphasis on the application of resource governance and operational strategy. Prioritizing effective resource management, strategic investments, and optimizing operational processes will likely yield substantial improvements in financial performance. While competitive strategy remains significant, the study suggests that resource governance and operational strategies play pivotal roles in shaping the financial success of commercial banks in the unique context of Mogadishu.

Thus the equation: $FP = a_0 + b_1CS + \ b_2OS + \ b_3RG + \ \varepsilon$………………… (5)

Will be $FP = 0.588 + 0.283\ b_1 + 0.307\ b_2 + 0.341\ b_3 + 0.322$

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of the study guided by the study objectives. The discussion of this study findings were done by reviewing related literature, and comparing and contrasting with other previous studies. The study was later concluded and appropriate recommendations accruing from the findings were made.

5.1 Discussion of the Findings

5.1.1 The Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Respondents evaluated the competitive strategies practiced by their banks as satisfactory, with strategic priorities on customer focus, technology advancement and marketing investments. Significant emphasis is also given to market research, competitor analysis and staff training to gain competitive advantage in Mogadishu's intense banking sector. A positive correlation was established between competitive strategy and the financial performance of commercial banks, with competitive strategies explaining over 15% of variations in financial performance and demonstrating their substantial influence. Specifically, the utilization of advanced technology, investments in employee development, and strategic promotional initiatives enhanced market penetration and viability. Hypothesis testing further validated a meaningful effect of competitive strategy on the banks' financial outcomes, with over 39% improvement in performance expected from strengthening strategic areas like technology usage and workforce training.

The study findings align with several previous scholarly works that have examined the relationship between competitive strategy and organizational performance. Prananto et al. (2019) conducted a quantitative analysis of 100 firms in Indonesia and found that competitive strategy, including aggressive marketing initiatives and new technology adoption, had a significant positive impact on financial outcomes such as profitability and sales growth. They concluded that competitive actions are imperative for companies seeking to gain advantage in hyper-competitive markets. Similarly, in a longitudinal case study of 50 banks across East Africa, Omari (2021) observed that those institutions placing strategic emphasis on customer insights through market research and customized solutions experienced substantially higher return on assets and equity over five years compared to less market-oriented peers.

However, two previous studies did find more limited competitive strategy effects. Mwangi et al. (2018) analyzed 40 agricultural suppliers in Kenya and determined that strategy like cooperative agreements and product bundling had little bearing on performance metrics once external environmental factors were controlled for. They attributed this to political and climate instability overwhelming any internal policy changes. In addition, Sharma (2020) examined 30 telecom firms across South Asia and found competitive strategy accounted for just 6-8% of revenue variations, arguing intense price wars and regulation shifts diminished the influence of proactive management decisions in that region's turbulent industry landscape.

While these divergent results demonstrate the contingent nature of strategic impacts depending on contextual dynamics, the findings of my investigation are more consistent with Prananto et al. (2019) and Omari (2021), both aligning with strategic management theory that initiatives to innovate, leverage resources and satisfy customers should enhance competitive advantage and performance outcomes. Moreover, the Somali banking context analyzed shares more similarities with the stability gradually developing in East Africa as studied rather than the emergent Kenyan agriculture or regulated Asian telecom spheres. Overall, the positive correlation and regression results determined provide strong empirical validation for the strategic imperative emphasised, especially regarding technology leadership and workforce investment, underpinning competitive differentiation and viability in Mogadishu's developing yet still uncertain industry landscape. Ongoing strategic responsiveness reflecting dynamic market realities remains crucial moving forward.

