Importance of Effective Corporate Communication in the Kenyan Banking Sector

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Abstract

Effective communication in the banking sector is crucial since it helps in building trust, adapting to changes, improving customer experience, compliance, and transparency. The aim of the study was to determine the importance of effective corporate communication in the Kenyan Banking sector. In Kenya, the banking industry continues to be more competitive due to the advancements in communication and information technology. To achieve the aim of the study, bank managers were interviewed on effective corporate communication. The context of the study was Nairobi County to ensure optimal utilization of resources and time. The study population was 1000 bank managers and a sample size 30% was determined (300). The results indicated that the majority of bank managers perceived that effective corporate communication improves performance. Further, it was found that the majority of bank managers value effective corporate communication as a corporate change strategy. Majority of the respondents perceived that effective corporate communication improves meeting stakeholders' needs, sustainability, and expands opportunities for banks. The findings contribute to revolutionizing policy and practice within the banking sector by providing insights on new theories of corporate identity, corporate reputation, and corporate image. These theories contribute to competitive advantage, strategy formulation, and political economy. In this context, the study emphasizes on the interaction of the banking business and the other environmental factors, such as the competitors, government, and the public.

Key Words: *Corporate Communication, Corporate Image, Corporate Reputation, Competitive Advantage*

1.0 Introduction

Effective corporate communication has been linked to bank's performance. In instances such as corporate changes, effective corporate communication has been a major influencer of enhanced performance. On the other hand, ineffective corporate communication has been associated with poor performance in the banking sector (Kitemu et al., 2024). The banking sector in Kenya is extensively competitive due to the factors related to the increased use of advancements in communication and information technology. The banking sector in Kenya continues to expand while competition becomes even stiffer than before. The advancements in technology in this sector has invited the extensive use of mobile banking and Internet banking. These technologies have continued to revolutionize how banking is conducted in Kenya by incorporating speed and easiness of access. There has been a significant time reduction in delivery of service. Notwithstanding, the increase use of technology such as mobile and internet banking has increased the use of technology in corporate communication.

Effective corporate communication has been in the center of developing competitive advantage in the Kenyan banking sector (Muiru, 2021). It has been useful in improving productivity where it helps in improving the productivity of the workforce used in banks. This means that effective communication is essential in improving the operations because of efficiency in giving commands and orders. In such cases, the staff is well informed on the best practices, policies, protocol, and procedures that improve the bank's performance. Effective corporate communication in the banking sector enhances positive market presence. The banks can use such communication to enhance the awareness of the customers regarding their presence in the market (Makau, 2021). It also enables the customers to clearly understand the roles of a particular bank, their products, strengths, and weaknesses and thus make better informed decisions. Without effective corporate communication, there would be a large number of customers who do not have access to the correct information leading to inappropriate or reduced customer base.

Furthermore, effective corporate communication improves relationships by enhancing trust and coordination within the organization (Munyi & Oeter, 2021). In this case, the banks operate within sectors that require transparency and openness. The banking industry is significantly sensitive to information, corporate image, and public perception. Effective corporate communication plays major roles in bridging the gap between the bank, public, customers, shareholders, and the government. Therefore, it enables the banks to build efficient relationships with the stakeholders such as the customers and the public.

Effective corporate communication has been found to have potential benefits in improving performance (Musheke & Phiri, 2021). However, the main challenges are in understanding the most effective factor in corporate communication that enhances performance in the banking sector. Another challenge is identifying the most appropriate use of disruptive technologies such as internet banking and mobile banking in enhancing corporate communication with the aim of improving communication. In a larger perspective, the use of technologies such as social media and their impacts on the efficiency of corporate communication are also within the challenges of performance in the banking sector. All these factors influence competitiveness in the banking sector because of their effects on consumer behaviour, operations, leadership, and flow of information.

