

**ORGANIZATION STRUCTURE AND STRATEGY
IMPLEMENTATION IN SELECTED MAJOR BANKS IN
KENYA**

**BY
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FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
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DECLARATION

This research project is my original work and has not been presented for examination to any other university.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

I dedicate this research project to the Almighty God for His grace, mercy and blessings that have seen me through. To my loving parents Joel & Rebecca, my comforting sisters Carol, Naomi & Linda, my charismatic Brothers Collins, Derrick & Leonard not forgetting my cheerful nieces the two Stacys' who gave life and encouraged me whenever I felt like giving up. Thank you for your understanding when I stayed away for long, either in class through out the weekends, or in the field. This is for you!

ABSTRACT

The main objective of this study was to establish the influence of organization structure on strategy implementation in major banks in Kenya. Achieving performance excellence is a continuous dynamic process and various financial institutions are employing diverse strategies to achieve high performance levels. High performance in a banking industry creates staff commitment to the bank's success but to sustain the culture, it requires a continuous evaluation of factors that affect its sustainability on their organization structure. The literature review focused on the concepts of strategy and organization structures. It also reviewed the established theories on strategic management, strategy implementation and the empirical findings on the relationship between strategy and organization structure. The study adopted a descriptive survey design and collected primary data by use of questionnaires and secondary data from audited financial reports, news bulletins and official websites of the selected major commercial banks in Kenya. The research was conducted through a descriptive survey design and a total of 54 respondents made of 18 top managers, 18 middle level managers and 18 line managers formed the sample size. Questionnaires were administered to each of the respondents at their work stations and collected within two working days. The collected data was cleaned and coded before being analyzed by use of the Statistical Package for Social Sciences (SPSS). The data analysis techniques included descriptive statistics like the mean, percentages and standard deviation. In addition, inferential statistics like regression analysis were also used to establish relationships between the dependent and independent variables. The findings were presented in tables and bar graphs. Major research findings indicated that the nature of organization structure had a high effect on the performance of employees, compliance with regulations and attainment of community expectations. The findings also indicated that the nature of organization structure had a moderate effect on the attainment of bank communities' expectations and growth of investments of major commercial banks in Kenya. The main conclusion was that the nature of organization structure affected the effectiveness and efficiency of strategy implementation among the selected major commercial banks in Kenya. The researcher recommends improvement of organization structures through enhanced communication, involvement of employees in decision making, relevant training of employees and flexibility of policies and regulations related to strategy implementation. The researcher suggests that a similar study be carried out to come up with a model to guide the establishment of an appropriate organization structure that can assist in ensuring that organizations attain their strategic objectives and respond to environmental changes in a cost effective manner.

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ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

IT: Information Technology

KBA: Kenya Bankers Association

MBA: Master of Business Administration

NSE: Nairobi Stock Exchange

SCB: Standard Chartered Bank Kenya Limited

TQM: Total Quality Management

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. Mintzberg (1991) holds that a structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence. The organizational structures can be used by any organization if the structure fits into the nature and the maturity of the organization. In most cases, organizations evolve through structures when they progress through and enhance their processes and manpower.

Therefore, Structure is not simply an organization chart. Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization (Chandler, 1962). The contingency approach to management sees no one right structure for all organizations. Instead, the right structure depends on contingency factors. Contingency or situational factors may include the organization's strategy, size, technology and environment, type of industry, the organization's and industry's stage of development, and the latest organizational fad (Galbraith, 1991).

In the commercial banks in Kenya and worldwide, the quest for the ideal organization structure should be seen as a means of increasing business efficiency and effectiveness. When the commercial bank changes its structure and not its strategy, the strategy will change to fit the new structure. Suddenly, management realizes the commercial bank's strategy has shifted in an undesirable way and it appears to have done it on its own. However, in reality an organization's structure (commercial banks included) is a powerful force that cannot be directed to do something for any length of time unless the structure is capable of supporting that strategy (Mintzberg, 1991).

1.1.1 Concept of Organization Structure

The primary formal relationships for organizing are responsibility, authority, and accountability. They enable firms to bring together functions, people, and other resources for the purpose of achieving objectives. The framework for organizing these formal relationships is known as the organizational structure. It provides the means for clarifying and communicating the lines of responsibility, authority, and accountability. The contingency approach to management indicates that the most appropriate organizational structure depends not only on the organizational objectives but also on the situation, which includes the environment, the technology employed, the rate and pace of change, the managerial style, the size of the organization, and other dynamic forces (Wilson, 1986). The three most common generic organizational structures are the functional structure, the divisional structure and the matrix structure (Pascale, 1990).

By following well-documented prescriptions for success, managers should theoretically be able to easily identify and realize the ideal structure for their organization. However, further consideration finds that theory does not necessarily lend itself effectively to practice (Mintzberg, 1991). Certain structures undoubtedly are more conducive to realizing particular corporate goals and strategies. However, because of the complexity of an organization's situation, it is difficult to identify the single ideal structure. Dynamic changes in organizational goals and resources as well as its environment may preclude a static ideal structure. For instance, one company may start as a pre-bureaucratic company and may evolve up to a matrix organization.

1.1.2 Concept of Strategy

Strategy can be defined as a set of plans, decisions and objectives that the company adopts to achieve its goals. It also refers to a plan of action for allocating resources effectively among the different stakeholders of an organization. Macmillan and Tampoe (2001) hold the view that strategic intent is where an organization wants to get to and how it intends to get there. They also argue that the strategic intent is strongly determined by the directors in view of the response of powerful stakeholders. The shareholder exercises ownership of the firm but does not enjoy absolute control of the resources of the firm. For instance, business-level strategies may range from the planned to the opportunistic, depending on how the company executives interpret the business environment.

Arieu (2007) contends that there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context. Indeed, Pascale (1991) observes that too much planning can lead to inflexibility while too much opportunism may suggest a lack of direction. Therefore, strategy is about being able and ready to adapt to an ever changing external business environment while strategic intent is a derivative of strategy and it denotes being prepared for flexibility when various situations occur and having an obsession of attaining excellence and excelling within an organization, market, and economy. Pascale (1991) concludes that strategic intent is a tendency that remains stable over time and its main goal is to fold the future into the present through personal effort and commitment.

1.1.3 Strategy Implementation

Strategy implementation involves allocation and management of sufficient resources, establishing a chain of command or some alternative structure, assigning responsibility of specific tasks or processes to specific individuals or groups. Implementing strategies successfully is vital for any organization public or private. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Perlitz 1993).

When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Okumus, 2001). However, a well-developed service strategy does not automatically mean well implemented (Al-Ghamdi, 1998). Strategic management gradually is shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy implementation, to paying equal attention to both (Grundy, 1998).

1.1.4 Organization Structure

An organization structure is the hierarchical arrangement of lines of authority, communications, rights and duties of an organization. The Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. A structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence. An organizational chart illustrates the organizational structure (Peters and Waterman, 1982).

Any operating organization should have its own structure in order to operate efficiently. For an organization, the organizational structure is a hierarchy of people and its functions. The organizational structure of an organization tells the character of an organization and the values it believes in. Depending on the organizational values and the nature of the business, organizations tend to adopt a unique structure for management purposes. Although the organization follows a particular structure, there can be departments and teams following some other organizational structure in exceptional cases. Sometimes, some organizations may follow a combination of organizational structures as well (Griffin and Ebert 1993).

Galbraith (1991) holds that organizational structures can also be classified as functional, divisional and matrix organization structures. In functional structures the organization is divided into segments based on the functions when managing. This allows the organization to enhance the efficiencies of these functional groups. Functional structures appear to be successful in large organization that produces high volumes of products at low costs. The low cost can be achieved by such companies due to the efficiencies within functional groups. In addition to such advantages, there can be disadvantage from an organizational perspective if the communication between the functional groups is not effective. In this case, organization may find it difficult to achieve some organizational objectives at the end (Peters and Waterman, 1982).

On the other hand, divisional structures divide the functional areas of the organization to divisions. Each division is equipped with its own resources in order to function independently. Divisions can be defined based on the geographical basis, products / services basis, or any other measurement. Lastly, in a matrix structure, the organization places the employees based on the function and the product. The matrix structure gives the best of the both worlds of functional and divisional structures. In this type of an organization, the company uses teams to complete tasks. The teams are formed based on the functions they belong to (Galbraith, 1991).

