

**EFFECTS OF CORPORATE RESTRUCTURING ON EMPLOYEES'
MOTIVATION IN KENYA COMMERCIAL BANK LIMITED, NAIROBI
REGION**

BY

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DECLARATION

This research project is my original work and has not been presented for award of any degree in any University.

Signature 

Date: 07/01/2011

This project has been submitted for examination with my approval as University of Nairobi supervisor.

Signature 

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Supervisor D OTHORW

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DEDICATION

This research study is dedicated to my parents, my brothers and husband for their moral support throughout the entire MBA program and especially during this research project.

ABSTRACT

Commercial banks today are also increasingly encountering fierce competition from competitors, customers that are more demanding, more management, economic pressures and financial crises. Motivation helps organizations survive and more productive. The study was guided by the objective which was to investigate the effects of restructuring on employees' motivation in Kenya Commercial Bank, Nairobi Region.

This study adopted a case study design meant to determine the effects of organization restructuring on employees motivation at Kenya Commercial bank. The target population of the study was the staffs who have worked in Kenya Commercial Bank for more than 10 years. 850 were there before and after the restructuring. Stratified and random sampling technique was used to select the sample that was representative of the population in terms of certain critical factors that had been used as a basis for stratification. The study used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information on effects of restructuring on employee's motivation .Content analysis was used to analyze data collected.

From the findings the study concluded that management in the Kenya Commercial Bank needed to perfect restructuring and have employee's engagement in restructuring decisions, they needed to be trained, have salary reviews and rewards system to motivate the employees and improve employee's performance.

The study also recommended that management of Kenya Commercial Bank should engage employees when restructuring to avoid de-motivating staff of which some had to re-apply for their jobs under a new organizational structure, outsource Information Technology services as this would enable the Kenya Commercial Bank management to change the job roles, risk management, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Many corporate firms nowadays are constantly involved in activities that are designed to enhance their organizational effectiveness. This phenomenon invariably creates a need for the corporate to restructure, Armstrong (2006). Organizational restructuring may assume different forms ranging from mergers, acquisitions, and the addition of new product lines or markets, to cost reduction exercises. The most common challenge of these various forms of restructuring is that they require workflows to be reorganized and appropriately aligned. They also require staffing levels to be altered so that an appropriate level of resources can be maintained in a corporate structure capable of rapid response to changes in the marketplace, Anderson (2010)

Pressures continue unabated for financial sector to improve quality, lower costs, and meet the increasing needs of customers. In particular, increased competition, technological advances, and resource scarcity have caused bank to seek internal efficiencies by exploiting firm resources and capabilities, while concurrently learning and acquiring new competencies, Smith and Toft, (2005). Many commercial banks have undergone restructuring to meet these demands and gain competitive advantage. Restructuring has involved changes such as product differentiation and cost reductions via the incorporation of new structures, technologies, and relationships, Dalton, (1996). These change efforts have led corporate firms to learn new skills, routines, and processes, but at the same time maintain concurrent reliability.

One important way corporate firms are responding to these changes in economic and environmental conditions is by increasingly looking for alternatives to the traditional hierarchical organizational structure. To survive, many firms are attempting to design and initiate fundamental changes in organizational form and management practices, Bresnen and Fowler, (1994).

1.1.1 Corporate Restructuring

Restructuring is the corporate management term for the act of partially dismantling efficient and therefore more profitable corporate firms. It generally involves selling off portions of the company and making severe staff reductions. Restructuring is often done as part of a bankruptcy or of a takeover by another firm, particularly a leveraged buyout by a private equity firm. It may also be done by a new CEO hired specifically to make the difficult and controversial decisions required to save or reposition the company and reorganizing a company for the purpose of making it more profitable.

Restructuring has been the buzzword of global enterprise for the last 10 years its contemporary meaning is multifaceted. At the heart of the restructuring trend is the notion that some activities within business value chain are more critical to the success of the business strategy than others. According to Pearce and Robinson (1997), the process takes an internal focus- getting work done efficiently and effectively so as to make strategy work. It involves recasting how activities within their business are conducted with unprecedented attentions to marketplace.

Modern companies which operate within increasingly competitive national and international markets are likely to be familiar with a wide gambit of change initiatives.

Some of these changes have focused on lean production and just-in-time techniques Boot, (1992); some have involved the rearrangement of plant and materials in the form of cellular manufacturing; and others have focused on customer-supplier chains and quality systems in both service and manufacturing industries Atebe, (2001). Furthermore, as this wave of bewildering change programmes continues to build momentum, national governments are developing their own initiatives to support and aid organizations in their search for new competitive forms of work organization.

Restructuring, Reengineering, outsourcing and empowerment are all terms that reflect the critical stage in strategy implementation, where managers attempt to rationalize and recast their structure, leadership, culture and reward systems to ensure a basic level of cost competitiveness, capacity for responsive quality and the need to shape each one to accommodate unique requirement of their strategy. Thompson and Strickland, (2003). Two critical considerations arise when restructuring an organization to emphasize and support strategically critical activities: First managers need to make the strategically critical activities the central building block for designing organization structure. Those activities should be identified and separated as much as possible into self-contained part of the organization. Second is that the remaining structure should be designed so as to ensure timely integration with other parts of the organization.

1.1.2 The Concept of Motivation

Many contemporary authors have defined the concept of motivation. Motivation has been defined as the psychological process that gives behaviour purpose and direction. Gary (1990) predisposition to behave in a purposive manner to achieve specific, unmet needs

Locke and Latham, (1990), an internal drive to satisfy an unsatisfied need and the will to achieve. Ulrich (1996). Essentially, there is a gap between an individual's actual state and some desired state and that there is often a need to reduce this gap. The concept of motivation overlaps with the concept of morale, meaning the extent to which the employee feels positive or negative about his or her work, Gary (2004). The level of motivation varies between individuals and within individuals at different times and in different situations, Robbins (2005).