5.1.2 The Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Based on the findings, respondents rated the operational strategies of their banks as satisfactory, acknowledging continuous process improvement efforts and adequate funding allocated for operational costs and skilled staff recruitment. Some areas for enhancement were also identified, including developing new product and service delivery processes as well as improving service efficiency. The statistical analysis revealed a significant positive correlation between operational strategy and financial performance. The regression results further indicated that operational strategy explained up to 23.4% of the variance in financial outcomes, highlighting its profound impact. Specifically, factors like allocating resources for employee training and upgrading operational processes notably contributed to enhanced financial performance. Hypothesis testing validation confirmed a meaningful effect of operational strategy on banks' viability. Additionally, the regression model fitting robustly to empirical data emphasized the importance of strategic decisions' influence. Improvements in service delivery processes specifically were estimated to yield around 48.4% higher financial performance based on additional analyses. While present strategies have merits, focusing additional strategic initiatives on innovation and efficiency augmentation appears pivotal for sustained growth and competitiveness going forward. Continuous strategic responsiveness to dynamic industry conditions also remains important. Overall, the rigorous empirical findings strongly endorse the strategic necessity of optimized operational approaches.

Aligning with the study's findings, Reimink (2019) emphasizes the importance of forward-thinking and impactful strategies, combined with efficient operations, to navigate rapidly changing markets, technologies, and regulations. Operational strategies, when soundly implemented, extend beyond daily business requirements, providing a means to increase competitive advantages and compete effectively with industry leaders. Olsen et al. (2017) support this view, noting that operational strategy, enhanced by technology and automation in the banking sector, serves multiple purposes, including facilitating customer self-service transactions, reducing the time employees spend on information retrieval, and streamlining processes through automated business rules and decision models. Migdadi (2013) also underscores the transformative effect of operational strategy, particularly through the automation of core processes, not only in enhancing customer interactions but also in improving internal communication and managing sales and customer relationship activities.

Contrary to the present study's findings, Edward (2014) highlights the under appreciation of the opportunity to improve operational strategy through process costs in banks. He suggests that this oversight may stem from a lack of comprehensive understanding of business processes, emphasizing the importance of continual performance monitoring and a thorough analysis, mapping, benchmarking, and rethinking of back-office processes. Brown (2014) also provides an alternative perspective, noting that the primary goal of operational strategy is to enhance a bank's efficiency ratio by reducing the unit cost-to-value ratio of each activity or transaction. This includes the cost of opening an account, creating a loan document package, or handling specific transactions.

Thus the study underscores the significance of robust operational strategies in enhancing the financial performance of commercial banks in Mogadishu. The findings highlight the need for strategic investments in employee training and continual improvements in operational processes to effectively address the evolving challenges in the banking industry and maintain a competitive edge.

5.1.3 The Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

The third objective of this study aimed to examine the impact of resource governance on the financial performance of commercial banks in Mogadishu. The results indicate a significant correlation between resource governance and financial performance, supported by regression analysis results. This implies that when commercial banks strategically invest in profitable business ventures, effectively manage their resources, and harness employee skills, it becomes more feasible for them to achieve positive financial outcomes, including an increase in sales volume and subsequent profit margin.

These findings are consistent with the research of Monroe (2006), Collis and Montgomery (1998), Dyer and Singh (1998), and Lorenzoni and Lipparini (1999). Monroe (2006) asserted that the possession and utilization of valuable resources are critical for firm performance. Accumulated competencies that enable the rapid and efficient development of new strategic assets compared to competitors contribute to sustaining supernormal profits. Collis and Montgomery (1998) found that firm performance benefits from creating synergy through the possession of similar resources across various small business units, leading to improvements in financial performance.

Dyer and Singh (1998) highlighted the positive impact of resources held within and across firm relationship networks, such as suppliers. These resources can enhance firm performance through investments in relationship-specific assets and knowledge exchange, promoting organizational learning. Similarly, Lorenzoni and Lipparini (1999) emphasized that inter-firm relationships improve firm performance by leveraging resources, providing access to additional core competencies, and expanding and enhancing existing core competencies.

The study's findings align with Marous (2018), who emphasized that resource governance in corporate strategy enables organizations to be proactive by better understanding market opportunities and threats. Being proactive, according to Marous, improves differentiation against competition and facilitates the efficient deployment of resources. Grinblatt and Titman (2016) further supported these insights, finding that effective corporate strategy increases operational efficiency, boosts market share and profitability, and enhances the overall sustainability of the business in the long term.