1.1.5 Banking Industry in Kenya

The banking industry in Kenya is governed by the Banking Act of Kenya Cap 488. The CBK which falls under the Minister of finance's docket is responsible for formulating and implementing monetary policy directed to achieving and maintaining stability in the general price levels and fostering liquidity, solvency and proper functioning of a stable market-based financial system. As at the end of 31st December 2012, the number of financial institutions comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 4 representative offices of foreign banks, 112 foreign exchange bureaus and 2 credit reference bureaus. The 43 commercial banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests and a forum to address issues affecting members.

Banking business is the accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice, the accepting from members of the public of money on current account and payment on and acceptance of cheques; and the employing of money held on deposit or on current account, or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money. Apart from accepting deposits and making loans, the banking industry has a wide variety of other business line. Banks today provide a broad range of products and services, such as underwriting and dealing in securities, selling and managing shares in mutual funds and even insurance (Shapiro 1996).

A commercial bank is a profit-seeking business firm, dealing in money and credit. It is a financial institution dealing in money in the sense that it accepts deposits of money from the public to keep them in its custody for safety. It also deals in credit, whereby it creates credit by making advances out of the funds received as deposits to needy people. It thus, functions as a mobilizer of saving in the economy. A bank is, therefore like a reservoir into which flow the savings, the idle surplus money of households and from which loans are given on interest to businessmen and others who need them for investment or productive uses. There are many types of commercial banks such as deposit banks, industrial banks, savings banks, agricultural banks, exchange banks, and miscellaneous banks (Shapiro 1996).

1.1.6 Major Commercial Banks in Kenya

Every commercial bank needs a structure in order to operate systematically. The organizational structures can only be used if the structure fits into the nature and the maturity of the commercial bank.

In most cases, the commercial banks evolve through structures when they progress through and enhance their processes and manpower. For instance, small and medium sized commercial banks embrace functional organization structures where they assign roles and responsibilities to functional heads in charge of Information Technology (IT), marketing, finance, Human Resource Management (HRM), and other specializations. However, as the commercial bank grows in number of branches locally, it usually adopts a divisional structure where the functions are combined into divisions based on the nature of products and services being offered. The divisions would include consumer banking, wholesale banking, financial markets and support functions.

The divisional heads will have various functional heads in charge of their functional areas and will be answerable to the divisional head. Finally, as the commercial banks open international branches they usually adopt a matrix structure where the divisional heads are answerable to regional heads that are in charge of geographical regions like Africa, Middle East, Asia, America and Europe. The regions could also be subdivided into sub-regions like East Africa, West Africa, Central Africa and Southern Africa.

The Central Bank of Kenya (2013) has recognised a total of 43 commercial banks in Kenya and documented their strength in terms of their market share in gross assets. The top six (6) commercial banks in Kenya in terms of gross assets include Kenya Commercial Bank (14.2%), Equity Bank Limited (8.6%), Cooperative Bank of Kenya (8.5%), Barclays Bank of Kenya (8.4%), Standard Chartered Bank Kenya Limited (7.9%) and CFC Stanbic Bank Kenya Limited (6.7%). Of the top 6 commercial banks in Kenya, the first 3 are indigenous commercial banks (Kenya Commercial Bank, Equity Bank and Cooperative Bank) while the other three are subsidiaries of multinational banks (Barclays Bank, Standard Chartered Bank and CFC Stanbic Bank).

The other commercial banks in Kenya are categorised into medium size commercial banks and in this category there are 14 commercial banks which hold between 1% and 5% of the total gross assets in the commercial banking industry in Kenya. Commercial Bank of Africa tops this list with 4.1% of the gross assets while Bank of India is bottom with 1.1% of the gross assets. The third category is the small banks which consists of 23 commercial banks which own less than 1% of the total gross assets in the commercial banking industry in Kenya. Top on this list is Consolidated Bank of Kenya with 0.8% and bottom is Jamii Bora Bank with 0.1% of the total gross assets. The full list of all the commercial banks in Kenya and their gross total assets is attached (Appendix II).

1.2 Research Problem

Theorists look for critical factors in successful organizations and then try to generalize their findings to produce an ideal structure and success formula (Peters and Waterman, 1982). Unfortunately, what works in one company may not work in another owing to the slightest of differences. Waterman et al (1980) contends that the structure of an organization is an expression of the understanding of the organization on how the human resources can be aligned and coordinated to deliver on the strategic objectives of the organization. In other words, the organization structure is aimed at delivering the strategy of the organization as summarized in form of roles, responsibilities, duties and accountabilities of employees in relation to the overall strategic intent of the organization.

Most commercial banks in Kenya have adopted a matrix organization structure based on geographical locations, functional areas and specific projects management. The organization structure at these banks changes almost regularly due to introduction of new projects, separation and appointment of employees, creation of new business functions, merging of existing business functions, entrance into new markets and routine reviews of reporting lines to ensure quicker decision making, efficiency and proper utilization of resources. However, the banks' strategic intents remain unchanged because the laid down strategic objectives do not change in line with the changes in the organization structures.

For instance, the top six commercial banks(Kenya Commercial Bank, Standard Chartered Bank, Cooperative Bank and Barclays Bank) have adopted market focus strategy while the other two (Equity Bank and CFC Stanbic Bank) have adopted product cost leadership strategy. The fact that the commercial banks in Kenya offer similar products and services makes it almost impossible for any commercial bank to attain a competitive advantage through product differentiation (CBK, 2013).

Scholars have conducted related studies to establish various aspects related to changes in organization structure and attainment of the strategic intents of organizations. Kariuki (2004) conducted a study on the IT strategy and organization structure relationship in companies listed on the NSE. He found out that changes in IT strategy almost always meant changes in the organization structure of organizations in Kenya. Otieno (2011) also conducted a study on the strategy-structure alignment at Kenya Commercial Bank Group Limited while Munyiva (2012) also conducted a research on the strategy and structure alignment at Barclays Bank of Kenya. They observed that every organization needs an organization structure that is capable of delivering its strategic intent. Akwara (2010) conducted a research on the challenges of strategy implementation at the Ministry of Cooperative Development and noted that the bureaucratic organization structure was the greatest hindrance to the implementation of strategy at the ministry.

Nyamasege (2012) conducted a research on the organizational structures adopted by KCB as a strategic response to competition within the banking industry in Kenya. He noted that there was no static organization structure KCB and the strategic objectives of the bank were determined by the strategic actions of the competitors which thereafter determined the type of organization structure to be adopted at KCB. Lastly, Munyoroku (2012) conducted a research on the role of organization structure on strategy implementation among food processing companies in Nairobi. He held that the structure of the food processing companies had a central role in determining the costs of operations, responsiveness to competitive forces and the actual attainment of strategic objectives.

The above scholars have mainly focused on the relationships and alignments of organization structure and the strategic implementation of organizations. However, the researcher has not come across a specific study that tries to establish the role of organization structure on the strategy implementation of major banks in Kenya. Hence this study seeks to undertake an indepth evaluation of the effects of changes in reporting lines, changes in management teams through seperation and recruitment and changes in the nature and complexity of the organization structure on the strategic implementation of major banks in Kenya while seeking to suggest possible mechanisms through which the strategic intent can be attained amid these organizational structure changes. This study sought to answer the question: How does organization structure influence strategy implementation in major banks in Kenya?

1.3 Research Objective

The objective of the study was to establish the influence of organization structure on the strategy implementation in major banks in Kenya.

1.4 Value of the Study

The findings of this study were intended to make theoretical, practical and methodological contributions. Specifically, the findings would contribute to professional extension of existing knowledge in the theory of Strategic Management by helping to understand the current challenges in implementing organization structure changes and their effects on the attainment of the strategic objectives of business organizations. The academia and business researchers would be able to borrow from the findings of this research to support literary citations as well as develop themes for further research.

Policy makers in the field of Strategic Management would use the findings of this study to come up with universally applicable strategies that can make organizational structure changes aligned with stakeholder needs and facilitate the attainment of strategic ambitions of both private and public organizations.

Lastly, the findings of this study would be of benefit to the practicing staff and management of commercial banks in Kenya since it would shade light on the practices that ought to be corrected in order to make the best out of changes in organization structure. This would lead to high performance levels and aid in the achievement of the commercial banks' strategic intents.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the theoretical perspective adopted by the study, the concepts of strategy, organizational structure, and strategy implementation, the types of organization structures and empirical findings on the influence of organization structure on strategy implementation.