Motivation is, in effect, a means to reduce and manipulate this gap. It is inducing others in a specific way towards goals specifically stated by the motivator. Naturally, these goals as also known as the motivation system must conform to the culture and beliefs of the people involved and society. The motivational system must be tailored to the societal context. According to Locke (1997), motivation is determined by goal directedness, human volition or free will, and perceived needs and desires, sustaining the actions of individuals in relation to themselves and to their environment. Although this definition appears to be comprehensive, it is put forward here for critique amid other competing definitions found in the literature. Motivated workers are more productive and provide better customer service which may translate to higher profits and customer satisfaction, for profit making and non profit making organizations respectively.

1.1.3 Kenya Commercial Bank

The restructuring plan is emerging at a time when Kenyan banks are increasingly looking at reducing their staff and payrolls to trim the excess fat and grow profits. Kenya Commercial Bank (KCB) started its restructuring in 2006, it appointed new senior

managers as the restructuring programme gathered pace. The programme, which sought to cut its operation costs by about 20 percent, saw KCB trim its executive committee from 22 to seven. Staff costs had risen from Sh4 billion in 2006 to Sh9.3 billion in 2010, stifling profit growth.

In a bid to cut operational costs and return to profitability in all its branches in the East African region, Kenya Commercial Bank launched a massive restructuring exercise. KCB Chief Executive Officer Martin Oduor-Otieno indicated that the restructuring exercise was launched in January year 2011. Now the entire bank's senior managers with the exception of the CEO were expected to re-apply for their jobs under a new organizational structure that could see some of them relegated and others left out Okoth (2011). The KCB board of directors also approved the offer of a voluntary exit package to the bank's staff as part of the restructuring. The bank expected to review its corporate and governance structures, business model, jobs roles and people placement, risk management and mitigation mechanisms, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses.

In one of the most drastic shakeups in the senior management positions making up the bank's executive committee, senior posts have been downsized from twenty two to seven with a number of others phased out while others were merged. "Except for the chief executive, all positions within the executive committee were filled through a transparent, professional and competitive process starting with an internal job interview process," read the statement, Gaitho (2011).

1.2 Research Problem

To cope with increased competitive pressure globalization and demand for efficiency, commercial banks have come to rely on the strategy of restructuring and downsizing, Cascio, (2002). The American Institute of Certified Public Accountants believes that the reasons for restructuring include entry into new market regions, the addition of new product lines and production facilities, service outlets that is through a merger, acquisition, or internal expansion, and the decision to reach new customer groups. The fundamental objective of the organisation, in these instances, is to retain the suitable level of resources within a structure that will boost both the proactive and reactive capacity of the organisation to new demands, Anderson (2010).

Commercial banks today are also increasingly encountering fierce competition from other institutions; customers are more demanding, economic pressures and financial crises. They need to devise strategies to effectively counteract the potentially negative effects of these situations. They need to, amongst other things, decrease operating costs, enhance the quality of both products and services as well as increase their reactive capacity to respond to new opportunities in the market place. Consequently most commercial banks find themselves having to restructure so they can deal effectively with these. The restructuring process itself poses serious challenges for this bank as it has the potential to create a lot of uncertainty amongst staff if not properly managed. Restructuring in financial institutions is inevitable and commercial banks need to learn how to appropriately manage this process as it may affect employees' motivation, Armstrong

(2006). The restructuring process should be carried out carefully as it may affect employees. Motivation helps organizations survive and is more productive.

Local studies have focused more on job satisfaction and employees performance. Karimi (2002) carried out a study on The Problems Experienced by Organizations in managing survivors of Downsizing, Kimeu (2008) carried out a study on relationship between realistic job preview and employee Job Satisfaction focusing on Management Employees in Commercial Banks in Kenya, and Oluoch (2007) carried out a study on a survey of the relationship between performance appraisal practices, motivation and job satisfaction of employees of commercial banks in Nairobi. There is no study that has focused on effects of organization restructuring on employees' motivation. This study therefore seeks to fill this knowledge gap by investigating effects of organizational restructuring on employees' motivation in commercial banks focusing on a case of Kenya Commercial bank by answering the questions on what are the factors that influenced restructuring in Kenya commercial bank?, what restructuring strategies were adopted by Kenya Commercial Bank? And what are the effects of restructuring on employees' motivation in Kenya Commercial Bank?

1.3 Research Objective

To investigate the effects of corporate restructuring on employees' motivation in Kenya Commercial Bank, Nairobi Region.

1.4 Value of the Study

The study will be of benefit as it will bring out the importance of restructuring of commercial banks in Kenya and particularly to the management of Kenya Commercial Bank. The study will shed light on the effects on restructuring on employees' motivation. Other financial institutions like the Microfinance institutions will gain an insight on the effects of organizational restructuring and seeks way of effecting restructuring. It will be useful to the government policy making bodies, as it will provide knowledge useful in formulation of policy and regulatory framework on best practices on improving organizational restructuring in commercial banks and other financial institutions to avoid negative effects of restructuring on employees and the organization.

It will also be significance to the researchers and scholars who will find this study significant as it will form the foundation for further study and act as source of knowledge to scholars.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Need for Restructuring

Today's executives have more information about restructuring in other organizations and a thorough review of these attempts by top management executives have lead to more positive results in their own restructuring efforts. Managers now can reduce cost, increase productivity, and enhance shareholder's wealth in their own organization using lessons learned in other organization's restructuring attempts. Bowman, *et al* (1999). Organization structure is at the heart of all businesses. It applies to those involved in the manufacturing of a product or providing a service. It can be concluded that organizational restructuring is a value tool for an organization to use in an attempt to maintain their goals and objectives. The choice of which strategy to use will depend on which area the company wants to improve: profitability, performance, or operation, Druker, (2007).

2.1.1 Corporate Restructuring

Of the three modes of restructuring strategies, the type that captures the most headlines is Organizational Restructuring. In this strategy the terms downsizing, redesign and layoffs are often used. Many times a company tries to redesign the organization for one of two major reasons: either they have changed the strategic thrust of the company, or the organization has drifted away from the original design of the company, Shah (2008). Organizational restructuring will normally change the levels of management in the company, affect the span of control or shift product boundaries. There is also a change in production procedures and compensation associated with this strategy. Reduction in the

work force is the main by-product that accompanies organizational restructuring and is the reason for the least positive impact on organizational performance. Bowman, *et al*, (1999).