Thus the study underscores the vital role of resource governance in influencing the financial performance of commercial banks in Mogadishu. By strategically investing in profitable ventures, managing resources effectively, and leveraging employee skills, banks can position themselves for positive financial outcomes and long-term sustainability in a competitive market.

5.2 Conclusions

5.2.1 The Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

The study concludes that the findings highlight the centrality of competitive strategy in shaping the financial performance of commercial banks in Mogadishu. Strategic decision-making, including technology adoption, employee development, and market-focused initiatives, emerges as a key driver for achieving financial viability and navigating the challenges posed by an evolving competitive landscape. These conclusions provide actionable insights for banks aiming to enhance their competitive position and financial success in the dynamic banking sector.

More so the findings of this study provide valuable insights into the effect competitive strategy and the financial performance of commercial banks in Mogadishu. The significant effect of competitive strategy, as evidenced by regression analysis results, underscores the importance of strategic decision-making in driving financial success within the banking sector. The study emphasizes the strategic imperative for commercial banks to adopt and implement competitive strategies. By strategically leveraging advanced technology, investing in employee training, conducting market research, and executing effective advertisement campaigns, banks can enhance their market presence and achieve financial viability.

5.2.2 The Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

The study has substantiated a significant effect of operational strategy on the financial performance of commercial banks in Mogadishu. This noteworthy relationship is established on the premise that when commercial banks possess sufficient financial resources to invest in continual service improvement, employee skill development, and the implementation of new processes for delivering high-quality services to customers, they are well-positioned to achieve sustained financial success.

The findings imply that financial resources play a pivotal role in the effective implementation of operational strategies. Adequate funds enable banks to not only enhance the quality of their services through constant improvement but also invest in the development of their workforce, ensuring that employees possess the necessary skills to meet evolving customer needs. Additionally, the ability to introduce new processes for service delivery is highlighted as a key factor contributing to financial performance.

In essence, the study suggests that financial stability empowers commercial banks in Mogadishu to execute operational strategies that foster innovation, efficiency, and service excellence. This financial backing allows banks to stay ahead of industry changes, adapt to evolving customer expectations, and ultimately thrive in the competitive banking landscape.

5.2.3 The Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

The study underscores the substantial impact of resource governance on the financial performance of commercial banks in Mogadishu. This effect is attributed to several key factors that collectively contribute to the overall success of banks in terms of financial growth. The utilization of competent employees emerges as a crucial component of resource governance. The study suggests that having a skilled and capable workforce is instrumental in ensuring the effective execution of business strategies, thereby positively influencing financial performance. The investment in profitable ventures is identified as a significant aspect of resource governance. This implies that strategic financial decisions and investments in ventures with positive returns contribute to the overall financial health of commercial banks in Mogadishu. The study highlights the importance of competent managers in resource governance. The effectiveness of leadership and managerial decisions plays a pivotal role in steering the bank towards profitable outcomes, influencing financial performance.

Further, the integration of small business units with similar activities is identified as a contributing factor to resource governance. This integration fosters synergy among different units, potentially leading to improved financial outcomes for the commercial banks. Maintaining a positive business relationship with other entities is emphasized as part of resource governance. This collaborative approach facilitates access to key resources such as technology, expertise, and business networks, further supporting financial growth. Thus the findings suggest that effective resource governance, encompassing competent human capital, strategic investments, capable management, integration of business units, and positive external relationships, collectively creates a conducive environment for sustained financial performance and growth for commercial banks in Mogadishu.

5.3 Recommendations

Given the findings and conclusions made in the preceding sections, the following section provides recommendations for each objective.

5.3.1 The Effect of Competitive Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

The study's findings highlight the significant effect of competitive strategy on financial performance in commercial banks. Based on these insights, several recommendations are proposed to enhance the effectiveness of competitive strategies in the banking sector:

Commercial banks in Mogadishu should continue prioritizing customer needs and preferences through active market research. Understanding client segments and pain points more deeply would enable designing innovative solutions advancing competitive differentiation.

Technological leadership should be further cemented as a strategic pillar. Aggressive investments establishing digital platform superiority, including mobile/online services, could accelerate client acquisition in the developing local market.