2.2 Concept of Strategy

The concept of strategy and the discipline of strategic management discipline was originated in the 1950s and 60s. Selznick (1957) introduced the idea of matching the organization's internal factors with external environmental circumstances. Chandler (1962) showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He coined the concise adage: “structure follows strategy.” Ansoff (1965) developed the gap analysis still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called “gap reducing actions” then Drucker (1965) states that an organization without clear objectives is like a ship without a rudder. As early as 1954, he was developing a theory of management based on objectives which evolved into his theory of Management by Objectives.

Chafee (1985) summarized what she thought were the main elements of strategic management theory by the 1970s by stating that strategic management involves adapting the organization to its business environment.

In the field of business administration it is useful to talk about strategic alignment between the organization and its environment or strategic consistency. Macmillan & Tampoe (2011) define strategic intent as where an organization wants to get to and how it intends to get there. They also hold that the strategic intent is strongly determined by the directors in view of the response of powerful stakeholders. Arieu (2007) contends that there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.

2.3 Concept of Organization Structure

The functional structure is based on a group's function or dedicated activities in an organization such as sales and marketing, finance and operations. The structure's effectiveness is based on this division of labour. Smaller to medium-sized organizations with limited product ranges tend to favor the functional structure.

This structure allows for specialization within the functional areas and facilitates co-ordination among its members. However, in reality, individuals become insulated in their functional groups and fail to see or understand the other functions' jobs. This can lead to co-ordination problems. He holds that operating efficiencies afforded by grouping specialists together in functional areas with a traditional chain of command becomes a barrier to the cross-function communication and co-ordination needed effectively to implement multiple product – multiple market strategies (Wilson, 1986).

The divisional structure is used as companies become larger and begin to diversify their product line. The company is divided into separate units based on different products or markets. The company breaks up its operations into manageable units or little companies which then operate under a mechanistic structure. The units may share some corporate resources, such as research and development facilities, but overall, they are relatively autonomous. The units are guided by a corporate-level strategy which outlines the desired results. However, the units are free to realize corporate level objectives of their own choosing (Pascale, 1990).

Mills (1991) observes that the matrix structure is based on a dual chain of command. The functional departments are used to gain economies of specialization while the project teams focus on particular products or markets. Each employee in the matrix structure is responsible to one functional department and one project manager, hence the dual chain of command. Although the matrix structure is usually a combination of functional and divisional groupings, it can also be a combination of product and market groupings. These matrix structures can be temporary or permanent, depending on the needs of the organization (Peters, 1992).

2.4 Strategic Management

Strategic management involves deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most advantageous way (Cole, 2004).

It is an organizational process designed to sustain, invigorate and direct the organization's human and other resources in the profitable fulfillment of the needs of customers and other principal stakeholders. The process is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behavior of top management and other key managers in the organization. If an organization wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of that organization and the managers must be seen to live that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the organization (Neale, 2004).

Service delivery is important to an organization, which in today's climate surely must be, and then there is a need for it to become deep-rooted part of the culture. Strategy researchers, writers and practitioners largely agree that every strategy context is unique (Meyer and Wit, 2001). Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context. However, disagreement arises as soon as the discussion turns to the actual level of influence that the strategy context has. Frequently it is argued that strategists can, and should, create their own circumstances, instead of being enslaved by the circumstances they find. In short, the strategy context can be determined, instead of letting it determine.

For an organization to survive in a turbulent business environment, it must clearly define its objectives and assess both the internal and external situation then proceed to formulate its strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track. The aforementioned actions entail the strategic planning process. This strategic planning process is cyclic in nature and should be entrusted to a team of persons who understand the environment of the concerned organization (Mintzberg 1991). Ideally, strategic planning is a five step process involving setting of the mission and objectives of the organization, scanning of the internal and external environment, formulation of strategic plans, implementation of strategic plans and evaluation and control of the results thereof.

The first step is defining the goals of the organization. These goals may have single or multiple objectives. The objectives generally involve increasing or maximizing effectiveness and efficiency. The mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities. Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation (Meyer and Wit, 2001).

The environmental scan includes the following components: Internal analysis of the firm, analysis of the firm's industry (task environment) and external macro-environment (This includes political, environmental, social and technological factors analysis). The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT analysis (Stoffels 1994). An industry analysis can be performed using a framework developed by Michael Porter known as Porter's five forces. This framework evaluates entry barriers, suppliers, customers, substitute products, and industry rivalry.

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation. Porter (2010) identified three industry-independent generic strategies from which the firm can choose i.e. cost leadership strategy, differentiation strategy and focus strategy. Porter (2010) concludes that strategy implementation involves acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results. Strategies and policies are translated by management into action through the development of programs, budgets, and procedures.

Lastly, the implementation of the strategy must be monitored and adjustments made as needed. Evaluation and control consists of the following steps: First the planner needs to define parameters to be measured then proceed to set target values for those parameters.

Thirdly, the planner performs measurements of the results of the implemented plan and proceeds to compare measured results to the pre-defined standard. Lastly, the planner makes necessary changes to the strategic plan to ensure attainment of the desired results(Mintzberg 1991).

2.5 Strategy Implementation

Strategy implementation is a component of strategic management. Strategic management by itself is a process and it refers to a set of decisions and actions that result in the formulation and implementation of long term designed plans to achieve organizational objectives (Pearce and Robinson, 2005). According to Robins and Coulter (2002), strategic management is the process that encompasses strategic planning, implementation and evaluation. In their view, strategic management process is a way of considering, dealing, and realizing already formulated strategies.

In the face of a high level of uncertainty and change within competitive environments, strategy implementation should represent a continuous and simultaneous process (Mintzberg, 1991). This requires strategy implementation to be treated as part of individual responsibilities throughout the organization as opposed to a central function. By transferring the ownership of strategy in this way the quality of knowledge used for strategy formulation will be substantially improved while potential conflicts and the timeframe for strategy implementation will be dramatically reduced.

The former approach represents a series of steps, which follow one another, while the latter represents a concurrent approach of identifying opportunities in competitive environments and evaluating them in the light of the organization's existing and potential future competences together with the level of resource commitment necessary to exploit such opportunities.

The simultaneous approach brings about three major benefits to organizations when compared with the sequential approach. First, it reduces the time window between opportunity identification and exploitation which is one of the most important considerations when operating in a highly dynamic environment (Meyer and Wit 2001). Second, it reduces risk. This is because the sequential approach requires committing at a very early stage of investments in terms of capital, people and time, whereas the simultaneous approach continually evaluates and dynamically adjusts resource commitments. Third, the simultaneous process continually adjusts strategies according to the changes in the competitive environment. Further, the process might involve changes within the overall culture, structure, and/or the management system of the organization (Hunger and Wheelen, 1995).

2.6 Relationship between Organization Structure and Strategy

Every organization has a unique structure. An organizational structure is the reflection of the company's past history, reporting relationships and internal politics. Every organization needs to take a very close look at its organization structure and evaluate if it supports the strategy.

Organizations may need to customize their organizational structure to fit their strategy (Atlantic Canada Business Blog 2007). The three focus points in relation to identification of the appropriate structure needed for strategy implementation include; first and foremost identification of critical activities in the organization's value chain. These are the activities that are critical to the strategic process while others are not.

Primary activities have to be performed exceedingly well to develop the organization's core competencies. For example, a product manufacturing firm has to be good at purchasing, production, merchandising and promotional activities. An insurance company must be good at lead generation, pricing, underwriting and quick and just processing of claims. In all organizations, the support activities include payroll, book-keeping, IT infrastructure, managing investor relations, PR, etc. Identifying the primary activities is important. In order to identify the primary activities, an organization needs to answer the following: What processes do we need to perform exceedingly well to help us achieve a competitive advantage; and what areas in our business value chain will hurt us if we fare poorly? Answering these questions will immediately enable the organization to see their primary activities. Secondly, the organization needs to decide which of these activities need to be performed internally. Once the organization has identified their mission critical activities, it needs to decide if it's going to outsource the non-critical activities. If the managers are spending too much time on activities that do not further the strategy, that activity is a good candidate for outsourcing (Pearce and Robinson, 2005).