According to Paton and McCalman (2000), an Organizational Restructuring Strategy in action is the case Allstate Insurance Company. Following a review of their core business, Chairman and CEO Edward Liddy announced numerous changes to Allstate's distribution strategy and cost saving measures that would save \$600 million annually and eliminate 4,000 jobs. In his redesign plan, 6,500 current captive agents moved into a single independent contractor program which was the majority of Allstate's agents work. The savings came from the change to managing the one agent program instead of separate agencies. As with all reduction in employees, Allstate felt most will come through attrition, but these cuts would affect some 460 jobs at the company's home office (Gjertsen, (1999). The thrust of Allstate's reorganization was clearly to streamline the process, but the resulting by-product was in job being cut. Hayes, (2002).

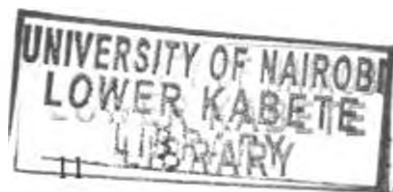
In yet another example of the organizational approach to restructuring, CompUSA used what is termed a "slash and burn approach" to return to profitability Heller (1999). Part of their redesign effort was to centralize its commercial sales business to CompUSA call center in Dallas. Taking this function away from the individual stores affected some 2,400 jobs. Executive VP for Merchandising, Larry Mondry stated "Nine-nine percent of store are profitable...", however there are currently ten stores being reviewed for possible closure Heller (1999). In both cases the elements of organizational restructuring are the

prime movers. Change the design of how business is done to improve profitability. The reduction in workforce is the headline grabbing by-product.

2.2 Motivation of Employees at Work Place

Organizations today must grapple with revolutionary trends; accelerating product and technological change, international competition, deregulation, demographic changes, and a shift towards a service society. These trends have increased dramatically the degree of competition in virtually all industries. Either companies in such an environment become competitive high-performers or they vanish, Dessler (2000). Within this competitive organizational context, human resource management practices have gained increased significance. More specifically, human resource management has been linked to increased productivity, good customer service, greater profitability and overall organizational survival, Pinder (1998).

Motivation may be rooted in the basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, hobby, goal, state of being, ideal, or it may be attributed to less apparent reasons such as altruism, morality, or avoiding mortality, Bandura (1997). If employees have everything they need to perform well, they will be able to do the job, however, they must be willing and this is where the question of motivation enters the picture. Vardi Wiener (1996) argues that the strategy implementer's challenge is to design a reward structure that motivates people to do the things it takes to make the strategy work successfully.



2.2.1 Measures of Motivation in Corporate Firms

Recent reviews of work motivation theories have suggested that any model of work motivation should include the underlying process variables that explain how goals affect work motivation .Kanfer, (1992); Katzell & Thompson, (1990) Mitchell (1997). Goal theory suggests that employees will expend greater effort toward achieving performance goals that they believe will result in important outcomes Locke & Latham, (1990). This emphasis on the importance of outcomes is consistent with Rainey and Steinbauer (1999) that have suggestion that the effectiveness and performance of corporate firms may be enhanced by three interrelated levels of intrinsic rewards--task, mission and firms service--that are available through the employee's role in the organization. Although goal theory can be used to illustrate how employee work motivation can be influenced by all three levels, it suggests that the effects of mission valence and service motivation are mediated at the job level.

At the job level, goal theory suggests that work motivation requires the employee to believe that performance goals can be attained and will result in important outcomes for themselves or, to the extent they are committed to organizational goals, for their organization .Klein, (1991). In other words, work motivation is enhanced when employees see their job as not only doable but also important. The extent to which goals seem achievable is determined by an individual's sense of self-efficacy, the individual's judgment of his or her own "capabilities to organize and execute courses of action required attaining designated types of performances" Bandura, (1986, p. 391). Self-efficacy influences motivation through its effect on the direction and persistence of behavior. If employees feel more confident in their abilities, they are more likely to see

goals as achievable and worthy of their effort. Higher levels of self-efficacy often are associated with better performance, because individuals who believe that they can accomplish a goal are more likely to expend the necessary effort and persist in the face of obstacles (Bandura, 1988; Bandura & Cervone, 1983, 1986; Early & Lituchy, 1991).

In addition to having achievable goals, employee work motivation also requires that performance objectives be viewed as important. If employees do not perceive their job to be important or meaningful, they have little reason to be motivated to perform their work. Although self-efficacy is important when understanding motivation at the job level, it is the concept of job importance that is especially salient in understanding the contributions motivation and organization mission make toward organization performance.

Corporate staff motivation asserts that employees may view their performance goals as important because of the congruence between the altruistic or community service nature of the sector goals and the high value that employees place on work that helps other and benefits society (Crewson, 1997). If achieving assigned goals can satisfy personal employee motives, such as performing public service, then they are more likely to be perceived as important and accepted as personal goals.

In addition to the intrinsic rewards provided by the nature of the job or function of the organization, organizations may also make assigned performance goals important to the employee by providing appropriate extrinsic rewards for goal attainment (Klein 1991). Empowerment, because of its ability to enhance employees' sense of control and self-efficacy, can be an effective organizational intervention to enhance motivation of role overload. Similarly, job redesign, because of its ability to increase the intrinsic job

quality, to match employees' skills with job requirement and to increase a job's meaningfulness, it is argued here that intent to quit induced by restructuring, work and role overload could be reversed or dissipated by empowerment and job redesign, thereby facilitating survivors' desire to remain attached to the organization (organizational commitment).