2.0 Literature Review

The significance of effective corporate communication in the Kenyan banking sector has not been adequately studied. Therefore, the study is relevant in providing to the literature on the importance of effective corporate communication in monitoring stakeholders' needs and effects on performance within the banking industry. Such information would be relevant in developing the communication strategies, products, culture, and technology that enhance transparency, clarity, and reliability of communicated information. Since the banking sector in Kenya is characterized by high competitiveness, the study provides more information on how effective corporate communication can be used to enhance competitiveness that improves sustainability and opportunities. In such a way, the banks and managers will benefit by understanding the most effective corporate communication strategies and technology applicable in critical cases such as system and operational changes (Ontita & Kinyua, 2020).

Constructive Theory of Communication

The constructive theory of communication perceives communication as the fundamental factor that defines how an organization is structured and how the procedures are utilized to define production of information and generating trust (Akinyi, 2019). Therefore, corporate communication is defined as the flow of information between the internal and external audience and sources. In this regard, corporate communication entails how information flows to and from the organization, management, employees, customers, and the public. The constructive theory of communication views effective corporate communication as the bridge between the sources and audiences in the strategy or aim of achieving the goals such as sharing information, dialogue, and managing reputation.

The theory relates effective corporate communication to the contracts that the organizations seek to value in ensuring positive image and relationship between the external environment and the reputation. Therefore, effective communication is involved in constructing a perception, image, reputation, or brand in the minds of the involved parties. The organizations are actively involved in using communication to build something that works to their advantage. Corporate communication can be perceived as the strategy and process of creating social context regarding an organization. Hence, communication is viewed as developing common course that provides understanding and logic in the significance of the organization to the reality and the social context. The events and procedures used in a firm are usually communicated and their clarity influences how best the individuals understand and can perform them.

Effective communication is essential in constructing goals that should be achieved withing the optimal use of resources such as time and human capital. Effective corporate communication is used in constructing the perceptions about a brand and sharing information used in shaping the consumer behavior. The constructive theory of communication values the competencies in communication possessed by the communicator and the organization. In this case, the clarity and transparency properties or competences of the communication strategy or information creators influence the efficiency of the communication and how it impacts the intended audiences. Also, the clarity and transparency of the communicator influences the extent of realization of the intended goals (Odhiambo et al., 2020).

A study by Musheke and Phiri (2021) indicates that communication theory is essential in an organization since it enables developing the collaborations within the work environment. The collaboration is crucial in influencing the organizational performance and decision making. The study results illustrated a Person coefficient of 0.012 which is <0.05, which indicated a statistical significance for the positive relationship between effective communication and organizational performance. In this view, effective communication plays major roles in influencing how an organization interacts with its external environment such as the customers, the public, and the government. Also, effective communication influences how the organization manages its internal communication and interactions with internal environment such as the employees, management, and technology. In this context, effective corporate communication entails building strong collaborations with the internal and external environments and thus influencing the sustainability and performance.

3.0 Research Methodology

The research participants were randomly selected to minimize bias. A purposive sampling technique was adopted to collect the information. The method was selected because it enables streamlining the study goal specificity and the sample. The study involved bank employees under the category of management from various banks within Nairobi County, Kenya. The study's targeted sample population was 1200 participants. However, the sample size was 300 to enhance time management and resource allocation.

Sample Population

The study used the Yamane (1967) formula to determine the sample size as indicated below.

$$n = \frac{N}{(1 + N(e^2)}$$

Where;
n=sample size
N=population size
e=margin error (0.05) which signifies the 95% confidence level

$$n = \frac{1200}{(1 + 1200(0.05^2)}$$
$$= 300$$

Data Collection

The study used a questionnaire to collect data from the participants. The questionnaire used close-ended questions that simplified the data collection process by providing the respondent with the specific answer options.

Data Analysis

The study used the quantitative data analysis techniques to analyze and interpret the data. Descriptive statistics was used to analyze the means of the data and develop a sound interpretation that defined the behavior of the data regarding the majority's opinions. The study used bar charts and pie-charts to present the data. The simplicity of the two data presentation techniques enables one to spot the differences in data.