What makes outsourcing attractive is that the non-critical activity is another organization's critical activity. They will have experts who can efficiently perform the activity. For example, all major airlines outsource in-flight meals while focusing on timeliness, sales and marketing and logistics. In-flight meals are not the airlines' core business: operating flights on time is. Deciding which activities to perform internally and what to outsource is of strategic importance and an organization should not take it lightly. One of the other advantages of outsourcing (besides lower costs) is that both organizations can benefit from each other's arsenal of capabilities. By leveraging collaborative partnerships, the organizations can enhance its capabilities and build resource strengths that deliver value to its customers (Atlantic Canada Business Blog 2007).

Thirdly, the organization needs to build structure around these identified critical activities. Matching structure to strategy involves making strategy-critical activities the main building blocks in the organization's structure. Implementing a new strategy often requires new resources and skills for new activities. An organization cannot afford a mismatch between its strategy and structure, since a mismatch can lead to poor strategy implementation. Just as the organization's strategy needs to change with changing external environment, so must the structure change for proper strategy implementation? A word of caution here is that if the existing structure needs to be radically changed for successful strategy implementation, then an organization may need to rethink its strategy (Robins and Coulter, 2002).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the research design, the data collection methods and data analysis techniques used in the study. The research is exploratory in nature and seeks to find out the existing organization structures and how they have been affected by the strategic objectives of the selected commercial banks in Kenya.

3.2 Research Design

The research was conducted through a descriptive survey design. According to Kothari, (2008) descriptive research included cross sectional surveys and fact-finding enquiries and described the state of affairs as it existed at the time.

A descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation (Sekaram, 2006). It portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Cauvery et al, 2003). The descriptive research design enabled the researcher to summarize the findings in a way that provided information on the effects of organization structure on the strategy implementation process of the major commercial banks in Kenya. The views of the respondents shall be measured by a likert scale based on the strength of the views ranging from the weakest to the strongest view on the subject matter.

3.3 Data Collection

The researcher collected both primary and secondary data. Primary data was obtained by use of questionnaires. The questionnaire consisted of three sections dealing with the bio data of the respondents, the general awareness on the changes in organizational structure at the selected major banks and their influence on the strategic implementation of these banks.

There were 54 respondents who consisted of 18 functional managers, 18 departmental managers and 18 middle level managers from the 6 selected major commercial banks in Kenya. The respondents were selected because they were in positions of authority and had a wealth of experience on matters related to organizational structure and implementation of strategic objectives at their respective commercial banks. Secondary data was collected from news bulletins, audited financial reports, news items and any relevant literature material like related academic research projects. These sources shed light on the effects of organizational structure changes on the strategic intent of commercial banks and other organizations.

The data collection tools enabled a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. Permission to administer the questionnaires was sought through an introduction letter.

3.4 Data Analysis

Data analysis began with editing, coding and tabulation of the data according to the research questions. The data was then entered into the computer using the Statistical Package for Social Sciences (SPSS) and Microsoft Excel 2010 computer software for analysis. Descriptive statistics like the mean, percentages and standard deviation were used in the analysis of data. Regression analysis was also used to draw inferences on the relationship between the dependent variable (strategy implementation in major banks in Kenya) and the independent variables (organization structures of commercial banks in Kenya). Tables and figures were used to present the information.

The research instruments will be subjected to pre- testing in order to test for validity of the questions in terms of clarity of the questions, suitability and simplicity of the language. Reliability of the research instruments will be determined by their consistency in testing what they are expected to measure. To test for reliability the questionnaire used in pilot study shall be edited accordingly upon detecting any ambiguous or unclear questions. This will help to ensure that the questionnaires will yield the desired results when administered to the respondents.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

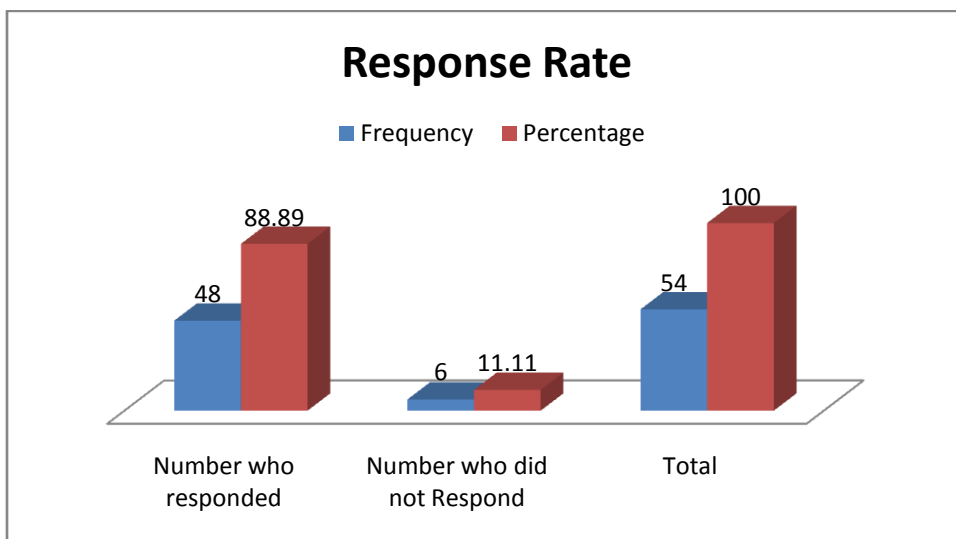
This chapter contains analysis of the findings from the study. The chapter analyses the data systematically by focusing on the study objective: To establish the influence of organization structure on the strategy implementation in major banks in Kenya. The findings are presented as a report of the questions answered by the respondents.

4.2 General Information

4.2.1 The Response Rate

A total of 54 questionnaires were administered but only 48 were fully filled and returned while 6 were not returned. This represented a response rate of 88.89%

Figure 4.1: Response Rate



Source: Author (2013)

4.2.2 The Total Working Experience of the Respondents

The researcher sought to find out the total working experience of the respondents

Table 4.1 Total Working Experience of Respondents

Total Working Experience	Frequency	Percent	Valid Percent
Less than 1 Year	4	8.33	8.33
1 - 5 Years	25	52.08	52.08
6 - 10 Years	12	25.00	25.00
11 - 15 Years	2	4.17	4.17
16 Years and above	5	10.42	10.42
Total	48	100.00	100.00

Source: Author (2013)

The findings indicated the working experience of the respondents ranged from less than 1 year to above 16 years. A majority of the respondents, 25 (52.08%) had a working experience of between 1 and 5 years.

4.2.3 The Respondents' Working Experience at the Current Employer

The researcher sought to establish the length of working experience of the respondents with their current employers.

Table 4.2 Respondents' Working Experience with the Current Employer

Total Working Experience	Frequency	Percent	Valid Percent
Less than 1 Year	6	12.50	12.50
1 - 5 Years	39	81.30	81.30
6 - 10 Years	3	6.20	6.20
11 - 15 Years	0	0.00	0.00
16 Years and above	0	0.00	0.00
Total	48	100.00	100.00

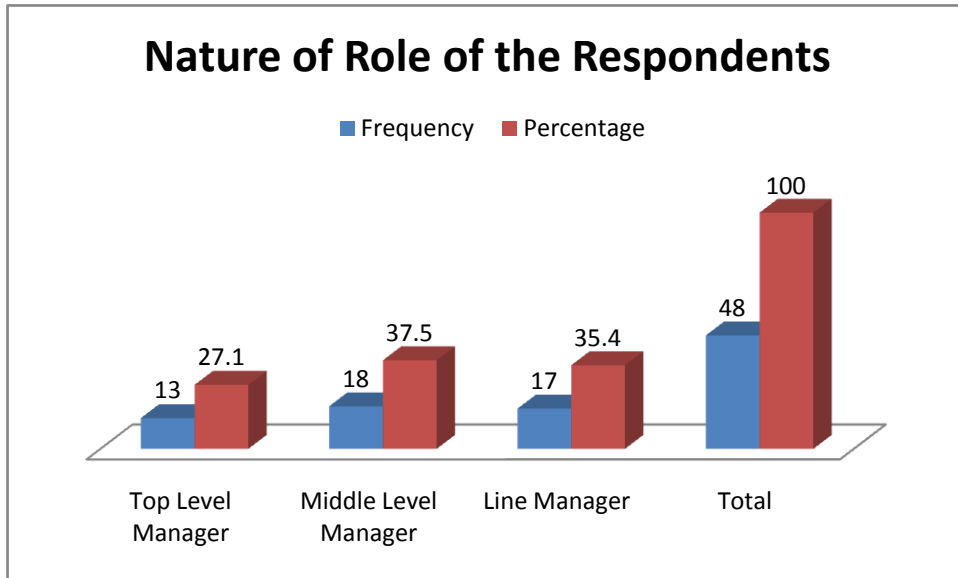
Source: Author (2013)

The findings indicated that none of the respondents had worked with the current employer for over 11 years. A majority of the respondents, 39 (81.3%) had worked for their current employers for a period between 1 and 5 years.

