"STRUCTURE AND STRATEGY RELATIONSHIP IN THE KENYAN ENTERPRISES"

BY

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

Signed..

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This project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

TO my Family: Wife Dr. Lucina and children, Louis and Leonard

WHO

have been a great source of inspiration

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ABSTRACT

Business environment is subject to changes. Fundamental changes in business environment often lead to changes in company strategies and structures. Fundamental changes have taken place in Kenyan business environment over the last ten years. This study sought to establish whether changes in the business environment in Kenya led to changes in company strategies and structures, and if that is the case what is the relationship between changes in strategy and changes in structure.

This study had one main objective:

To identify the nature of the relationship between changes in strategy and changes in structure in the Kenyan enterprises.

Data was collected through a questionnaire personally administered. Both closed and open ended questions were used. The data was collected from 33 large manufacturing firms located in Nairobi.

The data was analysed using descriptive statistic and correlation analysis. The chi-square test was carried out as a further test of association. To facilitate the chi-square test, one set of hypothesis was formulated, namely; the null hypothesis was that strategy and structure are independent of one another. The alternative hypothesis was that strategy and structure are interdependent.

The results indicate that significant changes have taken place both in strategy and structure among the companies studied over the last ten years. There is a positive relationship between strategy

and structure among the companies studied. Changes in strategy and changes in structure are interdependent in these companies.

CHAPTER ONE

INTRODUCTION

1.1 Background

Business environment tend to change over time. This is because environmental factors are dynamic. Such factors broadly include, economic, technological, customer tastes, social, political and legal. When changes take place in these factors pressure is created on the existing company strategies and organisational structures. For this reason changes in the environment may trigger a series of changes in organisational strategies and structures. In Kenya the general business environment was very stable up to 1990. Before then, the Government pursued protectionist economic policies. Its presence in the economy was relatively more prominent. This situation created some stability in the business environment. As a result, a lot of companies became complacent (Business Trend Review June, 1992).

From 1990 the business environment changed. This is because the Government was implementing the policies that were meant to transform the economy to a competitive market economy. Amongst the economic liberalisation efforts undertaken since 1990 include;

i) Price decontrols,

ii) Reduction in the government spending,

iii) Privatisation of state enterprises,

iv) Financial Sector reforms,

v) Tax reforms,

vi) Selective withdrawal of subsidies,

vii) Selective removal of import restrictions. (GoK, 1994).

With the economy liberalised, the impact of globalistion became higher, increasing competition tremendously in many industries (Wagacha et al 1999).

The economic recession experienced in the 1990s led to the decline in consumer demand (Kamuyu et al, 1999). The situation was further aggravated by the suspension of donor aid particularly the Enhanced Structural Adjustment Facility (ESAF). One of its effects was the decline in disposable incomes which has a direct relationship with the levels of demand (GoK 1994, Kamuyu et al 1999).

In this potent scenario, companies have found themselves in a difficult and complex situation. On the one hand , they are pursuing a higher market share and in effect contributing to downward pressure on prices, due to fierce competition. On the other hand, many of these companies lack the operational flexibility they need, their production or operation costs are high and difficult to curb, their margins are declining and many of them are losing money (Kimuyu et al 1999).The extent of the problem can be seen from the performance of the manufacturing industry in recent years. The overall manufacturing real output growth declined to 1.4% in 1998, from 1.9% in 1996 and 3.9% in 1997 (GoK, 1999). In summary, the Kenyan business environment has radically changed in the recent years. These changes have had implications for organisational strategies and their structures.

A lot of these companies have undertaken various steps to solve their problem. The efforts to rationalise their capacities has led to restructuring, down sizing or right sizing of their organisations (Business Trend Review June, 1992). Since restructuring alone does not always lead to sustainable competitive advantage (Canals, 1997), it can be assumed to be only a part of an organisation's wider strategy.

1.2 Strategy and Structure Relationship

The search for appropriate organisational structures is not a new activity. It was started way back in the 1950s. The need arose from high failure rate of organisational structures to meet organisational objectives at the time. These organisational structures were often based on the classical management theory developed by Frederick Taylor, Henry Fayol and their successors (Woodward, 1994). A new organisational concept was developed by Burns (1958). He gathered empirical evidence which suggested that firms follow two fundamentally different organisational procedures. One system was mechanistic while the other was organic. He observed that a mechanistic system, was characterised by rigid, precise definition of duties through a hierarchy. Organic systems were on the other hand more adaptable and less rigid. In the follow up to this work, Burns and Stalker (1961) concluded that mechanistic systems are more appropriate to stable conditions and organic systems to conditions of change.

While Burns and Stalker made a strong case *that* structure matters, they were not clear just *why* structure matters (Woodward, 1994).

1.3 External environment, strategy and structure

Studies that explain why the organisational structures matter, do so by demonstrating the relationship between the external environment, strategy and structure. The leading researcher to bring up this relationship is Chandler (1962). His study revealed a classic proposition that *"structure follows strategy"*. From his study, Chandler demonstrated that structural changes within organisations seemed to follow a given strategic direction (Rumelt et al, 1994). This proposition generated a lot of enthusiasm which led to several empirical studies that tested this relationship. Channon (1973), Pavan (1972), Thanheiser (1972) and Pooley-Dias (1972). All these studies confirmed Chandler's views that structure followed strategy.

While there was support for Chandler's proposition, there were critics as well. Some of these were, Andrews and Bower (1973), Bower (1974), Bower and Doz (1979), Hall and Saias (1980), Burton and Kuhn (1979), Burgelman (1983), and Fredrickson (1986). Several of Chandler's critics suggested that the contrary proposition; "strategy follows structure " was as reasonable as "structure follows strategy ". Their main premise was that a corporate structure puts a firm in specific form (like a case or a box for example). By so doing, a firm focuses its attention, creates its perception of the external environment and limits its search for alternatives. From this, there emerges a corporate strategy. The logic here is that; if an organisational structure is a tool for the efficient implementation of strategy it follows that whatever tools you have determine what strategic job you undertake (Whittington, 1993).

Other scholars took the middle ground and accepted that both propositions , "structure follows strategy" and "strategy follows structure", find empirical evidence.(Burgelman 1983, Galbraith and Nathanson 1979, Hall and Saias 1980). Hammond (1994) states that while Chandler's critics may have found ground for believing that a firm's structure can influence the formulation of its strategy, there is no positive theory of particular structures affecting policy decision or strategies.

Among the strategy thinkers who further developed the relationship between environment, strategy and structure was Ansoff. In two of his works (1965, 1990), Ansoff defines strategy as that which relates the external environment with the organisation. His position is that an organisation must establish a match between its internal structure and its external environment in order to be successful. Changes in environmental factors produces mismatches between the structure of an organisation and its environment. For this reason, it is necessary to devise the appropriate strategy that would create a 'fit' between the environment and the organisation structure. This means that the strategy of the company is driven by the environment. Consequently, the company's strategy will cause the company to develop its internal capability that will enable it to exploit the existing opportunities in the environment.

He is convinced that the structure of the company is part of its internal capability. According to him, it is the existence of a mismatch between the environment and the internal capability of an organisation that he calls the strategic problem. To remove this problem, organisational strategy and structure must be aligned to the external environment.

Mintzberg & Quinn (1991) hold the view that strategy and structure are interdependent. In their own words:

> *"Structure, in our view no more follows strategy than the left foot follows the right... The two exist interdependently, each influencing the other."*

In their understanding, it does not matter which one comes first, strategy or structure since the two are invariably interwoven. Mintzberg (1990) insists that strategies can rarely be decided in isolation from existing structures. He observes that structures both enable and constrain particular strategies. He concludes that the relationship between strategy and structure is inextricably reciprocal (Whittington, 1993).