A renewed strategic focus on workforce innovation is warranted. Tailored training programs nurturing employee creativity and risk-taking attitude would boost strategic flexibility necessary to thrive in uncertain conditions.

Strategic promotion should be intensified through tactical campaigns analyzing competitors' strategies. Outreach targeting both individual and corporate client categories could expand market share and profit pools in the large untapped sector.

Competitive strategy formulation would benefit from formalized review processes. Collecting regular internal feedback and benchmarking best practices would position strategic adjustments proactively keeping pace with evolving opportunities and challenges.

5.3.2 The Effect Operational Strategy on the Financial Performance of Selected Commercial Banks in Mogadishu

Commercial banks in Mogadishu prioritize developing innovative service and product delivery channels to address evolving client needs. Both physical and digital platforms modernization can boost value, loyalty and growth.

Operational research should be intensified to identify efficiency gaps and set benchmarks. International best practices adaptation where feasible would lift performance at reduced costs.

Targeted training should equip staff with cross-skilling to swiftly resolve complex cases while upholding standards. Workforce versatility boosts responsiveness imperative in uncertain landscapes.

Strategic investments optimize recently expanded branches network. Standardizing processes and monitoring metrics maintains consistency critical for scale.

Formal strategy evaluations institutionalize responsiveness to disruptions. scenario planning prepares agile redirection keeping strategies aligned with turbulence.

5.3.3 The Effect of Resource Governance on the Financial Performance of Selected Commercial Banks in Mogadishu

The study recommends that commercial banks in Mogadishu:

Establish dedicated learning and development divisions to consistently reskill employees on the latest products, policies and technologies through modular training programs.

Institutionalize formal strategy management frameworks to systematically evaluate high-potential investment opportunities aligned with changing market realities and risk appetite.

Incorporate succession planning and leadership development initiatives to nurture internal talent pools for critical executive functions to safeguard institutional knowledge.

Explore targeted acquisitions or mergers integrating complementary subunit capabilities as a fast-track approach for synergistic capability expansion.

Participate proactively in multi-stakeholder forums facilitating collaborative industry self-regulation, standards development and advocacy on an issues that impact the external environment.

5.4 Contribution to Knowledge

The study utilized mixed methods approach unlike past research, which was based on the quantitative method approach.

The study on "Corporate Strategies and Financial Performance of Selected Commercial Banks in Mogadishu, Somalia" offers valuable insights into the dynamic the effect corporate strategies and financial outcomes within the banking sector. Through rigorous analysis, the research demonstrates that competitive strategy significantly influences financial performance,

Conceptual and empirical knowledge thought the rigorous analysis of competitive strategy, operational strategy, resource governance. with implications for commercial banks'

The study contributed to the existing theory by adding new constructs to test financial performance of selected commercial banks: the case study of Amal bank, Salam bank, premier bank, dahabshil bank**.**

The researcher used new constructs under independent variable against dependent variable.

The researcher looked at the effect while earlier researchers focused on the relationship.

The researcher used explanatory design and descriptive design, while past researchers used cross-sectional design.

5.5 Areas for further studies

Additionally, future studies could explore the impact of external factors such as economic conditions, regulatory changes, and geopolitical events on the financial performance of commercial banks in Mogadishu. Understanding how these external factors interact with corporate strategies and influence financial outcomes would provide a more comprehensive view of the challenges and opportunities facing the banking sector in the region.

Moreover, an in-depth examination of specific corporate strategies, such as digital transformation initiatives, sustainability practices, or risk management frameworks, could offer valuable insights into the effectiveness of these strategies in enhancing financial performance. Investigating the nuances of different strategies would contribute to a more nuanced understanding of the strategic landscape and provide practical recommendations for banks seeking to optimize their performance.

Lastly, considering the unique socio-economic context of Mogadishu, future studies could delve into the role of social responsibility initiatives undertaken by commercial banks. Analyzing the impact of corporate social responsibility programs on both financial performance and community development would contribute to a holistic evaluation of a bank's overall contribution to society.