4.2.4 Nature of Role of the Respondents

The researcher sought to establish the nature of role played by the respondents. The roles investigated included top level management, middle level management and line management.

Figure 4.2 Nature of Role of the Respondents



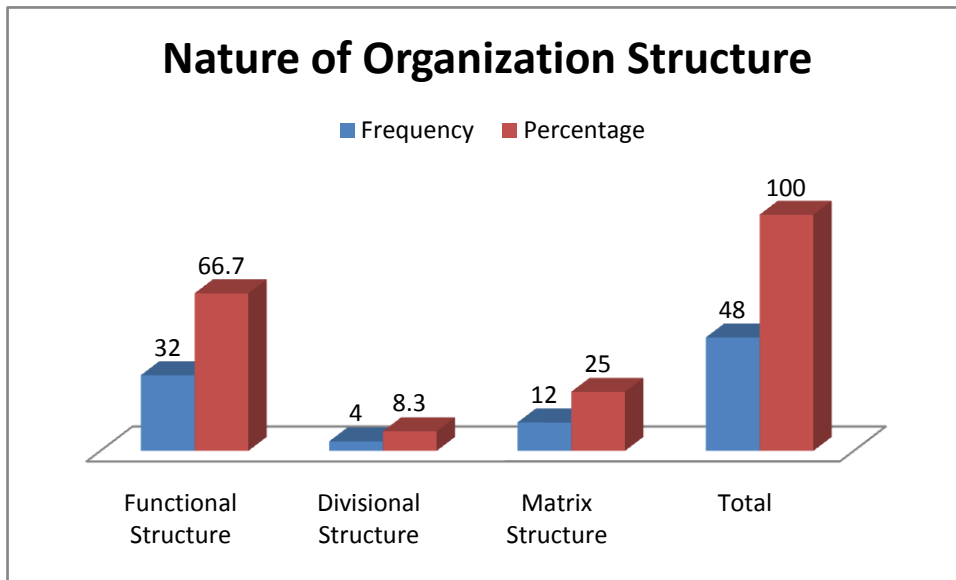
Source: Author (2013)

The findings indicated that a majority of the respondents, 18 (37.5%), were middle level managers.

4.2.5 Nature of Organization Structure

The researcher sought to establish the nature of organization structure adopted by the commercial banks represented by the respondents. The natures of organization structures that were investigated included functional, divisional and matrix structures

Figure 4.3 Nature of Organization Structure



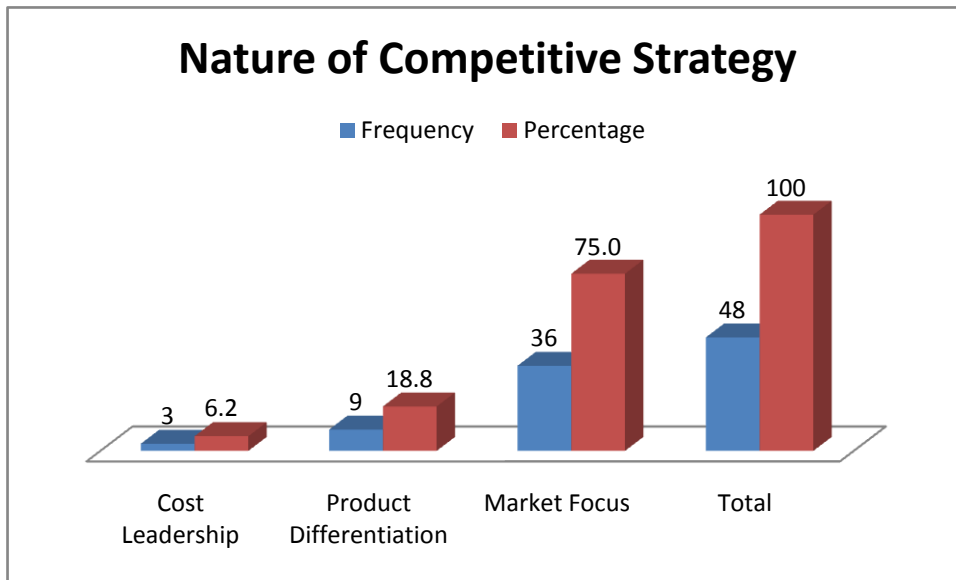
Source: Author (2013)

The findings indicated that a majority of the commercial banks adopted the functional organization structure.

4.2.6 Nature of Competitive Strategy

The researcher sought to establish the nature of competitive strategy adopted by the commercial banks represented by the respondents. The nature of competitive strategies that were investigated includes cost leadership, product differentiation and market focus.

Figure 4.4 Nature of Competitive Strategy



Source: Author (2013)

The findings indicated that a majority of the commercial banks employed the market focus competitive strategy.

4.3 The Influence of Organization Structure on the Strategy Implementation in Major Banks in Kenya

The researcher sought to investigate the influence of the organization structure on various aspects of the strategy implementation in the major commercial banks in Kenya. The aspects of strategy implementation that were investigated included alignment of structure with strategic objectives, performance of employees, service delivery, compliance with regulations, expectations of communities and growth of investments. Other aspects that were investigated included response to competition, technological changes, economical changes, socio-cultural changes, political changes and natural factors.

4.3.1 Alignment of Structure with Strategic Objectives

The researcher sought to find out if the organization structure aligns with the strategic objectives.

Table 4.3: Alignment of Structure with Strategic Objectives

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Strongly Agree (1)	26	54.2	1.6	0.736
Agree (2)	15	31.3		
Not Sure (3)	7	14.5		
Total	48	100		

Source: Author (2013)

The findings indicated that a majority, 26 (54.2%), of the respondents strongly agreed that the commercial banks adopted an organization structure that aligned with the strategic objectives of the organization. The mean score was 1.6 (Strongly Agree tending to Agree) while the standard deviation was 0.736. This implied that the respondents held highly similar views and generally agreed that the organization structure aligns with strategic objectives at the commercial banks.

4.3.2 Effects of Organization Structure on Performance of Employees

The researcher sought to find out the extent to which the organization structure affects the performance of employees.

Table 4.4: Effects of Organization Structure on Performance of Employees

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	19	39.6	1.7	0.65
High (2)	24	50.0		
Moderate (3)	5	10.4		
Total	48	100		

Source: Author (2013)

The findings indicated that a majority, 24 (50.0%), of the respondents held the view that the organization structure had a very high effect on performance of employees of the commercial banks. The mean score was 1.7 (Very High tending to High) while the standard deviation was 0.65. This implied that the respondents held highly similar views and generally held the view that the organization structure had a high effect on the performance of employees at the commercial banks.

4.3.3 Effects of Organization Structure on Service Delivery to Customers

The researcher sought to find out the extent to which the organization structure affects the service delivery to customers.

Table 4.5: Effects of Organization Structure on Service Delivery to Customers

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	23	47.9	1.7	0.65
High (2)	22	45.8		
Moderate (3)	2	4.2		
Vety Low (5)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 23 (47.9%) respondents held the view that the organization structure had a very high effect on service delivery to customers at the commercial banks. The mean score was 1.7 (Very High tending to High) while the standard deviation was 0.65. This implied that the respondents held highly similar views and generally held the view that the organization structure had a high effect on the service delivery to customers at the commercial banks.

4.3.4 Effects of Organization Structure on Compliance with Regulations

The researcher sought to find out the extent to which the organization structure affects compliance with regulations.