Other writers (Donaldson 1987, Majiluf 1996 and Aosa, 1992) have demonstrated that there are some cases where strategy and structure are independent. Strategy can change with or without structure changing and conversely, structure can change with or without strategy changing. Monopolistic and oligopolistic companies usually enjoy some kind of security. For these types of firms environmental pressures for change are not strong enough to force them undergo the painful process of structural changes. The option of passing over part of their inefficiencies to customers rather than restructure appears softer (Whittington 1993).

In summary, four propositions about strategy, structure relationship seem to emerge;

i) That structure follows strategy (Chandler, 1962),

ii) That strategy follows structure (Burgelman 1983),

iii) That strategy and structure are interdependent (Mintzberg & Quinn, 1991),

iv) That strategy and structure are independent of each other (Majluf, 1996).

1.4 Empowerment and Organisational structure

The current trends the world over are changing the shapes of organisational structures. In the apparently increasing turbulent business environment, organisations need to be continuously creative and innovative in order to achieve competitive advantage. In the words of Handy; *"discontinuous change requires* *discontinuous upside-down thinking..."* (Handy 1995 p.5). This is achievable in organisations that promote employee participation in decision making, flatter and flexible organisations. For this reason, the traditional functional models are too inflexible to meet the new demands of business (Crainer 1995).

Creativity is urgently required in organisations because business success is increasingly depending on the ever changing needs of the customers. The new organisations need to be more focused on the customer. For this reason, employees need to be empowered in order to respond to the customer demands faster, more efficiently and effectively. The emphasis on management philosophies such as Business Process Reengineering and Total Quality Management are meant to achieve this objective. We are witnessing restructuring in order to achieve flexibility, reduce the hierarchy, enhance participation and be customer driven. (Crainer 1995, Wetlaufer 1999, Katzenbach and Santamaria 1999).

Many writers are in agreement that if the external environment has significantly changed, the strategy of an organisation will change and substantial structural changes may be required. This may result in the firm moving from one configuration to another.(Ansoff 1990, Handy 1995, Canals 1997, Greiner 1998, Bowman 1998).

Circumstances that may lead to restructuring could be (Bowman, 1998);

i) When there has been significant changes in the dynamism of the environment such as increased pace of change in the unpredictability of the environment that require the firm to be more flexible and adaptable.

ii) When the 'rules of the game' have changed, such as in the face of increased competition (as a result of trade liberalisation and globalisation).

iii) When substantial changes in product or market scope have been introduced such as new market penetration and diversification.

iv) When there has been significant shift in tasks facing the firm, such as technological development which has simplified tasks (as the case in the banking sector).

In summary, there has been fundamental changes in the Kenyan business environment. The new trading reality has introduced unpredictability in what constitutes future business success. New entrants to the Kenyan market have led to the scramble for the market share while introduced technological innovations have tended to simplify organisational tasks. All these environmental changes might have exerted pressure on companies for corresponding changes in strategies as well as structures.

1.5 The statement of the Problem

Fundamental changes have taken place in the Kenyan environment. The effect of globalisation and changes in the region such as democratisation of South Africa have certainly changed the dynamism of the business environment. Second, the 'rules of the game' changed with economic reforms and trade liberalisation. Effectively Kenya has transformed from a relatively interventionist economic system to a relatively free market competitive system. Third, some companies are changing their product or market scope in order to either sustain or acquire market share and their previous configuration may no longer serve them well. Fourth, significant tasks facing some companies have changed due to technological development, for example the banking sector. Fifth, organisations world over are evolving into flatter, more flexible and customer focused structures. This is done deliberately in order to survive the emerging business trends.

Sixth, the economic change from a relatively interventionist economic system to a relatively free market competitive system *is* by itself radical. Consequently, structural changes have been triggered in all industries (GoK, 1999).

Some scholars of strategy are unanimous that when external environment changes significantly, strategies of organisations will change and fundamental structural changes may be necessary (Chandler 1962, Ansoff 1990, Canals 1997, Cowman 1998). This study seeks to establish the nature of the relationship between strategy and structure in Kenyan Enterprises. Is this relationship such that strategy follows structure (Chandler, 1962), structure follows strategy (Burgelman, 1983), strategy and structure are interdependent or strategy and structure are independent of each other (Majluf, 1996) ?

1.6 Objective of the study

This study has one objective, namely;

to identify the nature of the relationship between changes in structure and changes in strategy in Kenyan enterprises.

The researcher is not aware of any similar study carried out in Kenya or any other African country. The only closer study, is that carried out by Aosa (1992) and in which he confirms that there are some unique characteristics peculiar to African countries that influence Strategic Management practices in Africa. Again, Aosa (1997) commented on the applicability of Porter's Industry Analysis Model in the Kenyan Context and established that Kenyan firms are faced with strategic challenges which could not be fully explained by Porter's Model. Indeed in his seminal study (1992) Aosa suggests that further in depth studies with narrower focus on strategic management issues in Africa be carried out. This study will specifically focus on the relationship between the external environment, strategy and structure.

1.7 Importance of the study

Like some models developed in advanced countries, the propositions observed in those countries may or may not hold true in peculiar conditions of African countries and Kenya in particular. Restructuring has taken place in every industry in Kenya (GoK, 1999) yet there are no empirical studies carried out in the African context to explain the relationship between strategy and structure. We only have what has been studied elsewhere, North America (Chandler 1962), UK (Channon 1973), Italy (Pavan 1972), Germany (Thanheiser 1972) and France (Pooley-Dias 1972).

This study examines this relationship within organisations in Kenya. The findings of this research would be useful to various interest groups:

1. Managers of companies need to know the relationship between their internal configurations and the organisation's strategies in the Kenyan context as little information, in terms of empirical evidence is available on individual behaviour of firms adjusting strategy and structure in Kenya. Many organisations and managers will find it useful, they do not have to wait until poor performance indicators jolt them into reform nor need they pursue only short term cost cutting measures.
2. Academicians and consultants will find a new vigour in emphasising appropriate organisational structures that conform with evolving strategies in their broader sense and not just narrow aspects of cost cutting.
3. Finally, restructuring has been around in this country for over ten years but mainly since 1990. Yet no studies have been undertaken with detailed survey data. This is therefore a timely study intended to provide some empirical evidence behind the current restructuring in the private business firms.

Chapter 2

The Literature Review

2.1 The Concept of Strategy

Strategy is an important component of a successful business (Cowman, 1998). This is because the top management team must have a shared understanding of where the firm is going and how it is trying to compete. It assists managers in making investment decisions and it instils in them a sense of purpose.

The concept of strategy has been defined variously by different authors. Perch and Robins (1991), define strategy as the broad programme of goals and activities required for a company to achieve success. According to Ansoff (1990), strategy is that which aligns the organisation with its external environment. It seeks to bridge the gap between where the organisation is now and where it wants to be. Ansoff observes that although the process of strategy formulation may be long and complex, the end product is simple; a combination of products and markets is selected for the firm.

Other authors have sought to explain that strategy must link what an organisation is actually doing, what it says that it is doing and what it should be doing (Koch 1994). Koch goes on to state that a good strategy is the commercial logic of a business that defines why a firm can have a competitive advantage. According to Porter (1985), strategy also means what a company does, how it actually positions itself commercially and conducts competitive battle.

2.1.1 Levels of Strategy and purpose

Strategy can be viewed in three levels. For large organisations with several business units (SBUs) there may be a corporate strategy, a business or competitive strategy and an operational strategy. (Bowman, 1998). In such a case, corporate strategy sets out the broad vision of the company, defining the mission statement, the corporate culture and corporate objectives. The business strategy is concerned with how an individual SBU is to compete. It addresses such issues as what markets to compete in, how to compete in those chosen markets, what it takes to compete and present capability. Operational strategy is at the level of line managers. Its function is to translate the competitive strategies into actual routine tasks. In smaller organisations the three levels are compressed into the corporate strategy. (Pearce & Robinson 1991).