Ethical Considerations

The participants were requested to fill in a consent form and confirm their voluntary participation. Also, the participants were taken through all the research process and their roles as respondents. The participants were assured of confidentiality of their personal data. The participant's personal data such as names, address and contacts were protected and never shared with any third party. The files and computer used in the research were protected from access by unauthorized persons using passwords. The information and data collected during the study were used only for research purpose and not any other purposes.

4.0 Findings

Table 1. Descriptive statistics analysis

	Q1: What is the most effective component of corporate communication that influences performance in the Kenyan banking sector?	Q2: Is integration of corporate communication in corporate change strategies treated as a priority by bank managers?	Q3: Does effective corporate communication improve meeting stakeholders needs?	Q4: Does effective corporate communication improve sustainability and expand opportunities for banks in Kenya
Mean	1.89	1.17	1.086667	1.1
Standard Error	0.054595911	0.021723406	0.016271	0.017349
Median	2	1	1	1
Mode	2	1	1	1
Standard Deviation	0.945628916	0.376260424	0.281816	0.300501
Sample Variance	0.894214047	0.141571906	0.07942	0.090301
Kurtosis	0.084261935	1.125781444	6.765519	5.2176
Skewness	0.96211047	1.76587674	2.953042	2.680086
Range	3	1	1	1
Minimum	1	1	1	1
Maximum	4	2	2	2
Sum	567	351	326	330
Count	300	300	300	300

Note: The means for Q1, Q2, Q3, and Q4 were 1.89, 1.17, 1.086667, and 1.1, respectively.

Table 2. Results for Q1

Q1: What is the most effective component of corporate communication that influences performance in the Kenyan banking sector?			
Clarity	Transparency	Reliability	Efficiency
121	122	26	31

Note: 121 respondents selected clarity, 122 respondents selected transparency, 26 respondents selected reliability, and 31 respondents selected efficiency as the most effective component of corporate communication that influences performance in the Kenyan banking sector.