2.3 Restructuring Strategies

2.3.1 Portfolio Restructuring Strategy

One of restructuring strategies discussed by Bowman is portfolio restructuring. Companies involved in acquisitions, divestitures, or spin-offs are using a portfolio restructuring strategy. This type of strategy includes selling off those business units that are drawing down operations or spinning off business units to raise more capital. The organization's objective is to regain its perspective on the core business. Portfolio restructuring has the best results when the firm uses the spin-off strategy and count on subsequent mergers, Obikoya (2002). Research indicates more positive market response to the restructuring when shareholders receive new business from spin-offs than new cash through sell-offs.

The Bell and Howell (2007) is an example of portfolio restructuring. In an announcement they used this form of restructuring strategy to create two new companies. The first company would still be called Bell & Howell and would focus on the Mail and Message Technologies. A second, still unnamed company would focus on information access business. The belief of Bell and Howell's CEO is that this strategy would maximize the

organization's strength and help them attract and maintain a talented workforce, Hane (2000).

In still another example of portfolio restructuring is the case of Microsoft. Some analyst believed the break up of the software giant was beneficial following the company's antitrust suit. The spin-offs along product lines within Microsoft would produce a flurry of new business activity. It would release the entrepreneurial spirit and generate new wealth for Microsoft investors.

An example of the potential was the breakup of Microsoft demonstrated by the spin-off of Expedia.com. On November 10, 1999 it was spun off and was immediately followed by a 280% jump on the first day of its initial public offering, Hamm (2000). Microsoft has the potential to gain substantially for its shareholders by using the portfolio restructuring strategy to break into baby Microsoft's before organization is forced on them.

2.3.2 Financial Restructuring

The other restructuring mode Bowman discussed is the financial restructuring strategy. This type of restructuring is identified by changes in the firm's capital structure. Changes can include debt for equity swaps, leverage buyouts, or some form of recapitalization Bowman, et al, (1999). In a financial restructuring that is in the form of a leverage buyout, research reveals there is an immediate influx of free cash flows, organizational efficiency is enhanced and the company refocuses on the core business. Additionally, long-term performance of the organization is significantly improved after, Bowman, et al,

(1999). Leverage buyouts of divisions have greater improvement in efficiency than when the entire company is acquired.

2.3.3 Downsizing

As a result of the changes taking place in the business environment and their concurrent impact on corporate structure, the past several years have seen seemingly endless examples of organizational downsizing. These downsizing initiatives are often taking place in large organizations that have, in the past, enjoyed a degree of immunity from retrenchment, Cummings *et al.* (1983). Firms now feel compelled to downsize because being “lean-and-mean” is believed to be a valued attribute. While downsizing initiatives were initially prompted by the need to increase organizational competitiveness by reducing costs, they also reflect the influence of technologies. The ease and prevalence of communications such as print, television, radio, e-mail, and the Internet have led to the rapid deployment and sharing of information. In addition, the adoption and use of innovative manufacturing and process technologies is touted as a means whereby more tasks can be handled by fewer workers. Additionally, it is expected that the increased use of these technologies will reduce the need for several layers of middle management, Bahrami, (1992), thus further enhancing organizational competitiveness by providing additional reductions in overall operating costs. Beyond the anticipated cost savings, “flatter” organizations are expected to be more flexible and responsive to market and competitive dynamics by reducing the time lag between decision and action, Bahrami and Evans (1987).

2.3.4 Outsourcing

As the managerial paradigm shifts from “bigger-is-better to“ lean-and-mean” and from “high-volume to “high-value,” companies are being forced to identify exactly where they have the greatest competitive advantage and to redefine their organizational structures to maximize that advantage. An increasingly common way that organizations are trying to increase “flexibility” and generate “high-value” is through outsourcing Gupta and Zhender, (1994). To use the language of the management textbooks, organizations must define their core activities and competencies and establish flexible business structures that can most effectively create superior customer value, Watkins (1994). One important result of this process is a recognition and reassessment of those activities which are not core. In particular, whether these non-core activities should be carried out by the organization itself (make) or outsourced to a specialist third party (buy).

Additionally, there are a number of benefits thought to be associated with the use of strategic outsourcing. These benefits include cost-effective access to emerging technologies, McLellan and Marcolin (1994), acquisition of specialist expertise, the ability to meet fluctuations in demand, reductions in overhead costs, the ability to spread commercial risk, cost competitiveness, increased flexibility and capability, availability of new service options, and reduced capital commitment Daugherty and Droge (1990). Many believe that if these expected benefits are realized, outsourcing will remain one of the strongest and most sustained trends in business over the next ten years, Hendry (1995).

For now, there is no doubt that outsourcing practices have become increasingly more commonplace within industry, Bresnen and Fowler (1994) and that these practices pose important questions about the organization and management of work in the contemporary firm, Dahlstrom *et al.*, (1996). According to a 1995 study conducted by G2 Research Inc. (1995) outsourcing is already a \$91.7 billion market in the USA and \$114.9 billion market worldwide. A 1996 study by A T. Kearny Inc. (1996) found that nearly 90 percent of the companies surveyed Baxter, Caterpillar, IBM had outsourced some function in 1995, compared to fewer than 60 percent in 1992

2.4 Organizational restructuring and employees Motivation

Restructuring often leads to a disruption in existing work-related practices. Employees may view redesign therefore as a threatening situation, which creates feelings of uncertainty and ambiguity. Employees with a greater sense of competence, that is, who see themselves as capable members of the organization, are more likely to be open to the restructuring ,Cunningham *et al.*(2002).Cunningham *et al.* (2002) found that employees who were more confident in their ability to cope with the restructuring felt motivated to improve on their performance . Devos *et al.* (2007) found that employees who believed that they have control over their environment and personal success were more motivated by the restructuring than those who believed that their lives are controlled by external factors, such as powerful others in the organization. Jimmieson *et al.* (2004) found a positive relationship between employee's motivations and adjustment to organizational change including restructuring in reporting structures, the abolition of middle

management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee possesses to cope with the restructuring.