Strategy is important in so far as it assists companies to cope with changes (Ansoff, 1990). Since the external environment in which companies operate is constantly changing , strategy is meant to guide the responses that companies undertake in order to be relevant in the changing circumstances. Equipped with the correct strategy, managers can anticipate the likely changes and be more proactive in response. (Pearce & Robinson, 1991, Ansoff, 1990)

2.2 Structure

All organisations have goals, boundaries, levels of authority, communication systems, co-ordination mechanisms and distinctive procedures (Bolman et al, 1991). This is true whether the organisation is a bank, a church, a family or the Kenya army. Therefore one of the central issues for any organisation is how to structure. This is because a structure is " *an outline of the desired pattern of activities, expectations and exchange among executives, managers, employees and customers*" (Bolman and Deal 1991 p. 46). Viewed in this way, an organisational structure is part and parcel of its internal capability (Ansoff, 1990). It must not be a mere official organisational chart.

2.2.1 The five parts of the organisation

Although the structures of organisations differ, they all seem to have the following characteristics as identified by Mintzberg (1979);

1. The strategic apex, these are the top level management who relate primarily with the organisation's external environment. They create the mission and provide strategic direction
2. The operating core, they perform the basic work or task of the organisation that is, they are the ones who provide what the organisation offers to the customers.
3. The middle line, those managers who supervise, control and provide resources for the operating core.
4. The technostructure, these are staff whose role is to standardise the work of others by inspecting output or processes such as quality controls.
5. The support staff, these perform tasks that indirectly facilitate the core business of the organisation.

The size and significance of the above groups will vary depending on, the type of the organisation, the stability of the environment, among others (Bowman 1998).

2.2.2 The significance of organisation structure

Bowman (1998) explains that the structure of an organisation is important because of its influence on the key processes which includes;

i) Decision making,

ii) Delegation,

iii) Communication,

iv) Quality assurance,

v) Operation planning and control,

vi) Leadership,

vii) Formal and informal power relationship,

viii) Incentive systems and disciplinary procedures

Different organisation structures use different combinations of these processes.

2.3 The link between Strategy and Structure

Drawing from Ansoff's work (1965, 1990), strategy is that initiative that links an organisation with its external environment. When the business environment changes, it usually causes pressure on the existing organisation strategy and structure. When this happens, strategy becomes very important as the link between the organisation and the environment. The role of strategy in such a case is to set the broader direction of the organisation and to rally all the organisations' resources towards that goal.

The structure of an organisation on the other hand, is one of the tools to be applied to achieve the desired goal (Bolman and Deal, 1991). Presuming Chandler's (1962) proposition that structure follows strategy, Bowman (1998) explains the relationship between strategy and structure as follows; Once an organisation decides on the type of strategy to pursue, the first issue it must resolve is, how to carve out the overall tasks that must be done into discrete activities and how to allocate these tasks to individuals and groups. To solve this issue an organisational structure is created. Divisions or departments are created that focuses on a particular activity. These activities may be directed at different levels of management. The most basic forms of organisation is by function. Others may be by product, customer, market or geographical. There are advantages and disadvantages for each form of specialisation and every organisation must assess its most appropriate form. It is the strategy which determines what type of the organisation structure is appropriate.

Having divided the task into manageable areas of activity, that is, the structure is in place, the second issue is, how to ensure that the work gets done. The issue to be solved is, how should the organisation co-ordinate the separated activities? This issue of co-ordination is solved through the organisational processes designed in such a way as to provide a link between activities. Five basic ways of achieving co-ordination can be identified (Bowman 1998 and Mintzberg 1979);

1. Direct face to face discussion, between those engaged in different activities. It can be a pure informal activity enhanced by locating people in close proximity or can be facilitated by formal meetings, task forces or project teams.
2. Direct supervision, instruction about how to do parts of the tasks are issued by the manager to subordinates.
3. Standardising activity, where activity is to be repeated many times, the best way of doing this is to identify the standards required and set them. This can be done through method study.
4. Standardise output, where every stage produces a standard output although activities are different.
5. Standardised skills, where people carrying out the activity have standard skills (applicable in professional organisations).

Within a particular firm, co-ordination may combine several of these mechanisms (Bowman 1998) although one or two may predominate. As the organisation grows, the predominant co-ordinating mechanism may change.

In summary, the corporate strategy determines the type of the organisational structure that is appropriate for the business. The competitive strategy determines the combination of the co-ordinating processes that are required.

2.3.1 Structure and strategy: Contingency approach

Mintzberg gives a different explanation to the creation of appropriate organisational structures. His approach takes off from the premise that there is no such a thing as a good organisational structure for all organisations. The appropriate structure of any organisation is dependent upon the state of certain variables or factors (Mintzberg, 1979, Bowman 1998). Amongst these factors include; the age of the organisation, the size of the organisation, environmental dynamism and complexity, external power relationship and the technical system employed by the organisation.

A combination of these contingent factors would indicate that some organisational structures are more appropriate than others for a given business. For example, given a situation under the following conditions; stable environment, the presence of powerful external influence, an old organisation that is large, a bureaucratic structure could be more appropriate.

While Mintzberg stated these contingency factors, Bowman (1998) inferred that some of them have implications for strategy. He observed that in so far as strategy determines such decisions as a firm's market, how it is to address its environment (e.g. cost leadership) then some of these contingent factors identified by Mintzberg such as environmental dynamism and complexity, and external power relationship, affect the strategy. For example; if we are aiming to serve an essentially stable environment, we may need to achieve large volumes to be the lowest cost producer.

This proposition by Mintzberg finds support in the works of; Chandler (1962), Ansoff (1990) and Bowman (1998). Ansoff is particularly emphatic in his demonstration of the dynamism of the external environment from the scale of one to five.

2.3.2 How contingent factors affect structure

1. Environmental Dynamism

Where an organisation is faced with a relatively stable & predictable environment, the following standardising processes can be used as the co-ordinating mechanism;

a) Working process,

b) Skills and

c) Output.

These mechanisms are likely to lead to a high degree of specialisation and the emergence of staff groups such as those concerned with quality controls, budgeting among others. Standardisation is less effective in organisations faced with a rapidly changing and unpredictable environment. In such a situation, more flexible organisation structures that encourage informal communication such as matrix structures and project teams can be used (Bowman 1998).

2. Task Complexity

The more straight forward the tasks of the organisation, the more direct supervision is appropriate hence the more useful is the centralised structure. The converse is true for complex tasks, in which case, decision making seems to be located at levels of experts with the required knowledge hence the more appropriate the decentralised decision making (Bowman 1998).

3. Product or market diversity

The more diversification, the more likely that an organisation would need a multi-divisional structure. Firms trading with only a limited range of products can make do effectively with simple functional structures. Once the range of products or the markets served becomes more diverse, greater strain is applied to the existing structure and performance can deteriorate. At this stage, a more complex and appropriate structure should evolve (Bowman 1998).

2.4 Structural response to changes in strategy

The combination of these contingent variables leads organisations to evolve different structures over time. If we recall that a strategy of an organisation is its response to the external environment then that strategy will cause to happen adjustments in its internal capability in order to match with the new level of expectation. Structure is an essential part of the internal capability that should always match with the changing reality.
(Chandler 1962, Ansoff 1990, Mintziberg 1979, Bowman 1998).