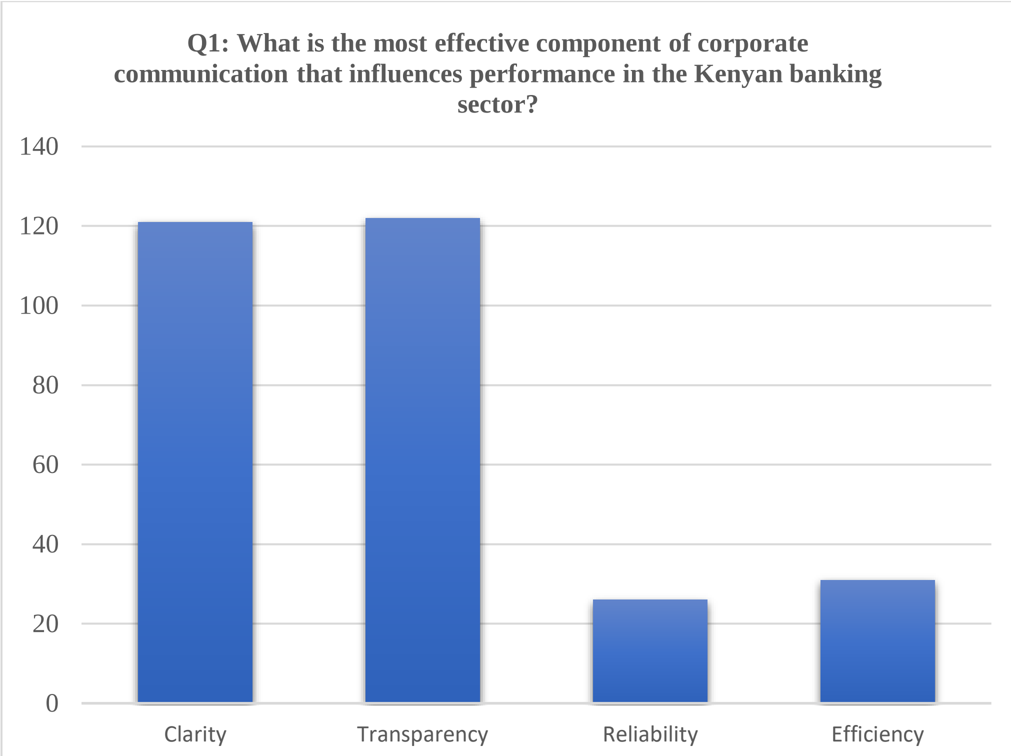

Figure 1. Bar-Chart of results for Q1: What is the most effective component of corporate communication that influences performance in the Kenyan banking sector?

Note: Majority of the respondents said that transparency was the most effective component of corporate communication that influences performance in the Kenyan banking sector. The minority of the respondents stated that reliability was the most effective component of corporate communication that influences performance in the Kenyan banking sector.

Table 2: Results for Q2

Q2: Is integration of corporate communication in corporate change strategies treated as a priority by bank managers?	
Yes	No
249	51

Note: 249 respondents said "Yes" while 51 respondents said "No".

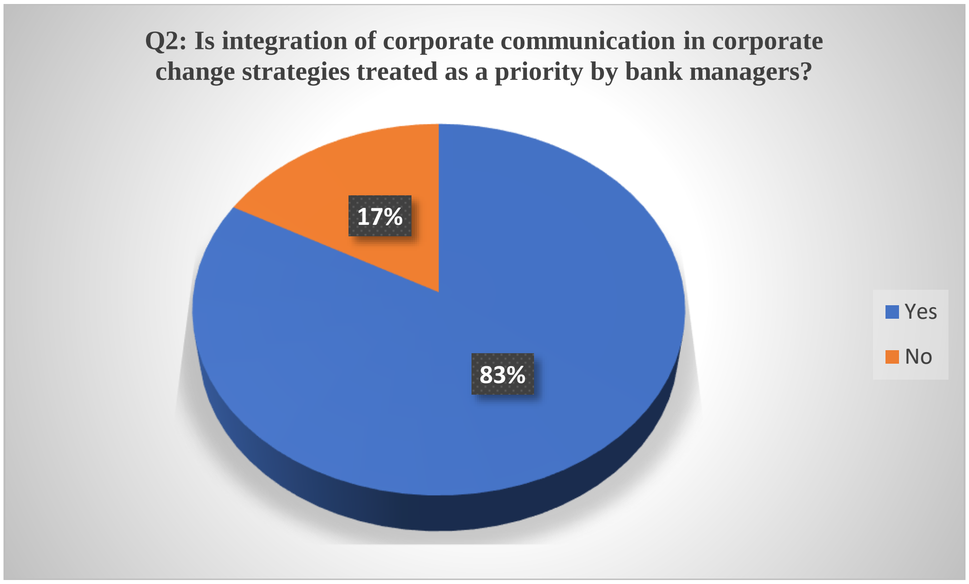

Figure 2. Pie Chart of results for Q2: Is integration of corporate communication in corporate change strategies treated as a priority by bank managers?

Note: 83% of the respondents said "Yes" while 17% said "No".

Table 3: Data table of results for Q3

Q3: Does effective corporate communication improve meeting stakeholders needs?	
Yes	**No**
274	26

Note: 274 respondents said "Yes" while 26 respondents said "No".