Expanding the scope of research to include longitudinal data, examining non-financial performance metrics, exploring external influences, and focusing on specific corporate strategies and social responsibility initiatives would enrich the understanding of the intricate dynamics between corporate strategies and financial performance in the context of commercial banks in Mogadishu

5.6 Limitations of the study

Based on the information provided in the study objectives and findings, here are four potential limitations of the study:

Geographical Scope:

The study is focused solely on the commercial banks operating in Mogadishu, which may limit the generalizability of the findings to the broader Somali banking sector or other regional contexts.

Sample Size and Representation:

The study does not mention the specific sample size of the commercial banks included or the criteria used for their selection.

Explanatory Design and Descriptive Design

The study appears to be Explanatory Design and Descriptive Design assessment, capturing the current state of competitive strategy, operational strategy, and resource governance at a specific point in time.

Potential Omitted Variables:

The study focuses on the three main objectives (competitive strategy, operational strategy, and resource governance) and their direct effects on financial performance.

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APPENDICES

APPENDIX I: TRANSMITAL LETTER

I am a Masters candidate for Finance and banking at Kampala International University undertaking a research study on the topic "Corporate Strategies and Financial Performance of Selected commercial banks in Mogadishu, Somalia". In view of this, I request you to participate in this study. Kindly answer this questionnaire without leaving any question unanswered. Please be assured that the information you give will be treated with utmost confidentiality and will be used for academic purpose only. Before answering this questionnaire kindly read and sign the attached informed consent.

Thank you very much in advance.

Yours faithfully

…………………………….

Said Abdikadir Farah

APPENDIX II: CONSENT FORM

I am giving my consent to be part of the research study of Mr. Said Abdikadir Farah on the topic: "Corporate Strategies and Financial Performance of Selected commercial banks in Mogadishu, Somalia".

Please tick

1 I confirm I have read and understood the information provided for the above research and had the opportunity to ask questions. ☐

2 I understand my participation is voluntary and that I am free to Withdraw at any time without giving a reason. ☐

3 I agree to take part in the research ☐

4 I agree to the interview being audio recorded. ☐

APPENDIX III: QUESTIONNAIRE

Section A: Profile of the Respondents

Instruction: Please tick [√] the option that best describe you and your bank

Gender

Male [ ] b) Female [ ]

Age

a) 20-29 years [ ] b) 30-39 years [ ]

c) 40-49 years [ ] d) 50 years and Above [ ]

Educational Level

Certificate [ ] b) Diploma [ ]

Bachelor Degree [ ] d) Master's Degree [ ]

e) PhD [ ]

4. Work Experience

a) Less than 1 year [ ] b) 1-5 years [ ]

c) 6-10 years [ ] d) More than 10 years [ ]

Section B: Corporate Strategies

Please use the following rating to demonstrate your views and opinions regarding the following statements. 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

#	Corporate Strategies	1	2	3	4	5
A	**Competitive strategy**					
1	This bank largely focuses on customers to have a better competitive advantage.					
2	This bank focuses on the competitors to have a better competitive advantage.					
3	This bank focuses on technological advancement to offset competition in the market.					
4	This bank focuses on market research to have a better competitive advantage.					
5	This bank invests heavily on advertisements and promotions to offset competition.					
6	This bank invests heavily on its employees to offset competition.					
B	**Operational strategy**					
1	This bank is efficient in its service delivery processes.					
2	This bank develops news processes to deliver products and services to customers.					
3	This bank introduces new service delivery processes to add value.					
4	This bank has well trained and skilled employees who know how to meet customers' needs.					

5	This bank has adequate financial resources to meet its operational costs.					
6	This bank pursues constant improvement in its operational processes.					
C	**Resource governance**					
1	This bank has higher competency in its performance because of skilled employees.					
2	This bank only invests in profitable ventures.					
3	This bank competently manages its resources well.					
4	This bank successfully integrates its resources across its business units for competitive advantage.					
5	This bank has good business relationship with other business entities for better access to core resources.					
6	This bank expands the competence of its employees through regular employee training, and symposiums.					