According to Mintziberg, four types of structures can be identified to be universally applicable:-

i) Simple task/ stable environment: Given such conditions, organisations need only to establish the machine organisation characterised by , centralised bureaucracy, clear divisions and extensive staff.

ii) Simple task/dynamic environment: In such conditions, an entrepreneurial organisation is more appropriate. It is characterised by a simple structure, few staff roles and activities revolve around the entrepreneur.

iii) Complex task/dynamic environment: These conditions call for a more professional organisation, with a more powerful skilled operating core.

iv) Complex task/dynamic environment: These conditions demand innovative organisations with more organic and decentralised structures.

Bowman (1998) observes that each of these configurations becomes internally consistent with the processes and tasks facing a firm to the extent that changing from one configuration to the other is not easy. Each configuration seems to develop self-preserving dynamism which leads to the structures continuing even after the strategy has changed. This explains why there seems to be inertia in many organisations to move structure along with strategy. It is only when the mismatch between the new strategy and the old structure leads to dramatic deterioration in performance that restructuring is attempted (Bowman, 1998).

The problems involved in shifting from one configuration to another are high, particularly if the required change challenges existing values and the power structure. Styles and values appropriate to one configuration may be entirely inappropriate in another (Canals 1997).

2.5 Restructuring as a consequence of environmental change

Restructuring is a phenomenon we have witnessed a lot in Kenya. It can be defined as; reconfiguring the internal arrangement of the organisation (Canal, 1997). Among the causes of restructuring in the manufacturing industry is the presence of excess capacity. A closer look at the causes of excess capacity reveals that there may be external causes to the firm as well as internal. External causes include, global competition, technological changes, changes in demand and customer tastes and economic recession (Canals, 1997). The internal causes on the other hand include, management's pursuit of wrong expansion signal, barriers to exit and obsolete equipment (Canals, 1997).

These factors should be viewed from the broader context of organisation's strategy and structure. The external factors are environmental. They require a shift in strategy that would enable the organisation to respond to the new environmental requirements. The internal factors relate to internal capability and have something to do with the ability of the organisation to institute the necessary structural changes. They too have implications for the competitive strategy. Such factors need to be reconfigured in such a way as to empower the firm to respond relevantly to the external environment (Ansoff, 1990).

2.6 Trends in Modern Organisations

The changing business reality has created pressure on the traditional organisational hierarchies. Business environment is changing rapidly in very discontinuous ways, customers are increasingly becoming more demanding, high level of competition and the speed with which technological innovations are taking place is challenging. All these require speed in decision making by organisations yet hierarchies are ill equipped to respond (Crainer 1995). For these reasons, many business organisations have found it necessary to restructure in order to achieve the mandatory flexibility, enhance employee participation and be more customer driven (Katzenbach et al, 1999). Mills (1995) defines empowerment as *"...the authority of the subordinates to decide and act. It implies a large degree of discretion and independence for those who are empowered. Generally, empowerment takes place within a context of limitations upon the discretion of those empowered."* (Crainer p.121).

Crainer (1995) lists the characteristics of the new organisation:

i) flexibility, the organisation has the capacity to change to the market demands. It can innovate and adapt easily to both markets and products within the competitive speed.

ii) Non hierarchical, the organisation is lean and fitter to the extent that overheads are minimised.

iii) Participatory, the organisation recognises the value of its human resources and duly seeks to involve them in the decision making processes.

iv) Creative and entrepreneurial, the organisation is customer focused and constantly seeks for the new ways of creating new businesses.

v) Based on team work, the organisation is a system of activities carried out by team works which crosses functions. Knowledge and expertise is shared.

vi) Driven by corporate goals, the organisation is led by corporate goals and objectives but not by functional ones.

vii) Information technology (IT) based, the organisation utilises IT in recognition that it is key to sustaining competitive advantage.

These views are echoed by a number of contemporary strategic management thinkers who maintain that companies need to reinvent themselves in order to succeed in the current and future business environment. (Peters 1988, Handy 1989, Kanter 1989, Semler 1993, Waterman 1994).

In summary, the need for more flatter, flexible and creative organisations stems from the nature of the business environment the world over. There are rapid and discontinuous changes. Creative and proactive strategies are mandatory and so are the supportive organisational structures.

2.7 Research Trends and Summary

It has been established that top managers spend more time and energy on implementing strategies than choosing them (Whittington, 1993). Appropriate strategies can fail because of poor implementation. Therefore, getting the organisational structure right for a particular strategy is critical for practical success. Although the issue of matching strategy and structure has attracted fierce theoretical debate, Chandler's (1962) maxim; "structure follows strategy" dominates the field. The logic of his argument, which has been expounded by many writers is a crucial one theoretically and prescriptively. The central message is, that the structure must fit the strategy which is a necessary adjustment to environmental pressures (Whittington, 1993).

Other writers, in an attempt to dismiss Chandler's dictum have asserted that " Strategy follows structure". (Hall & Saias 1980). Those who take this position follow the logic that the tools you have determine strategies you undertake. Donaldson (1989), having observed structural lags raises a pertinent question; "*how is it that firms are able to get away with such long delays in adjusting structures to strategies ?"* If Chandler is right, these laggards should have been driven out by the market forces. The issue that is raised in this question corresponds with what has led other writers to believe that there are some cases where strategy and structure are independent (Majiluf 1996 and Aosa 1992). The existence of monopolies and oligopolies bears witness to how organisational efficiency can be ignored. In such cases the pressure of natural competitive forces is insufficient incentive to change. Performance inefficiencies are easily transferred to the customers. Indeed, as Whittington (1993) states, large corporations are not always run simply for shareholders' profit. Protection of top management interests often takes precedence to maximising returns to shareholders. Mintzberg (1990) takes a balanced view. He rejects both extremes. For him strategy and structure are so reciprocal that it is pointless identifying which one follows which.

Past studies have shown that environmental pressures are the ultimate causes of internal organisational adjustments, be they operational or strategic. The literature reviewed suggests that while there are several propositions regarding which between strategy and structure comes first, there is overwhelming support that achieving a fit between them is crucial for success. As a point of caution Whittington (1993) observes that while the classical view that structure must follow strategy is basically sound, it may also be simplistic. He concludes that in some conditions such as where a firm enjoys monopolistic or oligopolistic security, or are subject to managerial control, or operate in different societies, the link between strategy and structure may not necessarily follow precise forms.

Chapter 3

3.0 Research Design

3.1 The Population and Sample

The population of this study was all the large manufacturing companies located in Nairobi. The manufacturing industry is selected because similar studies carried out on this subject were on manufacturing companies, (Chandler1962, Channon1973, Pavan1972, Thanheiser 1972, Pooley- Dias, Aosa 1992). The researcher wished to be consistent. The research study was carried out on manufacturing companies within Nairobi due to time and other resources constraints.

A simple random sampling method was used to sample 33 firms. One hundred firms from the population of 283 large manufacturing firms located in Nairobi were contacted. A larger number of firms had to be contacted due to the poor response rate envisaged. The 3rd edition, (1997) directory maintained by Kenya Industrial Research and Development Institute (KIRDI) was used. The number of large manufacturing firms located in Nairobi was counter checked by the similar list obtained from the Ministry of Industry and Technology. The Ministry of Industry and Technology maintains a register of all manufacturing firms in the country. By definition, large means those companies with more than 50 employees. This definition of size is the official definition by the Ministry of Industry and Technology. A similar definition has been used in other studies

Aosa (1992).

3.2 Data Collection Method

The primary data was collected using a questionnaire. Both closed and open ended questions were used. The Likert-type Scale was used. The respondent was required to indicate the degree of organisational changes with respect to changes in structure and strategy. In preparation of the questionnaires, reference was made to the relevant literature and consultations with the experts in the field of study. The approach for the data collection was, "On the Spot" and "Drop and Pick" later depending on the circumstance of the respondent. The respondent was mainly the chief executive, senior manager or delegated to a supervisor. All the questionnaires were administered by the researcher and edited while in the field.