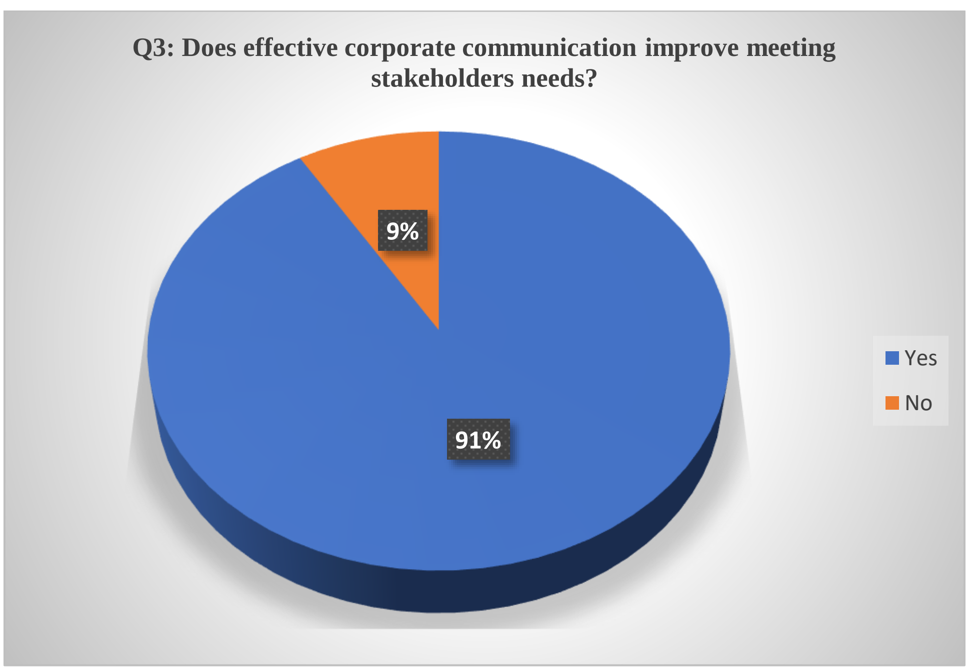

Figure 3. Pie Chart of results for Q3: Does effective corporate communication improve meeting stakeholders needs?
Note: 91% of the respondents said "Yes" while 9% said "No".

Table 4: Results for Q4

Q4: Does effective corporate communication improve sustainability and expand opportunities for banks in Kenya?	
Yes	No
270	30

Note: 270 respondents said "Yes" while 30 respondents said "No".