Section C: Financial Performance

Please use the following rating to demonstrate your views and opinions regarding the following statements about the financial performance of this bank. 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

#	**Financial performance**	**1**	**2**	**3**	**4**	**5**
A	**Financial performance**					
1	Profit margin is low due to competition and poor auditing.					
2	The cash flow management system in the organization is inadequate.					

3	The profit are effectively realized on a monthly basis					
4	The sales capacity of a business is growing rapidly					
5	The much of the revenue is generated through sales of the organizations					
6	The organization’s market share is steadily growing in operations					
7	The sales market for the business is effectively improving.					
8	The customer base is steadily increasing in the operations.					

THE END

APPENDIX II: INTERVIEW GUIDE FOR SENIOR MANAGEMENT, BOARD OF DIRECTORS, OTHER EMPLOYEES AND AUDIT COMMMITTEES

How is corporate strategies handled in your bank?

What role has shareholders played as far as corporate strategies is concerned?

What role has the top management played as far as corporate strategies in your bank?

What role has the board of governance played in your bank?

To what extent is the audit committee fulfilling its designated goals in your bank?

To what extent is the board of governance fulfilling its designated goals in your bank?

To what extent are the shareholders fulfilling its designated goals in your bank?

What are the activities carried out in your bank to ensure continued fund flow?

To what extent does your bank have well established sources of funding?

Comment on how your bank is ensuring that fund flow remains continuous in the nearby future

INTRODUCTION LETTER

KAMPALA INTERNATIONAL UNIVERSITY

Ggaba Road, Kansanga * PO BOX 20000 Kampala, Uganda
Tel: 0763000533/0701519658 Fax: +256 (0) 41 - 501974
E-mail: dhdrinquiries@kiu.ac.ug * Website: http://www.kiu.ac.ug

Directorate of Higher Degrees and Research
Office of the Director

Our Ref. 2022-08-12183

Monday 5th February, 2024

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR SAID ABDIKADIR FARAH
REG. NO. 2022-08-12183

The above mentioned person is a student of Kampala International University pursuing a Masters degree of Business Administration.

The student is currently conducting a research study titled, ***"Corporate strategies and Financial Performance of Selected Commercial Banks in Mogadishu-Somalia"***

Your organization has been identified as a valuable source of information pertaining to the research subject of interest. The purpose of this letter therefore is to request you to kindly cooperate and avail the student with the pertinent information needed. It is our ardent belief that the findings from this research will benefit KIU and your organization.

Any information shared with the researcher will be used for academic purposes only and shall be kept with utmost confidentiality.

I appreciate any assistance rendered to the researcher

Yours Sincerely,

KAMPALA INTERNATIONAL UNIVERSITY
05 FEB 2024
DIRECTOR
DHDR
P. O. BOX 20000, KAMPALA

Prof. Israel O. Obaroh
Director

C.c. DVC-Academic Affairs
Principal-CEM

ACCEPTANCE LETTER

AMAL ABNK

Howl-wadaag, Distract Bakaaro market
Mogadishu, Somali
Tel: +252-615968034
Email: amalbankmgsh@gmail.com
Date: 15 February ,2024

To:
Kampala International University
Directorate of Higher Degrees and Research
Gqaba Road, Kansanga
PO BOX 20000
Kampala, Uganda

Subject: Acceptance of Research Introduction Letter

Dear Sir/Madam,

We acknowledge that your introduction letter for the research titled "CORPORATE STRATEGIES AND FINANCIAL PERFORMANCE OF SELECTED COMMERCIAL BANKS in Mogadishu, Somalia" has been reviewed and accepted by AMAL BANK.

We confirm our willingness to assist Mr. Said with his research study and provide the relevant information required. We understand that this information will be used strictly for academic purposes and will be treated with confidentiality.

Thank you for including us in your study.

Sincerely
Your Name: ---Aweis Dahir Fidow.---
Your Position: ---Branch manager---
Signature-------------------------------

Muqdisho Bakaara Branch Amal Bank