3.3 Research Variables

Since the objective of this research is to find the relationship between strategy and structure, the following variables for strategy and structure were used

a) strategy
   - i) business units,
   - ii) product range,
   - iii) market focus,
   - iv) Core Business,
   - v) vision or mission statement,
   - vi) business objectives and goals

b) structure

i) Number of branches,

ii) management layers,

iii) number of managers,

iv) number of employees

3.4 Data Analysis Techniques

The data collected was analysed using descriptive statistics and Measures of association, namely correlation analysis. Chi-square test was also carreied out to test further the strength of the association.Descriptive statistics entailed frequency distributions and percentages. The descriptive statistics presupposes much prior knowledge about the phenomena being studied (Churchill, 1991). Since there is a lot that has been documented with respect to strategy-structure relationship, descriptive statistics is relevant.

Correlation analysis was used to measure the direction and the strength of the relationship between strategy and structure. According to Prewitt (1975), correlation coefficient tells us whether two variables are related across a sample of units. It also indicates whether the relationship is positive or negative, and whether it is strong or weak. The methods, used complement one another. Whereas the descriptive statistics establishes the degree of changes among the strategy and structure variables, correlation analysis determines the direction of the relationship between these variables. Chi-square test is used as a further check on the relationship between changes in strategy and changes in structure. Statistical package for social sciences (SPSS 8.0) was used for the analysis.

CHAPTER 4

4.0 DATA ANALYSIS AND FINDINGS

4.1 Response Rate

Thirty three out of one hundred questionnaires that were distributed were completed. Table 4.1 shows the response rate in details.

Method of distribution	Number of questionnaires distributed	Number of responses	Response rate
Drop and Pick	94	27	29%
On the spot	6	6	100%
TOTAL	100	33	33%

Out of one hundred questionnaires distributed only 33 were filled appropriately and returned. 67 companies did not respond citing confidentiality and lack of the time as the reasons. 71% of the respondents were senior managers, 26% were chief executives and 3% supervisors.

4.2 Data editing and coding

The completed questionnaires were edited immediately after collection in the field. At the end of the data collection process, all the questionnaires were checked again and coded. The coding process was necessary in order to facilitate data processing and analysis by the computer. The analysis was carried out by the statistical package for social sciences (SPSS 8.0)

4.3 Data Analysis

The data collected was analysed using descriptive statistics and measures of association. This entailed frequency distribution, percentages and correlation analysis. Since the study sought to identify relationships among variables, correlation analysis was particularly very useful.

The results of this study will be presented in three parts. The first part will present the findings on company profiles of the firms studied in the manufacturing industry. The second part will be addressing the findings on the objective of the study as a whole while the third part will address the objective of the study with respect to the relationship between strategy and structure.

4.4 Overview of the company profiles

The company data sought, covered such areas as:- year of establishment (Table 4.2), products manufactured (Table 4.3) ownership (Table 4.4), number of employees (Table 4.5), size in terms of sales volume (Table 4.6), distribution by company objectives (Table 4.7), distribution by the number of branches (Table 4.8) and distribution by the performance trends over the last five years (Table 4.9).

4.2 Year of establishment

4.2 Distribution by year of Establishment

Year (Range)	Frequency	Percentage
Before 1940	3	9
1941-1950	2	6
1951-1960	3	9
1961-1970	7	21
1971-1980	10	30
1981-1990	7	21
1991-Present	1	3
TOTAL	33	100

From the above table, it can be concluded that the majority of the companies studied were incorporated in Kenya between, 1961 through 1990 (73%). This is because during Kenya's independence period and immediately after, Kenya manufacturing industry was one of those encouraged in response to the policy of import substitution. It is also instructive to observe that only one firm (3%) was incorporated between 1991 to present. This is not surprising because it is the period that Kenya's infrastructure has deteriorated and the Kenya economy nose dived partly as a result of the implementation of the structural adjustments programme.

4.4.2 Products Manufactured.

Table 4.3

Products Manufactured	Frequency	Percentage
Food products	7	21.2
Beverages	2	6.1
Textiles	1	3.0
Wood products	2	6.1
Paper products	7	21.2
Fabricated metal	4	12.1
Petroleum & plastics	6	18.2
Machinery & motor vehicles	2	6.1
Roofing tiles & clay	1	3.0
Drugs	1	3.0
TOTAL	33	100

These classifications were adopted with slight variation from those classifications maintaining by KIRDI. From the table, large manufacturing firms produce paper products (21.2%), petroleum, rubber and plastic products (18.2%) and fabricated metal (12.1%).

4.4.3 Ownership

Table 4.4

Ownership	Frequency	Percentage
Predominantly local	21	67
Predominantly foreign	9	30
Balance between foreign & local	4	3
TOTAL	33	100

From the above table, the majority of the firms studied were predominantly locally owned. A good number of the locally owned firms appear to be owned by Kenyan families of Asian origin. This finding corresponds to other studies (Aosa 1992, Bett, 1995). The firms that are predominantly foreign owned are mostly subsidiaries of multinational corporation.

4.4.4 Size by number of employees

Table 4.5

Employees	Frequency	Percentage
50-99	9	28
100-199	10	31
200-499	6	19
500 and over	7	22
TOTAL	32	100

From this table, most firms had employees below 200 (59%). Some firms employ quite a big number of casual or part time employees who were not included in the figures provided. The reason given was that temporary staff are necessary for some manufacturing firms in order to provide flexibility in production demands.

4.4.5 Size by annual sales turn over

Table 4.6

Annual sales volume in Kshs.	Frequency	Percentage
Less than 15 million	4	14
From 15-25 million	3	10
Over 25 million	22	76
TOTAL	29	100

From the above table, the majority of the firms hand an annual sales volume exceeding 25 million Kshs. (76%).

4.4.6 Company Objectives

Table 4.7

Objective	Frequency	Percentage
Maximisation of owners wealth	5	15
Social responsibility	1	3
Customer focus	6	18
Market leadership	5	15
To increase value for the company	2	6
To produce quality products	1	3
To maximise profits	9	36
To be price competitive	1	3
TOTAL	33	100

From the table 39% of the companies had strategic objectives of customer focus, market leadership, quality products and price leadership.

4.4.7 Number of branches

Table 4.8

Number of branches	Frequency	Percentage
None	16	49
One	5	15
Two	4	12
Three	3	9
Four	1	6
Five and above	4	9
TOTAL	33	

4.4.8 Performance Trend

The performance trend in sales volume from 1994 to the present.

Table 4.9

Performance trend in sales volume	Frequency	Percentage
Decreasing (falling)	5	28
Increasing (raising)	11	61
Constant	2	11
TOTAL	18	100

The response for this particular question was very poor. Out of 33 completed questionnaires only 18 firms completed this section. The rest considered such information as confidential. From the above table, the majority of the firms recorded raising sales volume of (61%) over the last five years.

4.5 Environmental Factors

In order to understand the current state of the external environment specific questions were posed to the respondents on environmental variables such as the level of turbulence, competition, customer demand and political influence. These are the major broad variables impacting on companies. This sections covers the finding on these issues.

4.5.1 The State of Environment

The majority of the firms described the business environment as turbulent (88%). 97% find the level of competition very high. 79% find their customers very demanding and 100% of the companies have experienced changes in customer tastes or demand. (Refer; Tables 4.10(a) to 4.10(c)

These findings conform with the general perception of the literature available. Kenya's stable business environment ceased by 1992 (Business Trend review June 1992). From 1992 to the present, many manufacturing firms have found it increasingly difficult to compete against low priced imports into the Local markets. The Kenyan consumers, having been given a wide range of products to choose from, would not settle for any thing less than perfect quality. The literature available states strongly that the suspension of Enhanced Structural Adjustment Facility (ESAF), liberalisation of the Kenyan Economy and the increased global competition introduced rapid uncontinuous changes in the

Kenyan business environment (GoK 1999, Wagacha et al 1999, Business Trends Review June 1992).