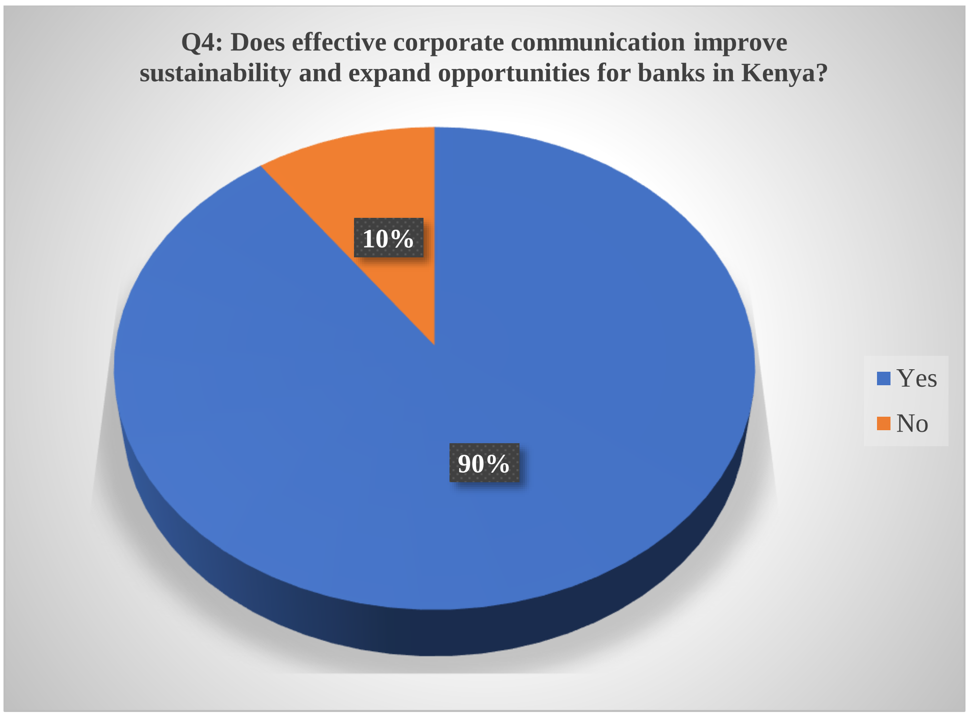

Figure 4. Pie Chart of results for Q4: Does effective corporate communication improve sustainability and expand opportunities for banks in Kenya
Note: 90% of the respondents said "Yes" while 10% said "No".

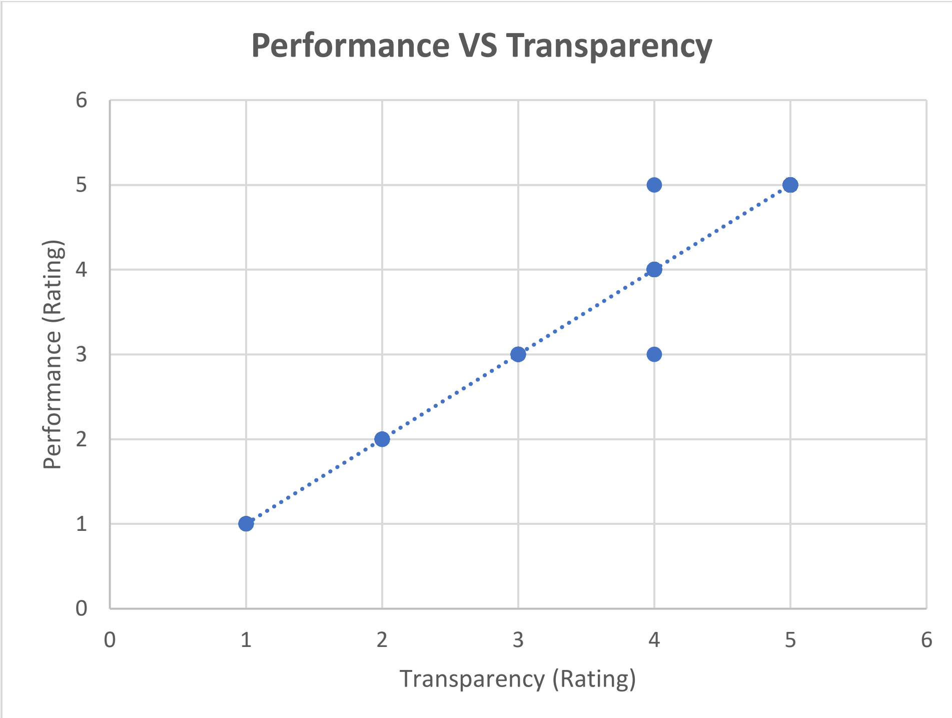

Figure 5. Scatter Plot of Performance of organization against transparency in effective corporate communication
Note: A best of fit scatter plot indicated a straight line rising from left to the right.

5.0 Discussion

The results in Table 1 showed that the means for Q1, Q2, Q3, and Q4 were 1.89, 1.17, 1.086667, and 1.1, respectively. The results indicated that the mean for Q1 was close to 2 which was the coded data measurement representing Transparency. For the other questions (Q2, Q3, and Q4), the means were close to 1, which was the coded data measurement representing Yes. In this case, the majority of the respondents agreed that 1: integration of corporate communication in corporate change strategies is treated as a priority by bank managers, 2: effective corporate communication improves meeting stakeholders needs, and 3: effective corporate communication improves sustainability and expand opportunities for banks in Kenya.