Table 4.6: Effects of Organization Structure on Compliance with Regulations

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	23	47.9	1.6	0.76
High (2)	22	45.8		
Moderate (3)	2	4.2		
Vety Low (5)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 23 (47.9%) respondents held the view that the organization structure had a very high effect on compliance with regulations at the commercial banks. The mean score was 1.6 (Very High tending to High) while the standard deviation was 0.76. This implied that the respondents held highly similar views and generally held the view that the organization structure had a very high effect on compliance with regulations at the commercial banks.

4.3.5 Effects of Organization Structure on Expectations of Communities

The researcher sought to find out the extent to which the organization structure affects the meeting of expectations of the communities of the commercial banks.

Table 4.7: Effects of Organization Structure on Expectations of Communities

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	18	37.5	1.9	0.91
High (2)	17	35.4		
Moderate (3)	12	25.0		
Vety Low (5)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 18 (37.5%) respondents held the view that the organization structure had a very high effect on the attainment of expectations of communities of the commercial banks. The mean score was 1.9 (Very High tending to High) while the standard deviation was 0.91. This implied that the respondents held highly similar views and generally held the view that the organization structure had a high effect on the attainment of the expectations of communities of the commercial banks.

4.3.6 Effects of Organization Structure on Growth of Investments

The researcher sought to find out the extent to which the organization structure affects the growth of investments of the commercial banks.

Table 4.8: Effects of Organization Structure on Growth of Investments

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	23	47.9	1.6	0.70
High (2)	19	39.6		
Moderate (3)	6	12.5		
Total	48	100		

Source: Author (2013)

The findings indicated that 23 (47.9%) respondents held the view that the organization structure had a very high effect on the growth of investments at the commercial banks. The mean score was 1.6 (Very High tending to High) while the standard deviation was 0.70. This implied that the respondents held highly similar views and generally held the view that the organization structure had a high effect on the growth of investments at the commercial banks.

4.3.7 Effects of Organization Structure on Response Rate to Competition

The researcher sought to find out the extent to which the organization structure affects the response rate to competition at the commercial banks.

Table 4.9: Effects of Organization Structure on Response Rate to Competition

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	14	29.2	2.3	1.14
High (2)	19	39.6		
Moderate (3)	5	10.3		
Low (4)	9	18.8		
Vety Low (5)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 19 (39.6%) respondents held the view that the organization structure had a high effect on the response rate to competition at the commercial banks. The mean score was 2.3 (High tending to Moderate) while the standard deviation was 1.14. This implied that the respondents held similar views and generally held the view that the organization structure had a high effect on the response rate to competition at the commercial banks.

4.3.8 Effects of Organization Structure on Response Rate to Technological Changes

The researcher sought to find out the extent to which the organization structure affects the response rate to technological changes at the commercial banks.

Table 4.10: Effects of Organization Structure on Response Rate to Technological Changes

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	24	50.0	1.8	0.96
High (2)	11	22.9		
Moderate (3)	12	25.0		
Vety Low (5)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 24 (50.0%) respondents held the view that the organization structure had a very high effect on the response rate to technological changes at the commercial banks. The mean score was 1.8 (Very High tending to High) while the standard deviation was 0.96. This implied that the respondents held similar views and

generally held the view that the organization structure had a high effect on the response rate to technological changes at the commercial banks.

4.3.9 Effects of Organization Structure on Response Rate to Economical Changes

The researcher sought to find out the extent to which the organization structure affects the response rate to economical changes at the commercial banks.

Table 4.11: Effects of Organization Structure on Response Rate to Economical Changes

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	13	27.1	1.9	0.70
High (2)	25	52.1		
Moderate (3)	10	20.8		
Total	48	100		

Source: Author (2013)

The findings indicated that 25 (52.1%) respondents held the view that the organization structure had a very high effect on the response rate to economical changes at the commercial banks. The mean score was 1.9 (Very High tending to High) while the standard deviation was 0.70. This implied that the respondents held similar views and generally held the view that the organization structure had a high effect on the response rate to economical changes at the commercial banks.

4.3.10 Effects of Organization Structure on Response Rate to Socio-Cultural Changes

The researcher sought to find out the extent to which the organization structure affects the response rate to socio-cultural changes at the commercial banks.

Table 4.12: Effects of Organization Structure on Response Rate to Socio-Cultural Changes

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	12	25.0	2.2	0.97
High (2)	19	39.6		
Moderate (3)	13	27.1		
Low (2)	3	6.3		
Very Low (1)	1	2.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 19 (39.6%) respondents held the view that the organization structure had a high effect on the response rate to socio-cultural changes at the commercial banks. The mean score was 2.2 (High tending to Moderate) while the standard deviation was 0.97. This implied that the respondents held similar views and generally held the view that the organization structure had a high effect on the response rate to socio-cultural changes at the commercial banks.

4.3.11 Effects of Organization Structure on Response Rate to Political Changes

The researcher sought to find out the extent to which the organization structure affects the response rate to political changes at the commercial banks.

Table 4.13: Effects of Organization Structure on Response Rate to Political Changes

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	4	8.3	3.2	1.32
High (2)	12	25.0		
Moderate (3)	15	31.3		
Low (2)	4	8.3		
Very Low (1)	13	27.1		
Total	48	100		

Source: Author (2013)

The findings indicated that 15 (31.3%) respondents held the view that the organization structure had a moderate effect on the response rate to political changes at the commercial banks. The mean score was 3.2 (Moderate tending to Low) while the standard deviation was 1.32. This implied that the respondents held divergent views but generally held the view that the organization structure had a moderate effect on the response rate to political changes at the commercial banks.

4.3.12 Effects of Organization Structure on Response Rate to Natural Factors

The researcher sought to find out the extent to which the organization structure affects the response rate to natural factors at the commercial banks.

Table 4.14: Effects of Organization Structure on Response Rate to Natural Factors

Score	Frequency	Percentage (%)	Mean	Std. Deviation
Very High (1)	6	12.5	3.2	1.42
High (2)	12	25.0		
Moderate (3)	11	22.9		
Low (2)	5	10.4		
Very Low (1)	14	29.2		
Total	48	100		

Source: Author (2013)

The findings indicated that 12 (25.0%) respondents held the view that the organization structure had a high effect on the response rate to natural factors at the commercial banks. The mean score was 3.2 (Moderate tending to Low) while the standard deviation was 1.42. This implied that the respondents held divergent views but generally held the view that the organization structure had a moderate effect on the response rate to natural factors at the commercial banks.

4.4 Inferential Analysis

Inferential analysis was done using regression analysis technique to establish the relationship between the nature of organization structure and implementation of strategic objectives of the selected major banks in Kenya.

Table 4.15 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.52832718	0.27912961	0.193602614	1.161665379
Predictors: (Constant): Implementation of Strategic Objectives				

Source: Author (2013)

The findings indicate that the nature of organization structure explained only 19.3% of the implementation of strategic objectives in selected major commercial banks in Kenya. Therefore, this signifies that there are other factors that were not studied in this research that explain the 80.7% of the implementation of strategic objectives in major commercial banks in Kenya.

Table 4.16 ANOVA Model

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	30.82924046	7	4.404177208	3.263643	0.005365
	Residual	79.61852074	59	1.349466453		
	Total	110.4477612	66			
Predictors: Nature of Organization Structure						
Dependent Variable: Implementation of Strategic Objectives						

Source: Author (2013)

The ANOVA model indicates that at the degree of freedom of 7 and 59; and level of significance of 0.05; the F test was 3.26 compared to the recommended level of 2.25. Therefore, the findings indicate that the model was neither fit nor significant to explain the relationship between the nature of organization structure and implementation of strategic objectives in major commercial banks in Kenya.

Table 4.17 Coefficients of Determination

Coefficients of Determination	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	4.05	0.85	Beta	4.74	0.00
Effect of Organization Structure on Performance of Employees	0.29	0.28	0.13	1.02	0.31
Effect of Organization Structure on Service Delivery to Customers	0.25	0.26	0.13	0.95	0.35
Effect of Organization Structure on Compliance to Regulations	-0.23	0.25	-0.12	-0.93	0.36
Effect of Organization Structure on Attainment of Expectations of Communities	-0.41	0.24	-0.32	-1.72	0.09
Effect of Organization Structure on Growth of Investments	-0.17	0.25	-0.13	-0.68	0.50
Dependent Variable: Strategy Implementation in Major Commercial Banks in Kenya					

Source: Author (2013)

In order to determine the relationship between the nature of organization structure and strategy implementation at selected major commercial banks in Kenya. The researcher conducted a multiple regression analysis. As per the SPSS generated table 4.17, the equation ($Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \epsilon$) becomes:

$$Y = 4.05 + 0.13X_1 + 0.13X_2 - 0.12X_3 - 0.32X_4 - 0.13X_5 + 0.85$$

Where Y is the strategy implementation in selected major commercial banks in Kenya, X₁ effect of organization structure on the performance of employees, X₂ is the effect of organization structure on service delivery to customers, X₃ effect of organization structure on compliance to regulations, X₄ is effect of organization structure on attainment of expectations of communities and X₅ is effect of organization structure on growth of investments.