Fundamental changes have taken place in Kenyan business environment. The shift from relatively interventionist economic system to a relatively free market economy have had a lot of impact on the ways companies do business. The above mentioned factors coupled with changes in the region (Eastern, Central and Southern Africa), have been named as causes (GoK 1999, Kimuyu et al 1999). The majority of the companies (54%) do not consider political influence as a major factor affecting them.

4.5.2 Responses to changed customer demand

Companies have reacted differently to the changes in the environment. Respondents to the question about what companies have done in response to the changed customer demand recorded the following;
Price reduction 18.5%, increased marketing promotions 14.8%, increased marketing scope 3.7%, increased product range 14.8%, increased customer focus 18.5%, innovations 14.8% and improved quality 14.8%. The immediate different reactions experienced by different firms is consistent with the available literature. Faced with unfamiliar and adverse effect, firms often undertake short term reactionary survival measures (Business Trend Review, June 1992). Refer Table 4.10(d).

4.6 Strategy Changes

Respondents were required to indicate changes in strategy over the last five years. In order to achieve this, specific questions based on the changes on strategic variables were posed. Such variables includes business units, products, market focus, core business, mission statement and business objectives and goals.

(i) Business Units

The majority of the firms (85%) did not change their business units over the last five years. Given that the majority of the firms (76%) had only two business units, this finding corresponds with the literature available. A lot of readjustments in business units caused by changes in strategy either a reduction or an increase is experienced among very large organisations with several branches and businesses units.

(ii) Products

The majority of the firms (70%) increased their product ranges while only 18% reduced them over the period between 1990 - 1997. A substantial increase or decrease in product range is a strategic decision. This findings imply that over the period 1990 - 1999 many firms have increased their product ranges in order to be competitive. The increase in the range of products produced by companies is consistent with the literature available. The increase in the product range mainly represents either product line extension or the creation of a new product line. This type of initiative has two main strategic aims; (i) it uses popular company's brand and name and (ii) it serves and satisfy different customer needs. Some companies have found it necessary to match their line of products with the similar new brands being imported into the market. This is essentially imitation strategy. Porter (1987) states that most strategic thinking is imitative. Most managers copy their competitors when they select strategies. They lack the conviction to set themselves apart. (Refer Table 4.11(b)).

(iii) Market Focus

The majority of the firms (67%) increased their market spread between the period of 1990 to 1997. Only 27% of the firms concentrated on any type of customers. The increase in the market scope is consistent with the available literature. In a highly competitive environment, market share is often subject to changes. Consequently, strategic programmes often determine which markets to exploit. Since 1990 (Business Trend June, 1992) some manufacturing firms have lost part of their market share to the new entrants mainly imported products. The increase in the market scope recorded is a sign of change in strategy which leads pursuing a higher market share. On the question of withdrawing from any markets, 93% of the companies did not withdraw. (Table 4.11(c) and 4.11(d)).

(iv) Core business

All the firms (100%) did not change their core business for the last ten years. 53% changed their company visions over the same period. These findings can be explained by the fact that manufacturing firms are fairly specialised. The central focus of their business is dependent on the investment in the plant capacities which are highly specialised. This restricts the range of products which can be produced by a given plant. Manufacturing firms either must choose to remain in the same business or divest from it.

(v) Changes in company Vision and Objectives.

53% of the companies changed their company visions over the last five years while 70% did not change their company objectives over the same period (Tables 4.11(e) and 4.11(f)). The changes in the company vision is consistent with the available literature. Changes in company vision is indicative of strategic change (Pearce & Robinson, 1991). The finding on the company objectives is not typical. However, it can be mitigated by the fact that some companies maintain broad objectives such as customer focus which was a common objective discussed earlier (Table 4.7). It was also observed that a good percentage of predominantly local firms are family owned. These type of firms usually exhibit some peculiar characteristics and operate with some degree of informality (Aosa 1992, Bett 1995).

(vi) Export

Out of the 85% firms that export, 82% of those have always exported. Only 18% of those firms have initiated recent export endeavour. This findings indicate that there has not been any great new initiatives in exports by manufacturing firms in the recent past.

4.7 Changes in structure

This section covers the findings on changes in organisational structure over the last ten years. Respondents were expected to respond to some questions on the issue of changes in structure. 53% of the firms have changed their organisational structures over the last ten years. 47% have not changed their organisational structures over the same period. It was observed that all the 47% companies are family owned. For these firms, the basic organisational structure has been retained since the inception of their companies.

4.7.1 Causes

The following factors were named as the main causes for changes in the organisational structures; increased product range (30%), increased local market scope (28.6%), increased export market scope (18.6%) and changes in technology (22.9%). Among the companies that changed their structures, 96% of them had increased the local market scope, 81% had increased export market scope and 100% had undertaken some changes in technology over the last ten years. Most of these changes took place between 1990-1997.

4.7.2 The type of Changes in organisational structure undertaken

The following forms of organisational structures were recorded; changes in the number of branches 15.2%, changes in the number of employees 30.3%, changes in the number of managers 30.3%, changes in managerial levels 4.2%. Most of these changes (65%) took place between 1995 - 1997. This is consistent with the period when substantial changes in strategy took place as indicated above.

4.7.3 The objective of changes in the organisational structure

Respondents were asked to indicate the goals or objectives which were meant to be achieved by changes in organisational structure. The most common objectives were; to reduce operating costs, to improve profitability, to serve the customers better, to adapt to environmental changes and to effectively reach the market segment in that order. This finding indicates that companies adjusted their organisational structures in order to achieve both operational as well as strategic objectives. This is consistent with the available literature. In order to achieve sustainable competitive advantage, firms must address both operational and strategic objectives (Porter 1990).

4.7.4 Trends of organisational structures

Respondents were asked to indicate the characteristics of their organisational structures after the changes. The most responses indicates that organisations are more driven by corporate goals than before, respond faster to customer and they encourage more participation than before. This findings are consistent with the literature on the modern trends of organisational structures (Crainer, 1995). However, this finding also indicates that a lot is yet to be done to achieve more flexibility and to collapse tall structures to be fully consistent with the organisations of the future.

4.8 Relationship between strategy and structure

This section covers the findings on the relationship between strategy and structure. The data on this section was analysed using correlation analysis to examine the direction of the relationship between strategy and structure. The strategy variables used are; changes in business units, changes in product range, changes in market focus, changes in the core business, changes in company vision, changes in company goals and objectives. These variables were weighted and scored on the scale of 5. The total score was 35. For each company we expressed each sum of change in strategy as a percentage;

$$\text{percentage change in strategy} = \frac{\text{score}}{35.} \times 100$$

The variables used to represent the changes in structure are; changes in the number of branches, changes in management layers, changes in the number of managers and changes in the number of employees. Each variable was weighted and scored on a scale of 5 against a total score of 20. For each company we expressed each sum of changes in structure as a percentage;

$$\text{percentage change in structure} = \frac{\text{score}}{20.} \times 100$$

We carried out correlation analysis and the tables below are the summary of the findings.

Correlations

			STRUCTUR	STRATEGY
Spearman's rho	STRUCTURE	Correlatiion Coefficient	1.000	.637**
		Sig. (2-tailed)	.	.000
		N	32	32
	STRATEGY	Correlation Coefficient	.637**	1.000
		Sig. (2-tailed)	.000	.
		N	32	32

**. Correlation is significant at the .01 level (2-tailed)

The results indicate that there is a positive correlation of .637 between strategy and structure. From these results we can conclude that there is some interaction between strategy and structure in the manufacturing industry.