Further, the results indicated that 121 respondents selected clarity, 122 respondents selected transparency, 26 respondents selected reliability, and 31 respondents selected efficiency as the most effective component of corporate communication that influences performance in the Kenyan banking sector. This shows that majority of the respondents indicated that transparency was the most effective component of corporate communication that influences performance in the Kenyan banking sector. A minority of the respondents stated that reliability was the most effective component of corporate communication that influences performance in the Kenyan banking sector (Figure 1).

The results in Table 2 showed that 249 respondents said “Yes” while 51 respondents said “No”. In this case, the majority of the respondents perceived that integration of corporate communication in corporate change strategies is treated as a priority by bank managers. Similarly, the results in

Figure 2 indicated that the majority of the respondents (83%) said “Yes” while the minority (17%) said “No”. The findings showed that the majority of the respondents said that integration of corporate communication in corporate change strategies is treated as a priority by bank managers.

The results in Table 3 indicated that the majority of the respondents (274) agreed that effective corporate communication improves meeting stakeholders' needs. The results showed that the minority of the respondents (26) perceived that effective corporate communication does not improve meeting stakeholders' needs. Such results were similar to figure 3 where the majority of the respondents 91% of the respondents said “Yes” while 9% said “No”.

The results for Table 4 indicated that the majority of the respondents (270) said “Yes” while 30 respondents said “No”. In this regard, majority of the respondents agreed that effective corporate communication improves sustainability and expands opportunities for banks in Kenya. The results in Figure 4, indicates that the majority of the respondents (90%) of the respondents said “Yes” while 10% said “No”. This showed that the majority of the respondents perceived that effective corporate communication improves sustainability and expands opportunities for banks in Kenya.

The results from the best-of-fit scatter plot illustrated a straight line rising from left to right. The results showed a linear relationship between an organization’s performance and transparency in effective corporate communication. The results indicated a direct proportionality between the organization’s performance and transparency in effective corporate communication. In this case, when the transparency of effective corporate communication increases, the performance of an organization increases.

The results indicated that the means for Q1, Q2, Q3, and Q4 were 1.89, 1.17, 1.086667, and 1.1, respectively. The results indicated that the mean for Q1 was close to 2 which was the coded data measurement representing Transparency. For the other questions (Q2, Q3, and Q4), the means were close to 1 which was which was the coded data measurement representing Yes. In this case, the majority of the respondents agreed that 1: integration of corporate communication in corporate change strategies is treated as a priority by bank managers, 2: effective corporate communication improves meeting stakeholders needs, and 3: effective corporate communication improves sustainability and expand opportunities for banks in Kenya. The findings of the study are similar to the findings by Kitemu et al. (2024). In their study, the authors concluded that effective corporate communication was a key driver of improving comprehensive organizational performance. Effective corporate communication improves performance by enhancing leadership and management. Moreover, effective corporate communication enhances the human resource management strategies and creates an organizational culture where trust and transparency dominate. In such organizations, the organizational culture is moderated by adherence to corporate rules, regulations, and protocol. Effective corporate communication improves the organization of teams and the task force uses unity to perform their duties diligently. The individual’s performance is improved through effective corporate communication due to improvements in issuing and following commands.

Effective corporate communication improves how people relate with each other in the organization. For instance, effective corporate communication in the banking sector entails developing strong and healthy relationships among the management and other employees. In this case, effective corporate communication improves dispute resolution strategies that improve the performance of organizations (Olannye & Aliku, 2022). Conflict management in the organization improves corporate performance by creating reliable communication channels. In this regard, effective corporate communication enhances conflict management by avoiding confrontations and unhealthy competition. Therefore, the organizational performance improved due to improved efficiency in dispute resolution.