These findings emphasize the importance of support and good working relationships in situations that involve restructuring and the associated challenges. Such relationships are a key motivator when employees encounter obstacles and setbacks in their pursuit of goals, Rhoades and Eisenberger (2002). An employee who has positive relationships with co-workers and immediate supervisors can be expected to demonstrate active support for the change. Such supportive relationships are important in particular when the nature of work requires coordination and cooperation among employees enhancing employees' motivation.

Most employees have a desire to see themselves as part of the ongoing financial institution restructuring effort instead of just being affected by the change. Employees who are encouraged to participate in decision making on a regular basis, and whose input is genuinely enlisted and utilized were more motivated to work hard for the achievement of the organization, Wanberg and Banas (2000). For example, Bies and Shapiro (1988) found that employees are more motivated by favorable decisions such as restructuring in the organization as this will give them a voice in the decision-making process. Chawla and Kelloway (2004) found that process-control participation predicted openness to the change via procedural justice and improve employee's motivation toward achieving the organization goals.

Bordia *et al.* (2004) explained that participation in restructuring of the organization is also an important informational and motivating tool for the employees. This is because

participation helps to reduce uncertainty about how the restructuring may affect employees personally. Cunningham *et al.* (2002,) argued that limited opportunities for decision making and control "... may compound the anticipated occupational risks of organizational re-engineering, lower self-efficacy and limit readiness for change affecting employees' motivation. Their results indicated that bank employees were more motivated to tackle and control over challenging jobs, had higher readiness for the restructuring and felt energized to participate in organizational redesigning initiatives.

Most employees would be motivated to have jobs that have variety, autonomy, and feedback; employees want to experience a sense of meaningfulness in their jobs, Campion and Stevens (1991). Employees may be motivated to have a stronger feeling of involvement in their jobs when they believe that the organization is committing resources to them for the purpose of personal development and to move up to higher levels in the organization, Howard and Frank (1996). In contrast, feelings of job insecurity may lead to fear and affect employees motivation toward achieving organization intended goals. For example, Chawla and Kelloway (2004) found that job insecurity among employees from the two merged organizations was negatively related to trust in management and openness to the change. Both trust and openness, in turn, were related to employees' intention to withdraw from the job. Oreg (2006) found that the prospect of having to transfer to a less interesting or less challenging job led to de-motivation with the restructuring.

Training of employees to take up roles due to organizational restructuring provide opportunities for people to progress and develop their careers with an objective of

achieving higher performance for both the employee and the organization, Armstrong (2006). People move through their careers upwards when promoted or by enriching their roles to take on greater responsibilities or by making use of their skills and abilities. Training during organization restructuring may likely result to the growth of both the organization and employee. In this regard, training of employees during financial institutions restructuring would be an achievement and a motivating factor, Hertzberg studies (2006).

Organization restructuring does not occur in an environment that is poisoned by a lack of respect from management. The success of any restructuring initiative depends, in part, on the manager's ability to build support for the change he or she envisions. Managers have to earn the respect, confidence, and trust of the employees in order to implement the change, Shearer *et al* (2001). For example, Bernerth *et al.* (2007) found that employees were more likely to be motivated by organization restructuring when they felt their leaders properly addressed their concerns and treated with respect and dignity and therefore appreciate timely and sincere communications regarding the restructuring that is in the process of being implemented, Tyler and Blader (2001). Oreg (2006) investigated employees' reactions to bank merger restructuring.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a case study design meant to determine the effects of corporate restructuring on employees' motivation at Kenya Commercial bank. Terry and Franklin (1997) define a case study as a description of a situation involving problems to be solved. A case study is also an in-depth investigation of an individual, group, institution or phenomenon, Mugenda and Mugenda (2003).

The case study involved studying the organization where one or several respondents were interviewed to enable collection of in-depth information that helped in understanding situations or phenomenon to avoid generalization. It eliminated or minimized time wastage and also minimized costs of movement from one bank to another.

3.2 Target population

Target population can be defined as a compute set of individuals, cases/objects with some common observable characteristics of a particular nature distinct from other population. According to Mugenda and Mugenda (2003), a population is a well defined as a set of people, services, elements and events, group of things or households that are being investigated. The target population of the study was the staff who have worked in Kenya Commercial Bank for more than 10 years. 850 were there before and after the restructuring (KCB, Human Resource Management, Dep, 2011).

3.3 Sample design

Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about the population of concern, especially for the purposes of making fair generalization of results back to the population from which they were chosen, Mugenda and Mugenda (2003).

Stratified and random sampling was used to select the sample that was representative of the population in terms of certain critical factors that had been used as a basis for stratification. The stratified sampling was done on the basis of level of management , that is top, middle and lower levels. Since the study population was small 850, tables were used to determine the sample size. The distribution of the respondents was done based on Mugenda and Mugenda approach who indicated that 10-20% of the sample was sufficient for the study. Using 10% of each category, the sample size of the study was 85.

Table 3.3 Sample Size

| Category | target Population | Sample proportion | Sample |
|-------------------|----------------------|----------------------|--------|
| Top Management | 100 | 0.1 | 10 |
| Middle Management | 250 | 0.1 | 25 |
| Lower Management | 500 | 0.1 | 50 |
| Totals | 850 | 100 | 85 |

Source: Author, (2011)

3.4 Data collection

The study used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information on effects of restructuring on employee's motivation. The interview guide was administered through personal interviews with the directors, managers and departmental heads and the identified employees of Kenya Commercial bank. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview.

3.5 Data Analysis

Content analysis was used to analyze data collected. This was a systematic detailed qualitative description of the objectives of the study. It involved observation and detailed description of objects, items or things that comprise the study, Mugenda and Mugenda, (1996). This method made it possible to analyze and logically group the large quantity of data and compile the rest of the study. Nachmias and Nachmias (1996) define content analysis as a technique for making references by systematically and objectively identifying specific characteristics of information and using the same approach to relate to trends. The study used the data with an aim of presenting the research findings in respect to the effects of corporate restructuring on employees' motivation in Kenya commercial bank.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Respondents Characteristics.