Therefore, the findings indicate that the strategy implementation in major commercial banks in Kenya is dependent on the effect of organization structure on performance of employees and the effect of organization structure on the service delivery to customers. However, the effects of organization structure on the compliance of regulations, effects of organization structure on attainment of communities' expectations and effects of the organization structure on growth of investments had a negative effect on the overall strategy implementation in major commercial banks in Kenya.

4.5 Types of Changes to be made to Strategic Objectives

The researcher sought to find out the views of the respondents on the types of changes that should be made on the strategic objectives of the commercial banks. The findings indicated that the respondents were of the view that the strategic objectives should be customer centric and market driven. They also observed that the commercial banks should customize their products to suit their different markets. Other changes that were

suggested included digitalization of strategic objectives and making of strategic objectives more futuristic in perspective.

The employees should be sponsored to undergo trainings to enhance their execution of strategic objectives while their ideas and suggestions should be taken into consideration when setting strategic objectives. Lastly, the strategic objectives should be flexible in nature and executed with a higher degree of efficiency.

The respondents also suggested various changes to be made to the strategic objectives of the line businesses. They changes included appreciation of customer feedback, ownership of ideas by employees, flexibility in working hours, increase of product range, increased flexibility of policies and product development regulations and alignment of products with the actual needs of the clients.

4.6 Types of Changes to be made to the Organization Structure

The researcher sought to find out the views of the respondents on the types of changes that should be made on the organization structures of the commercial banks. The findings indicated that the respondents were of the view that the organization structures should be made more community focused, customer centric and flexible. They also observed that there is need for enhanced communication, feedback and interaction within the organization structure. They also affirmed the need for a lean organization structure and one that fits the organization strategy with the market needs.

In conclusion the respondents also held the view that the functional organization structure was most ideal for the commercial banking organizations operating locally while those with international operations would be more effective if they adopted a matrix organization structure.

4.7 Discussion of Results

The results were discussed in relation to empirical studies and linkage of the findings to the established theories in the field of Strategic Management.

4.7.1 Relationship to Empirical Studies

This study was similar to several studies that have been conducted in the past. For instance, Kariuki (2004) conducted a study on the IT strategy and organization structure relationship in companies listed on the NSE and established that changes in IT strategy almost always meant changes in the organization structure of organizations in Kenya. The findings of this study indicated that 24 (50.0%) respondents held the view that the organization structure had a very high effect on the response rate to technological changes at the commercial banks.

Therefore, this finding was a confirmation of the need for commercial banks to adopt organization structures that would allow for adaptation to changes in ICT within the business environment. The finding also affirmed the fact that the nature of organization structure was a determinant of the extent to which the IT strategy could be attained in any organization.

Secondly, Otieno (2011) conducted a study on the strategy-structure alignment at Kenya Commercial Bank Group Limited while Munyiva (2012) also conducted a research on the strategy and structure alignment at Barclays Bank of Kenya. Both researchers observed that every organization needs an organization structure that is capable of delivering its strategic intent. Macmillan & Tampoe (2011) define strategic intent as where an organization wants to get to and how it intends to get there.

The findings of this study indicated that 26 (54.2%), of the respondents strongly agreed that the commercial banks adopted an organization structure that aligned with the strategic objectives of the organization. Therefore, the findings of this study affirmed the empirical findings of the other scholars on the need for an alignment of the organization structure with the strategic objectives of organizations.

Thirdly, Akwara (2010) conducted a research on the challenges of strategy implementation at the Ministry of Cooperative Development and noted that the bureaucratic organization structure was the greatest hindrance to the implementation of strategy at the ministry.

The findings of this study also indicated that the respondents favoured a lean functional organization structure, with enhanced interactivity, feedback mechanism and communication channels. Therefore, the findings of this study were an affirmation of the existing empirical findings on the importance of flexibility of an organization structure on the attainment of strategic objectives of organizations.

Lastly, Munyoroku (2012) conducted a research on the role of organization structure on strategy implementation among food processing companies in Nairobi and established that the organization structure had a central role in determining the costs of operations, responsiveness to competitive forces and the actual attainment of strategic objectives. The findings of this study also affirmed the need for an organization structure that is responsive to competition, technological changes, economical changes, political changes, socio-cultural changes and natural factors. Such level of adaptability could lead to cost savings, responsiveness to competitive forces and the actual attainment of strategic objectives.

4.7.2 Linkage of the Findings to Theory

Most scholars have established theories on the relationship between strategy and structure. Chandler (1962) showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus and crowned it with the adage: Structure follows strategy. The findings of this study have indicated that the respondents held similar views on the need for a customer focused, market driven, flexible and highly interactive organization structure in the pursuit of the strategic objectives of organizations. Indeed, Chafee (1985) summarized states that strategic management involves adapting the organization to its business environment while Arieu (2007) affirms that there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.

Mills (1991) observes that in a matrix structure the functional departments are used to gain economies of specialization while the project teams focus on particular products or markets. This confirms the importance of functional departments in delivering strategic objectives of organizations and the need to grow from functional structure to matrix structure as the organization enters international markets or diversifies to more projects in its business portfolio. Indeed, the findings of this study indicated that a functional structure was the best suited for local commercial banks while the matrix structure was suitable for international commercial banks.

Hunger and Wheelen (1995) contend that strategic management is a simultaneous process which continually adjusts strategies according to the changes in the competitive environment. Similarly, the findings of this study affirmed that commercial banks were constantly adjusting their strategies and structures inline with environmental changes ranging from political, economical, socio-cultural, technological and natural factors. Porter (2010) identifies three industry-independent generic strategies namely cost leadership, product differentiation and market focus.

The findings of this study also indicate that commercial banks are better off by adopting a market focus competitive strategy while embracing flexibility in the organization structure in line with changes in strategic objectives and the business environment.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and also gives the conclusions and recommendations of the study based on the objective of the study: To establish the influence of organization structure on the strategy implementation in major banks in Kenya

5.2 Summary of the Findings

This study established that in the commercial banks under study, the organization structure aligns with strategic objectives and has high effect on the service delivery to customers. Another finding was that the organization structure had a very high effect on compliance with regulations and a high effect on the attainment of the expectations of the banks' communities of the commercial banks.

The findings also indicated that the organization structure had a high effect on the growth of investments at the commercial banks. Another finding indicated that the organization structure had a high effect on the response rate to competition, technological changes, economical changes and socio-cultural changes at the commercial banks. Lastly, the findings also indicated that the organization structure had a moderate effect on the response rate to political changes and natural factors at the commercial banks.

The findings also indicated that the changes that the strategic objectives should be made more customer centric, market driven, suitable to specific markets, technologically updated and futuristic in nature. There is also need to train employees, consider the ideas and suggestions of employees and embracing flexibility and efficiency in the execution of strategic objectives. The findings indicated that the organization structures should be made more community focused, customer centric and flexible. The findings also indicated that there is need for leanness, enhanced communication, feedback and interaction within the organization structure.

5.3 Conclusions

This researcher concluded that the commercial banks would be most effective in attaining their strategic objectives if the organization structure aligns with strategic objectives and allows for efficiency in service delivery to customers. Such an organization structure would also be most effective in ensuring compliance with regulations and allowing for a high effect on the attainment of the expectations of the banks' communities and growth of investments of the commercial banks.

The researcher also concluded that the nature of organization structure affected the ability of commercial banks to respond to competition, technological changes, economical changes and socio-cultural changes at the commercial banks. The researcher concluded that the organization structure did not have significant effects on the ability of the commercial banks to respond to political changes and natural factors in the business environment.