The findings of the study indicated that that the majority of the majority of the respondents said that transparency was the most effective component of corporate communication that influences performance in the Kenyan banking sector. A minority of the respondents stated that reliability was the most effective component of corporate communication that influences performance in the Kenyan banking sector. According to a study by Huda (2024), trust is an effective component of corporate communication because it affects the quality of information and management. In this case, the study found that corporate communication that entails trust is essential in developing transparency in the organization. In this case, clarity in communication avoids conflicts and enhances adherence to the rules and regulations that influence operations. In the banking sector, the delicate relationship between the staff and the employee-client relationships is strengthened by trust and transparency.

The results of the study showed that 249 respondents said “Yes” while 51 respondents said “No”. In this case, the majority of the respondents perceived that integration of corporate communication in corporate change strategies is treated as a priority by bank managers. Also, the results indicated that the majority of the respondents (83%) said “Yes” while the minority (17%) said “No”. The results indicated that the majority of the respondents said that integration of corporate communication in corporate change strategies is treated as a priority by bank managers. These results are congruent with Kok and Siripipathanakul (2023) whose found that corporate communication is prioritized as an effective corporate change strategy by organizations. In this case, effective corporate communication plays a major role in enhancing the contingency approach throughout managing the change process.

The findings of the study showed that majority of the respondents (274) agreed that effective corporate communication improves meeting stakeholders' needs. It was found that the minority of the respondents (26) perceived that effective corporate communication does not improve meeting stakeholders' needs. Such results were similar to figure 3 where the majority of the respondents 91% of the respondents said “Yes” while 9% said “No”. These results were also congruent with previous studies on the relationship between corporate communication and stakeholder satisfaction. Meeting stakeholder’s needs is a major priority in corporate sustainability. In this case, effective corporate communication improves the relationships with stakeholders by enhancing clarity, trust, and transparency. Effective corporate communication also improves the relationship between the organization and the public entities such as the investors. Building strong relationships between the organization and the stakeholders improves the corporate image and enhances the chances of reaching prospective customers (Cornelissen, 2023).

The results of the study indicated that the majority of the respondents perceived that effective corporate communication improves sustainability and expands opportunities for banks in Kenya. The results were similar to the findings by Siddique et al. (2023) which indicated that corporate communication improves business continuation and sustainability by creating effective social corporate responsibility. Also, effective corporate communication improves the sharing of information which creates more chances for improving products and services. Effective corporate communication enables the banks to enhance their corporate image and thus improve their reputation. In this case, effective corporate communication enhances the likelihood of expanding opportunities for banks by improving the flow of information in and out of the corporate. The improved flow of information improves the employee's knowledge and skills and thus enables the banks to explore untapped potential opportunities.

The implications of the findings include insight into the necessity for effective corporate communication in the banking sector in Kenya. The banks need to improve their transparency and trust in corporate communication to improve the relationship with the public, stakeholders, and customers. Effective corporate communication should be prioritized in the banking sector especially due to its influence in creating an enabling work environment. Also, improving corporate communication enhances performance because of the improvement in transparency and trust. Therefore, the corporates within the banking sector should invest in improving corporate communication because it improves sustainability and investment opportunities.

6.0 Conclusion

The study findings showed that the majority of the respondents perceived transparency followed by clarity were the most effective components of corporate communication. The results indicated that effective corporate communication was prioritized by bank managers in case of corporate change. The results showed that the majority of the respondents stated that effective corporate communication enhanced performance, meeting stakeholder’s needs, sustainability, and opportunities for banks in Nairobi, Kenya. The significance of this study is that the findings can be used by researchers and bank managers to relook at the worth of effective corporate communication in matters related to corporate change. For instance, the results of this study can be used by bank managers especially when communicating strategies that affect the bank’s operations such as during mergers and acquisitions. The change in technology and operations within the banking sector would be effective if the bank managers followed and valued the importance of corporate communication in improving the relationships in and out of the organization. The research gaps identified include specificity of the banking sector within Nairobi County rather than having a general consideration of all the banks in Kenya. The study used 300 respondents which is quite low in view of the enormous number of banks in Nairobi, and Kenya in general. Future research should include more respondents to minimize bias in the data.

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