The respondents were picked from different departments. From the findings, 24% indicated that they were working in finance and accounting, 45% in Operations, and 12% in credit departments, 10% in customer relation and marketing and 9% in procurement departments. This implied that the respondents were from all the departments in Kenya Commercial Bank and therefore the information on the effects of corporate restructuring on employee's motivation was collected from all the departments.

4.2 Response Rate

On response rates, 65% of the respondents were from the middle management, 20% were from lower level management while 15% were from the top management. The response rate was 100%.Mugenda and Mugenda (2003) indicated that a response rate of 50%, 50% or 70% was sufficient.

4.2.1 Designation

54% of the respondents indicated that they were senior bank managers in operations, 23% accountants, 18% sales and marketing officers, credit, finance, and procurement. This implied that the content on effects of corporate restructuring on employees in Kenya commercial bank, Nairobi Region was well represented.

4.2.2 Total work experience in years

From the findings, 34% of the respondents indicated that they have been working in the bank for a period of 4-6 years; 25% indicated that they had been working in the bank for

a period of 7-10 years, while 24% indicated that they had been working for over 10 years in Kenya Commercial Bank. This implied that respondents had worked in the bank for a period of more than 4 years therefore respondents indicated that they had experienced effects of restructuring that had been carried out in Kenya commercial bank.

4.3 Restructuring Issues

All the respondents indicated that Kenya Commercial Bank had undertaken restructuring. 79% indicated that Kenya Commercial Bank (KCB) started its restructuring in 2006 appointing different managers to carry out bank operations and merging different departments.

4.3.1 Restructuring involvement in Kenya Commercial bank

The respondents were requested to indicate what restructuring in Kenya Commercial bank involved. From the findings, Kenya Commercial Bank had restructured by reducing the number of employees and appointing senior managers to head a number of merged departments. 69% of the respondents indicated that restructuring exercise made the senior managers re-apply for their jobs under a new organizational structure, others were relegated and others were released off their duties. The study found that Kenya Commercial bank has outsourced Information Technology services and human resources training as well as research and development in a bid to improve financial delivery services and achieve successful implementation of restructuring. It also came out that Kenya Commercial Bank management had changed the job roles, risk management approaches, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses. This was in line with Jimmieson *et al.*

(2004) who found that a positive relationship between employee's motivations and adjustment to organizational change including restructuring in reporting structures, the abolition of middle management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee possesses to cope with the restructuring.

These findings emphasize the importance of support and good working relationships in situations that involve restructuring and the associated challenges in such relationships.

4.3.2 Restructuring strategies that has been adopted by management of Kenya Commercial Bank

It was prominent that the management of Kenya Commercial Bank had adopted bank portfolio restructuring where different departments had been merged and products packaged to suit the need in the market.

It was also found to have undertaken financial restructuring where the bank restructured its capital structures which were through debt swaps, leverage buyouts, or some form of recapitalization where the it was indicated that this was to enhance bank efficiency and enabling the bank refocus on the core business thus improving financial service delivery.

It was established that the Kenya Commercial Bank management undertook downsizing initiatives where the bank laid off most staff in the senior and low-level management due to merging of bank departments. The respondents explained that the bank adopted downsizing strategies due to the need to increase bank competitiveness through cost reduction and reflecting on technologies to reduce overall operating costs.

59% of the respondents indicated that Kenya Commercial Bank outsources research and development in the bank from consulting firms to enhance its flexibility and to ensure the it concentrates on the core bank activities and most effectively create superior customer value financial services.

4.4 Factor influencing restructuring in Kenya Commercial Bank

4.4.1. Increase competition

All respondents indicated that the bank today was facing fierce competition from other commercial banks like Barclays bank and Equity bank, SACCOs and MFIs for customers who were more demanding.

4.4.2 Internal Efficiency

The study sought to establish whether the need for internal efficiency influenced restructuring in Kenya Commercial Bank. From the findings, the respondents explained that the bank restructured to reduce costs, review its corporate and governance structures, business model, jobs roles and people placement, risk management and improve mitigation mechanisms.

4.4.3 Need to improve profitability of the Bank

The need to improve profitability in Kenya Commercial bank influenced restructuring. It was indicated that the bank restructured to cut operational costs and return to profitability in all its branches in the East African region. This concurred with Druker (2007), Who indicates that the choice of which strategy to use will depend on which area the company wants to improve: profitability, performance or operation.

4.5 Effects of restructuring on staff motivation.

Staff motivation was affected at Kenya Commercial Bank. From the findings, the respondents indicated that restructuring in Kenya Commercial Bank increased motivation as it made the employees to be engaged in restructuring through their decisions being incorporated and them being trained to improve their skills and prepare them. It also found that the restructuring de-motivated the employees as it had led to loss of job, demotion and affected their job description. This implied that training after restructuring in Kenya commercial bank influenced employee's motivation. This concurred with Cunningham *et al.* (2002,) who argued that limited opportunities for decision making and control may compound the anticipated occupational risks of organizational re-engineering, lower self-efficacy and limit readiness for change affecting employees' motivation.

4.5.1 Employees engaged in decision making concerning restructuring

The study sought to know whether the employees were engaged in decision making concerning restructuring at Kenya Commercial bank. It was apparent that 80% of the respondents were not engaged in decision making on the issues of restructuring while a 20% indicated that they were involved in decision making as they were asked of their opinion. This implied that the management of the Kenya Commercial Bank failed to engage employees to participate in decision making on restructuring. Bordia *et al.* (2004) explained that participation in restructuring of the organization is also an important informational and motivating tool for the employees.

4.5.2 Kenya Commercial Bank carries out surveys to measure the employee feelings toward restructuring.

From the findings, the respondents indicated that management of Kenya Commercial Bank had taken employees satisfaction survey to find out whether employees were satisfied due to restructuring.

4.6 Factors motivating Employees due to restructuring

80% of the respondents indicated that restructuring of the Kenya Commercial Bank had influenced employee's performance. That through restructuring the management in the bank had reviewed the salary and rewards system thus motivating the staff. The respondents also indicated that restructuring led to employees' engagement in the decision-making thus enhancing motivation.