We went further and carried out chi-square test. In order to facilitate the chi-square test, the following hypotheses were formulated. The null hypothesis (H_0:) was that strategy and structure are independent of one another. The alternative hypothesis (H_1:) was that strategy and structure are interdependent. The table below is the summary of the findings.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.439[a]	48	.306
Likelihood Ratio	48.481	48	.453
Linear-by-Linear Association	4.168	1	.041
N of Valid Cases	32		

a. 63 cells (100.0%) have expected count less han 5. The minimum expected count is .03.

The table shows that the computed value of chi-square is 4.168 at 1 degree of freedom (df). The asymptotic signifcance is 0.041. The decision is that we reject H_0: and accept H_1:. Among the firms studied in the manufacturing industry, strategy and structure drive one another. This finding of both correlation anlysis and the chi-square test conforms with Mintzberg & Qinn's (1991) proposition that strategy and structure are reciprocal, each influencing the other.

CHAPTER FIVE

5.0 DISCUSSION SUMMARY AND CONCLUSION

5.1 Introduction

The singular objective of this study was to identify the nature of the relationship between changes in structure and changes in strategy in Kenyan enterprises. As noted in chapter one, fundamental changes have taken place in Kenyan environment over the last ten years. Fundamental change in environment leads to changes in company strategies that lead to equally fundamental structural changes. This chapter will discuss and summarise the findings of the study as they relate to the objective. This chapter also contains some implications of the study including the limitations as well as suggestions for further research.

5.2 Discussion and summary of the major findings

We consider the emerging characteristics of the state of the environment, the adjustments in strategy and the corresponding changes in structure. These three areas, environment, strategy and structure were the central focus of this study.

When we take a closer look at the emerged characteristics of the Kenyan business environment a rather clear picture seems to emerge. The manufacturing industry in

Kenya is in a state of turbulence. In a period of ten years, many firms have lost their market share to imported products which are preferred by customers.
This is because of the perceived quality and competitive pricing. In the same period the economy has remained depressed while the infrastructure has generally deteriorated. The impact of liberalisation on competition continues to be very high. The combinations of a depressed economy, cheaper imports and demanding customers has pushed manufacturing firms to rationalise their operations in order to reduce their operation costs and achieve more flexibility to respond with speed to the unfolding and unfamiliar business environment.

On the issues of strategy, companies responded mainly by way of re-capturing or maintaining their market share. Two strategy variables with leading adjustments were, product range and market scope. These two are good measures of market share. While 70% of the firms increased their product ranges between 1990-1997, 67% increased their market scope over the same period. A common thread to this practice is that companies are pursuing more of imitation strategy. Firms in this industry are competing by increasing their presence in the market place and by import substitution. This too is reactionary. A lot of firms are waking up to lost market share to foreign competition. On the question of export, manufacturing firms studied have not taken the initiative to deflect competition to foreign markets. Only 18% have initiated exports in the last ten years.

These companies are inadvertently increasing the intensity of competition in their own back yard (the local market).

On the question of vision and objectives, some inconsistencies were observed. Company vision reflects the company's long term strategy. On the other hand company objectives are drawn from the vision. While 53% of the firms changed their company visions, 70% did not change their objectives. Such inconsistencies are to be expected in an industry where some private family owned firms are managed by some level of informality (Aosa 1992). A change in company vision is an indicator of a strategic shift in response to a phenomenon in the external environment. About half the number of firms undertook this response.

Most of all these changes in strategy took place between the period of 1990 - 1997. This is the period when the performance indicators for most firms declined. Changes in strategy were therefore meant to adjust changes in the environment.

On the issue of structure, majority of the firms underwent changes in their organisation structures. The types of forms undertaken included changes in: the number of branches, number of employees, number of managers and the number of managerial levels. The drivers of change were mainly due to; increased product range, increased market scope and changes in technology. The most important objective for such changes was to reduce operating costs and thereby improve profitability. Although this objective is essentially an operational issue, the forms of changes undertaken are fundamental.

On the question addressing modern trends in organisational structures it emerged that for most firms, organisational changes enabled those firms to be driven more by corporate goals than before. On the issue of the nature of the relationship between strategy and structure, it emerged that achieving a fit between strategy and structure is crucial. The interaction between changes in strategy and changes in structure were reciprocal. These two, strategy and structure drive one another in the manufacturing industry. There are also a number of firms, mainly family owned which have not underwent significant changes in structure even though their strategies have changes over time. From the descriptive statistics it is clear that the causes for structural transformation were strategy variables; changes in product range, changes in the market scope, changes in the company vision and changes in business units. Ansoff (1990) observes, as discussed in chapter two, that these variables are the end results of strategy. A combination of products and markets selected by a firm is a statement of strategy. The question of which one between strategy and structure comes first is difficult to conclude from the analysis carried out. Both strategy and structure changes took place mostly within the same period of time, between 1990 - 1997. However, from the analysis undertaken that the two are reciprocal. In the manufacturing industry, strategy and structure drive one another. Mintzberg and Quinn's (1990) proposition that it does not matter which one between strategy and structure comes first holds true. They argued that because of the close interwoven relationship, it is pointless identifying which one follows the other.

In conclusion, the study indicates that changes in strategy and changes in structure took place within the same period. The relationship between strategy and structure is reciprocal among the companies studied. In the process of attending to the study objective, it was found that, operational variables are given prominence. Long term strategic variables like the issues of vision and core business, rank low. Imitation strategy, reduction in operation costs and organisational goals are prominent. When all these factors are considered, the average Kenyan manufacturing firm cannot be said to be developing any competitive advantage it can sustain.

5.3. Recommendations

As a consequence, the following recommendations can be formulated.

First, linking strategy and structure is crucial for achieving success. There would be a strategic problem if there is a disparity between the two. This implies that management views the firm's organisational structure as an important aspect of internal capability. The management should always seek to harmonise the two, strategy and structure.

Second, environmental forces are the ultimate causes of internal organisational adjustments. But these adjustments are determined by strategy. There is need to continuously scan the environment in order to discover the implications for strategy.

Third, recognition of the importance of corporate strategy is crucial for creating sustainable competitive advantage. Imitation strategy will not sustain a competitive position. In an environment in which intense competition exists, a firm may outperform rivals only if it can establish a difference that it can sustain. Making a choice implies taking a position. This means that managers need to constantly seek to create different sets of activities or products from competition.

Fourth, recognition that organisational structures which are more flexible and which allow more participation are in tune with the new demands for success in turbulent environment. It is not enough to be driven by short term corporate goals.

5.4 Limitations of the study

First, this study was very focused. It looked at a specific area of strategic management, namely the nature of the relationship between strategy and structure.

Second, time and resources constraints narrowed the scope to large manufacturing firms located in Nairobi only.

Third, some respondents failed to understand the meaning of the political influence on their companies in the same sense as that intended by the researcher. As a result, the responses to that question were wholly ignored by the researcher.

Fourth, poor response rate and particularly on the question of performance data denied the researcher a chance to carry out trend analysis.

5.5 Recommendations For Future Research

A study should be carried out to establish causal relationship between strategy and structure in Kenyan firms. Such a study would document the influence of strategy over structure and vice versa.

Various studies with narrow focus in strategic management such as this one should be carried out in order to accumulate empirical surveys for the development of strategic management in the Kenyan context. Such studies are, the experience of strategic alliances in Kenya and the use of strategy in small business.

The relationship between strategy and structure in non-governmental organisations would be useful area for study.

APPENDIX I: A LIST OF TABLES

Environmental Factors

Distribution of Responses on level of turbulence in the business environment.