The researcher also concluded that the basic characteristics of an effective organization structure in a commercial bank would be more customer centric, market driven, suitable to specific markets, technologically updated and futuristic in nature. This should be complemented by training of employees and incorporation of ideas and suggestions of employees in the crafting of strategic objectives. Lastly, an organization structure should be lean and also allow for enhanced communication, feedback and interaction among the various stakeholders of the organization.

Therefore, the findings implied that the process of strategic planning should be consultative to ensure that the structure aligns with the strategy. This will ensure compliance with laws and regulations and satisfaction of the stakeholders' needs and expectations. Secondly, the findings also implied that the organization structure should be flexible to facilitate prompt response to environmental changes like politics, technology, economy and natural factors. Lastly, the findings implied that the commercial banks need to adopt a learning culture so that the organization learning practices are inculcated into the daily routine of the banks so that they can be able to respond to internal and external pressures for change in a holistic manner.

5.4 Recommendations

There is need for the management teams of commercial banks to introduce training programmes among the employees to enhance attainment of strategic objectives. There is also need for the management to align their organization structures with strategic objectives to allow for efficiency in service delivery to customers and allow for adaptability to changes in the business environment.

The management teams of commercial banks should also ensure that their organization structures allow for enhanced communication to facilitate quicker response to competition, technological changes, economical changes and socio-cultural changes in the business environment.

Lastly, there is need for commercial banks to ensure that their organization structures are customer centric, market driven, suitable to specific markets, technologically updated and futuristic in nature if they are to achieve their strategic objectives under conditions of efficiency and reduced costs of operations.

The policy makers of commercial banks like the Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA) need to ensure that the organization structure does not hinder compliance of rules and regulations among the commercial banks. This would be attained by encouraging commercial banks to adopt lean, interactive and efficient organization structures. This will also enhance the growth of investments of the commercial banks due to timely response to competitive forces and increased ability to take advantage of favorable environmental changes.

5.5 Limitations of the Study

The study having adopted a descriptive survey design only allowed for in-depth study of the selected commercial banks and cannot be comprehensively inferred to other commercial banks in the industry.

The study was further limited by the fact that the researcher only interviewed top management and thus did not incorporate the views of clerical and support staff of the selected commercial banks.

5.6 Suggestions for Further Study

The researcher suggests that a study whose respondents include junior staff be carried out to provide great insight in their perception of the the influence of organization structure on the strategy implementation in major banks in Kenya.

Another area that would require a study is the establishment of an organization structure model that ensures that any organization structure adopted by an organization would allow it to respond to environmental changes at a cost effective level and highest levels of efficiency. This would enable commercial banks to attain their strategic objectives and enable the stakeholders to derive maximum strategic value from their investments.

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APPENDIX I: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAMME

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P.O. Box 30197
Nairobi, Kenya

DATE 03/07/2013

TO WHOM IT MAY CONCERN

The bearer of this letter JACKLINE PA'EMAH

Registration No. DA1167403/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
FOR: MBA CO-ORDINATOR
SCHOOL OF BUSINESS



APPENDIX II: QUESTIONNAIRE

Instructions

Dear Sir/Madam,

You are kindly requested to answer all questions in this research questionnaire. The information that you will provide shall be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at establishing the effects of organization structure on the strategy implementation process of the major commercial banks in Kenya.

Section 1: Respondents Profile

1. What is your total working experience in the commercial banking industry?

- 1. Less than 1yr ()
- 2. 1-5 years ()
- 3. 6-10 years ()
- 4. 11-15 years ()
- 5. 16 years and above ()

2. How long have you worked with your current employer?

- 1. Less than 1yr ()
- 2. 1-5 years ()
- 3. 6-10 years ()
- 4. 11-15 years ()
- 5. 16 years and above ()

3. What is the nature of your current role in the Organization Structure?

Nature of Role	
Top Level Manager	
Middle Level Manager	
Line Manager	

Section 2: General Information

4. Describe the nature of Organization Structure of your commercial bank.

Nature of Organization Structure	
Functional	
Divisional	
Matrix	

5. State the Nature of the Competitive Strategy of your commercial bank.

Nature of Competitive Strategy	
Cost Leadership	
Product Differentiation	
Market Focus	

Section 3: Specific Information

6. Does the Organization Structure align with the Strategic Objectives of the bank?

1. Strongly Agree 2. Agree 3. Not Sure 4. Disagree 5. Strongly Disagree

	1	2	3	4	5
Alignment of Structure and Strategy					

7. Describe the extent to which the Organization Structure affects performance of employees?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Performance					

8. Describe the extent to which the Organization Structure affects service delivery to the customers?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Service Quality					

9. Describe the extent to which the Organization Structure affects Compliance with Regulations?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Compliance					

10. Describe the extent to which the Organization Structure affects the Expectations of the bank's Communities?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Community Expectations					

11. Describe the extent to which the Organization Structure affects the Growth of the investments of the bank?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Growth of Investments					

12. Describe the extent to which the Organization Structure affects the response rate to competition?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Responsiveness to Competition					

13. Describe the extent to which the Organization Structure affects the response to technological changes?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Response to Technological Changes					

14. Describe the extent to which the Organization Structure affect the response to economical changes?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Response to Economical Changes					

15. Describe the extent to which the Organization Structure affect the response to socio-cultural changes?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Response to Socio-Cultural Changes					

16. Describe the extent to which the Organization Structure affects the response rate to Political changes?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Response to Political Changes					

17. Describe the extent to which the Organization Structure affects the response rate to Natural Factors?

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

	1	2	3	4	5
Effect of Structure on Response to Natural Factors					

Section4: Commentary

18. What changes should be made to the Strategic Objectives of the bank?

.....
.....

19. What changes should be made to the Strategic Objectives of your line of business?

.....
.....

20. Comment on the ideal Structure to assist in attaining the strategic objectives of your commercial bank?

.....
.....

**END.
THANKS FOR RESPONDING**

**APPENDIX III: LIST OF COMMERCIAL BANKS & THEIR
MARKET SHARE IN GROSS ASSETS**

Rank	BANK	% Gross Assets
	6 LARGE BANKS >5%	
1	Kenya Commercial Bank Ltd	14.2%
2	Equity Bank Ltd	8.6%
3	Co-operative Bank of Kenya Ltd	8.5%
4	Barclays Bank of Kenya Ltd	8.4%
5	Standard Chartered Bank Kenya Ltd	7.9%
6	CFC Stanbic Bank Kenya Ltd	6.7%
	14 MEDIUM BANKS (1-5)%	
7	Commercial Bank of Africa Ltd	4.1%
8	I & M Bank Ltd	3.8%
9	Diamond Trust Bank Kenya Ltd	3.7%
10	NIC Bank Ltd	3.6%
11	Citibank.N.A. Kenya	3.5%
12	National Bank of Kenya Ltd	3.5%
13	Chase Bank Ltd	1.9%
14	Bank of Africa Kenya Ltd	1.8%
15	Bank of Baroda Kenya Ltd	1.8%
16	Prime Bank Ltd	1.7%
17	Ecobank Kenya Ltd	1.4%
18	Family Bank Ltd	1.3%
19	Imperial Bank Ltd	1.3%
20	Bank of India Ltd	1.1%
	23 SMALL BANKS <1%	
21	Consolidated Bank of Kenya	0.8%
22	Fina Bank Ltd	0.7%
23	Gulf African Bank Ltd	0.6%
24	African Banking Corporation Ltd	0.6%
25	Equatorial Commercial Bank Ltd	0.6%
26	Giro Commercial Bank Ltd	0.6%
27	Development Bank of Kenya Ltd	0.6%
28	Fidelity Commercial Bank Ltd	0.5%
29	K-Rep Bank Ltd	0.5%
30	Guardian Bank Ltd	0.5%
31	First Community Bank Ltd	0.4%
32	Habib Bank A.G. Zurich	0.4%
33	Transnational Bank Ltd	0.4%
34	Victoria Commercial Bank Ltd	0.4%
35	Charterhouse Bank Ltd	0.3%

36	Habib Bank Ltd	0.3%
37	Credit Bank Ltd	0.3%
38	Paramount Universal Bank	0.3%
39	Oriental Commercial Bank	0.2%
40	Middle East Bank Kenya Ltd	0.2%
41	UBA Kenya Ltd	0.1%
42	Dubai Bank Ltd	0.1%
43	Jamii Bora Bank Ltd	0.1%

Source: CBK (2013)