53% of the respondents indicated that training during and after restructuring in the Kenya Commercial Bank motivated them which influenced employees' acquisition of skills

making employees undertake their duties effectively and offering quality financial services.

4.6.1 Employee's participation in restructuring in the bank motivated employees

The study sought to establish whether employees' participation in restructuring at Kenya Commercial Bank motivated the employees. It was found that employees participation in decision making process during restructuring made them feel part of the bank and that they were seen as important to the bank. This implied that employee's participation in decision making during restructuring process-enhanced motivation. This concurred with Howard and Frank (1996). Employees may be motivated to have a stronger feeling of involvement in their jobs when they believe that the organization is committing resources to them for the purpose of personal development and to move up to higher levels in the organization.

4.6.2 Effect of training on motivation

89% of the respondents indicated that training undertaken by the management in Kenya Commercial Bank during and after the restructuring was motivating to staff. The respondents explained that through training, the staff acquired skills, which made them improve their service delivery and enabled them manage time as well as achieve targets.

4.6.3 Restructuring in Kenya Commercial Bank

75% of the respondents indicated that due to restructuring that had taken place in Kenya Commercial Bank, they had felt demoralized due to fear of being laid off, demoted, and have increased workloads. A few respondents indicated that they felt motivated as

restructuring made them lead the resultants departments, which seemed to them as promotions. The study also found that the management of Kenya Commercial Bank was training staff and this was indicated to influence achieving of employees targets. This implied that restructuring at Kenya Commercial bank had motivated staff as well as affected performance.

78% of the respondents indicated that restructuring had made them like their job and that they attached great importance to their job. 22% indicated that restructuring had made them dissatisfied and that they were looking for jobs in other organizations. This implied that corporate restructuring had improved employees' job importance and they felt motivated.

The respondents were requested to indicate whether the restructuring at Kenya Commercial bank had improved the bank importance to the respondents. 60% of the respondents indicated that the restructuring had increased the importance of the bank to the respondents as it made them contribute toward decision-making processes on restructuring and that the decisions that they gave were considered. The study also indicated that due to restructuring, 30% of them were feeling a sense of loss in terms of change of salary, merging of departments and their positions.

4.6.4 Self-Efficacy

The respondents were requested to indicate whether restructuring at Kenya Commercial bank led to self efficacy. From the findings, 26 % of the respondents indicated that restructuring at the bank led to high efficacy while 51% of the respondents indicated that restructuring at the bank led to limited opportunities for decision making as the

respondents indicated that there were anticipated occupational risks of bank re-engineering ,lower self-efficacy and limited readiness for change affecting employees' motivation. This concurred with Early and Lituchy, (1991) who indicated that Self-efficacy influences motivation through its effect on the direction and persistence of behavior and that employees feel more confident in their abilities, and able to achieve goals and worthy of their effort.

Table 4.7. Response Data.

| Category | Response rate % |
|-------------------|--------------------|
| Top Management | 15 |
| Middle Management | 65 |
| Lower Management | 20 |
| Totals | 100 |

Source: Author, (2011)

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the findings

It was established that Kenya Commercial Bank had undertaken restructuring since 2006 appointing new senior managers to carry out bank operations. Restructuring in Kenya Commercial bank involved the reduction in the number of employees and appointing senior managers to head a number of merged departments. The study revealed that restructuring exercise in bank made the senior managers re-apply for their jobs under a new organizational structure others were relegated and others were laid off their duties. The study revealed that after restructuring, employees felt fear of loss of job due to lay off and demotion of the other employees. It was established that the bank had outsourced Information Technology services and human resources training as well as research and development on how to improve financial delivery services and implement restructuring. Kenya Commercial Bank management had changed the job roles, risk management, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses as a result of restructuring.

The study revealed that management in the Kenya Commercial Bank had undertaken bank portfolio restructuring where different departments had been merged and products packaged to suit the need in the market, undertaken financial restructuring where the bank restructured its capital structures which were through debt swaps, leverage buyouts, or some form of recapitalization where the study indicated that this was to enhance bank



efficiency and enabling the bank refocus on the core business that was improving financial service delivery, downsizing initiatives strategies where the bank had laid off most staff in the senior and low level management due to merging of bank departments.

Restructuring in Kenya Commercial Bank had the effects of increasing bank competitiveness through cost reduction and reflecting on technologies to reduce overall operating costs, flexibility of the bank ensuring that it concentrates on the core bank activities and most effectively create superior customer value financial services.

Increased competition influenced restructuring at the Kenya Commercial Bank. This was as a result of fierce competition from other commercial banks like Barclays bank, Equity bank, SACCOs and MFIs for customers who were more demanding. Internal efficiency influenced the restructuring as it reduced costs, reviewed its corporate and governance structures, business model, jobs roles and people placement, risk management and mitigation mechanisms. The need to improve profitability of the bank influenced restructuring as it forced the bank to cut operational costs and return to profitability in all its branches in the East African region. From the findings, it was established that restructuring motivated staff at the bank as employees were engaged in restructuring and their decisions taken and their skills were also improved through training. Restructuring made the employees de-motivated as it had led to loss of job, demotion and affected their job description. The study found that some 20% of the employees were engaged in decision-making concerning restructuring at Kenya Commercial bank, while 80% of the employees were not engaged in decision making on the issues of restructuring.

The study established that restructuring at the bank had influenced employee's performance and led to motivation of the staff due to employees' engagement in the decisions making, training which influenced employees' acquisition of skills making them undertake their duties effectively and offer quality financial services.

From the findings, the study established that employee's participation in decision making process during and after restructuring made them feel part of the bank and that they were seen as important to the bank. This implied that employee's participation in decision making motivated employees in the organization during the restructuring process.

Training undertaken by the management of the bank during and after the restructuring was motivating to staff as they acquired skills which made them improves their service delivery and enabled them manage time as well as achieve targets.