Table 4.10 (a)

Response	Frequency	Proportions
High	29	88
Low	4	12
Total		100

Distribution of responses on the characteristic of customers.
Table 4.10 (b)

Response	Frequency	Proportion
Very demanding	26	79
Demanding	7	21
Total	33	100

Distribution of response on number of companies that have experienced changes in customer tastes;
Table 4.10 (c)

Response	Frequency	Proportion
Yes	33	100
No	0	0
Total	33	100

Distribution of the actions companies undertook in response to changed in taste(demand)

Table 4.10 (d)

Action undertaken	Frequency	Proportion
Price reduction	5	18.5
Increased marketing	4	14.8
Increased marketing scope	1	3.8
Increased product focus	4	14.8
More customers	5	18.5
Innovations	4	14.8
Improved quality	4	14.8
Total	27	100

Valid cases 27; Missing cases 6.

STRATEGY FACTORS

Distribution of the number of companies that changed their business units over the last 5 years.

Table 4.11 (a)

Response	Frequency	Proportions
High	5	15
Low	28	85
Total	33	100

Distribution of the number of companies that increased product range

Table 4.11 (b)

Response	Frequency	Proportion
Yes	23	70
No	10	30
Total	33	100

Distribution of the number of companies that undertook market segmentation (concentration) Yes/No

Table 4.11 (c)

Response	Frequency	Proportion
Yes	9	27
No	24	73
Total	33	100

Distribution of the number of companies which withdrew from any market.

Table 4.11 (d)

Response	Frequency	Proportion
Withdrew	2	7
Not withdrew	28	93
Total	30	100

valid cases 30; Missing cases 3

Distribution of the number of companies which
changed company vision over 5 years Yes/No

Table 4.11 (e)

Response	Frequency	Proportion
Yes	17	53
No	15	47
Total	32	100

Valid cases 32; Missing cases 1

Distribution of the number of companies which
changed company objective over 5 years Yes/No

Table 4.11 (f)

Response	Frequency	Proportion
Yes	10	30
No	23	70
Total	33	100

Distribution of years through which strategy variables changed

Table 4.11 (g)

Years	Frequency	Proportion
Before 1990	4	17
From 1990 to 1997	16	66
From 1998 to present	2	17
Total	24	100

Valid cases 24; Missing cases 9

STRUCTURAL FACTORS

Distribution of the responses on the organisation structural
change in the best 10 years (Yes/No)

Table 4.12

Response	Frequency	Proportion
Yes	17	53
No	15	47
Total	32	100

Valid cases 32; Missing cases 1

APPENDIX II

10th September, 1999.

Dear Respondent

I am a finalist MBA student of the University of Nairobi. I am conducting a management research project which is a partial requirement for the award of the degree of Masters of Business Administration.

The focus of this research is to identify the relationship between company strategies and their organisational structures.

Your company has been randomly selected to the sample for the study from the population of large manufacturing firms located within Nairobi.

I kindly request you to provide the required information to the best of your knowledge by filling the questionnaire attached. The information required is purely for academic reasons and will be treated in the strictest confidence. In no instance will your name or that of your firm be mentioned in the report.

A copy of the research project will be made available to you upon request. Your co-operation will be highly appreciated.

Thanking you in advance.

Yours sincerely,

Koyio L. Matseshe

Appendix —

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PARALLEL PROGRAMME

Telephone: 732160 Ext. 226
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

8th September, 1999

TO WHOM IT MAY CONCERN

RE: MR KOYIO L. M. (D61/P/7971/97)

This is to confirm that the above named is a student in the MBA programme, University of Nairobi. Please provide him with any assistance he may require in order to successfully complete his work.

Thanks.

CHAIRMAN BUSINESS ADMINISTRATION DEPT. P. O. Box 30197, NAIROBI

DR EVANS AOSA
CHAIRMAN, DEPARTMENT OF BUSINESS ADMINISTRATION
& MANAGER, MBA PARALLEL PROGRAMME

APPENDIX IV

QUESTIONNAIRE

COMPANY DATA

1. Name of the Organization (optional)..

2. Year of Establishment ....

3. What products do you manufacture ....

4. Ownership (Please choose one);

   i). Predominanlty local (51% or more)

   ii). Predominantly foreign (51% or more)

   iii). Balance between foreign and local (50% each)

5. Name any three objective of your Company..

   ....

   ....

   ....

6. How many employees does the Company have? ....

7. What is the relative size of your Organization in terms of any of the following:-

   i) Capital employed...

   ii) Value of the total assets..

   iii) Sales turn over..

8. How many branches does your Organization have?...

9. What was the performance of your company in terms of K£.

	1997	1996	1995	1994
i) Profitability	....	....	....	....
ii) Sales volume	....	....	....	....
iii) Market share	....	....	....	....
iv) Operating profits	....	....	....	....

10. Position held by the Respondent in the company...

ENVIRONMENTAL FACTORS

11. How would you describe your business environment (please circle)

Very turbulent — Very stable

1 2 3 4 5

12. How would you describe the level of competition for you products

Very high competition — very low competition

1 2 3 4 5

13. How would you describe your general customers (circle)

Very demanding — not demanding

1 2 3 4 5

14. Have you experienced (noticed) any change in the customer tastes or demand? Yes or No

15. If Yes, what did your Organization do about it? (Please tick one)

- ....

- ....

- ....

16. What is the level of external political influence on your Organization? (circle one)

(a) Very high Very low

1 2 3 4 5

(b) How does politics affect your company?

Very much Least much

1 2 3 4 5

STRATEGY CHANGES

17. How many business units does your Organization have? ....

18. How many business units were there in the last five years? ....

19. Has your Company increased the product range? Yes/No............... If yes which year?...........

20. Has your Company recently reduced the product range? Yes/No......... If yes which year...........

21. Has your Company increased the market spread? Yes/No............If yes which year..........

22. Has your Company recently concentrated on any type of customers? Yes/No...........If yes which

year.............

23. Has your Company's core business changed? Yes/ No.......... If yes which year............

(b) Has your company vision changed in the last 5 years ? yes/No

24. Have your business objectives recently changed Yes/No............. If yes which

year................

25. Does you Organisation export to foreign markets Yes/No.............

26. If Yes, is this a recent initiative or it has always exported?(Please tick one)

Recent Initiative Always exported

( ) ( )

27. Has your company recently withdrawn from any markets? Yes/No....... ..If yes whicch

year...........

CHANGES IN STRUCTURE

28. Out line the Organisational chart of your company:

29. Has this structure had to change within the last ten years? Yes/No

30. If yes why? (please tick one) and indicate the aproximate year

	Reduced	Increased
Year		
i) The product range	....	....
ii) Local market scope	....	....
iii) Export market scope	....	....
iv) Changed Technology	....	....

v) (Please specify others) others ....

31. What form of changes in structure were undertaken (please tick)

	Reduced	increased	Year
- Number of branches	....	....	
- Number of employees	....	....	
- Number of managers	....	....	
- Number of managerial levels	....	....	

32. What was the objective of the changes in structure? (Please tick as appropriate)

- To reduce operating costs
- To effectively reach the market segment
- To improve profitability
- To respond to the market more flexibly

- To adapt to environmental changes
- To be more innovative
- To empower employees
- To serve the customers better
- Others (specify)

33. After the changes in Structure, how would you describe the present structure (circle)

a) The Organisation is most flexible least flexible

1 2 3 4 5

b) The organisation is most flatter tall

1 2 3 4 5

c) The organisation encourages more participation less participation

1 2 3 4 5

d) The Organisation encourages more creativity less creativity

1 2 3 4 5

e) The Organisation is driven more by corporate goals less by corporate goals

1 2 3 4 5

f) The Organisation responds to customers needs faster slower

1 2 3 4 5

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