Due to restructuring that had taken place in Kenya Commercial Bank, 34% felt demoralized due to demotions, and 45 % indicated that they had been failing to meet their targets due to increased workloads in the departments caused by merging. The study also found that the management of bank was training staff and this contributed to achieving of employees targets. This implied that it had motivated staff as well as affected staff performance.

The study established that restructuring had made employees like their job and attach great importance to it. This implied that corporate restructuring had improved employees' job importance and motivation.

From the findings, the study established that the restructuring had increased the importance of the bank to the respondents as it made them contribute toward decision making processes on restructuring and that the decision that they gave were considered . The study found that respondents were feeling a sense of loss in terms of change of salary merging of departments and loss of their positions.

Restructuring at the bank led to high self efficacy for 33% while 67% of the respondents indicated that restructuring at the bank led to limited opportunities for decision making as the respondents indicated that they anticipated occupational risks of bank re-engineering, lower self-efficacy and limited readiness for change affecting employees' motivation. This concurred with Early and Lituchy, (1991) who indicated that Self-efficacy influences motivation through its effect on the direction and persistence of behavior and that employees feel more confident in their abilities to achieve goals and worthy of their effort.

5.2 Conclusions

Kenya Commercial Bank undertook restructuring involving reduction in the number of employees through lay off, appointing senior managers to head a number of merged departments, other senior managers re-applying for their jobs under a new organizational structure, outsourcing Information Technology services and human resources training as well as research and development on how to improve financial delivery services and implement restructuring. This enabled the bank management to effect change in the job roles, risk management, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses.

The study concluded that management in the Kenya Commercial Bank adopted the restructuring strategies such as portfolio restructuring where different departments were merged and products packaged to suit the need in the market, financial restructuring where the bank restructured its capital structures through debt swaps, leverage buyouts, or some form of recapitalization, downsizing initiatives strategies where the bank laid off most staff in the senior and low level management due to merging of bank departments and outsourcing research and development in the bank from consulting firms. This would enhance bank efficiency, flexibility and ensure the bank concentrate on the core activities and most effectively create superior customer value financial services.

Due to increased competition management in the bank, increased internal efficiency, reduced costs, reviewed its corporate and governance structures, business model, jobs roles, people placement, risk management and mitigation mechanisms. The study revealed that there was a need to improve profitability of the bank through cutting of operational costs to return to profitability.

There was a conclusion that management in the Kenya Commercial Bank needed to engage employees in restructuring and decisions making, train, review salaries and improve its reward system in order to motivate the staff, improve employee's performance, improve knowledge and skills in order to make employees undertake their duties effectively. The study also concluded that employees had good time management, offered quality financial services, achieved targets, liked their job and attached great importance to their job.

5.3 Recommendations.

Management in the bank should adopt the corporate restructuring in order to improve the employee's motivation through appointing senior managers to head a number of merged departments and offer better packages such as improved salaries and human resources training as well as research and development on how to improve financial delivery services and implement restructuring.

They should engage employees when restructuring to avoid de-motivating staff who had to re-apply for their jobs under a new organizational structure, outsource Information Technology services this would enable the management to effect change in the job roles, risk management, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure and subsidiary businesses.

The study recommends that management in Kenya Commercial Bank should adopt portfolio restructuring, financial restructuring, downsizing initiatives strategies and outsource research and development restructuring strategies so as to enhance bank efficiency, flexibility and ensure the bank concentrates on the core activities and most effectively create superior customer value financial services.

5.4 Recommendation for further study

The objective was to investigate the effects of corporate restructuring on employees' motivation in Kenya Commercial Bank, Nairobi Region. It is recommended that a further study should be carried out to establish effects of restructuring on employee's performance.

5.5 Limitations of the study

Time was limited to allow for collection of more information for the study particularly where the respondents delayed in meeting appointments and interruptions during the interview.

Hesitant and uncooperative respondents because of the sensitivity of the information required for the study. The researcher explained to them that the information they provided was to be held confidential and was for academic purposes only.

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Appendix I: Letter of Introduction to the Respondents

December, 2011

MBA RESEARCH PROJECT

Re: Introduction Letter

I am a student at University of Nairobi pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, am supposed to undertake a research project on investigating the Effects of restructuring in commercial bank a case study of Kenya Commercial Bank. The focus of my research will be effects of organization restructuring on employees motivation commercial bank a case study of Kenya Commercial Bank and this will involve use of interview questionnaires administered to staff members of the management team.

I kindly seek your authority to conduct the research at Kenya Commercial Bank through questionnaires and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued.

Thank you in advance.

Yours faithfully,

Betsy Kirui

MBA student

Appendix II: Questionnaire to the Kenya Commercial Bank

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1. Name of department: _____

2. What is your designation? _____

3. What is your total work experience in years? _____

4. What is your length of time in the Kenya commercial Bank?

Main Issue

5. Has Kenya commercial Bank undertaken restructuring?

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6. What does restructuring involve in Kenya Commercial bank?

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7. Kindly indicate the restructuring strategies that has been adopted by management of Kenya Commercial Bank

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8 Kindly indicate how the following factor has influence restructuring in Kenya Commercial Bank.

Increase competition

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Internal Efficiency

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Need to improve profitability of the Bank

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Technology advancement

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Any, other factors, kindly specify.

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9. Do you think restructuring has motivated staff at Kenya Commercial Bank?

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10. Kindly indicate whether employees were engaged in decision making concerning restructuring at Kenya Commercial bank.

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11. Does Kenya Commercial Bank carries out surveys to measure the employee feelings toward restructuring? Give reasons for your answer

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12. Kindly indicated factors that has made you feel motivated due to restructuring of Kenya Commercial Bank

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13 Does employee's participation in restructuring in the bank motivate employees?

Give reasons

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14. Kindly indicate whether training of staff in your bank during restructuring motivated you? Give reasons

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15. Kindly indicates how restructuring in Kenya commercial Bank has influenced you in

Achieving your goals,

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.....

Increase the importance in your job

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.....

Improve Organization Importance

.....
.....

Self-Efficacy

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.....