

**STRATEGY –STRUCTURE ALIGNMENT AT KENYA
COMMERCIAL BANK GROUP LIMITED**

BY

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**A Research Project Submitted in Partial Fulfillment of the Requirements for the
Award of Degree of Master of Business Administration (MBA), School of Business,
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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

I dedicate this work to my parents Mr. Elias Ouda and the late Paskalia Ouda for their love and commitment to education.

I further dedicate this work to my brothers, sisters and my dear Josephine Atieno Achollah for their support and above all Almighty Father for all His countless blessings and favors during this course.

ABSTRACT

Kenya commercial Bank Group Ltd has undergone major transformation for the past 10 years in an attempt to streamline its business activities and operation in order to improve efficiency and optimize profits for its shareholders. The objective of this study was to establish the relationship between strategy and structure. To achieve this objective, case study was used and it involved in-depth interviews with the senior managers of KCB covering the restructuring process that has taken place from the early years of 2000 to date through a prepared interview guide. Secondary data was collected was sourced mainly from KCB newsletters and cascades.

The study established that during the earlier restructuring process of 2000, there was no evidence of strategy influencing structure. The restructuring of 2002 was largely successful due to transformational CEO who initiated major turnaround that involved adapting adequate strategies and matching them with elaborate structures. In 2011 the bank initiated transformation project and invited the Mckinsey consultants to help in aligning its strategy and structure. The study also found that even though there is evidence of planned strategy, most strategies were emergent .The observed slight lag between the strategy and structure can also be attributed to the cost implications of strategy implementations and the complexity of the structure brought about by the size, discrepancies in government regulations in various subsidiaries and technological challenges. In conclusion for a successful strategy structure alignment, organization should take in consideration the impact of intervening variables

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CHAPTER 1: INTRODUCTION

1.1 Background of the study

The challenges of the modern business environment and fast changing global economy demands high productivity speed and flexibility for organizations that seeks to thrive. In order to achieve the required efficiency and effectiveness, organizations must change their structure strategically .These can be achieved by retaining the best of their traditional structures while embracing radically new structures that leverage the human capital and adds value to the customers. (Pearse and Robinson, 2011)

Organization design can be considered to be a strategic tool for executing business strategy. The management should consider it pertinent in designing structures that enables implementation of strategic goals in order to suit the demand of its market place, customers and business model. With increased competition, rapid technological advancement, shifting economic regulations and increased demand on non price competitive advantage most companies have been compelled to review their business strategies. The magnitude speed and impact of change are greater than ever before, new production processes and services have emerged. (Burnes, 2004).

Organization structure can be a source of competitive advantage if designed in a way it compete with other organizations. Strategy –structure alignment is a systematic methodology for designing these capabilities in a fully rational and informed way. Studies indicate that strategist must pay close attention to structure when elaborating the strategic plans, failure to take structure into account will lead to organizational

redundancy. A mismatch between strategy and the structure will lead to inefficiency in all cases meaning a less than optimal input/output ratio and therefore affect performance (Chandler, 1962; Child, 1975)

1.1.1 The Concept of Strategy

Strategy as a concept is the core concept of strategic management. A clear understanding of the term strategy is therefore very important before one can try to understand the concept itself. Quinn (1980) identifies strategy as the pattern or plan that integrates organization major goals, policies and action sequences into a cohesive whole. This in line with the works of Andrew (1971) and Thompson and Strickland (1992) and Mintzberg (1994) who also view Strategy as a long term plan of actions designed to achieve a particular goal. Porter (1996) states that the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match, therefore this requires a company to choose its activities in a different ways than its competitors in order to deliver a unique set of values to its customers. Organization structure can affect the overall performance if not properly constituted. It can affect the flow of information and delay decision making process depending on the levels of hierarchy.

Porter (1983) discusses that every company must have a competitive strategy. It is a plan for how a firm will compete in comparison to its competitors' competitive advantage exists when a firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage) or deliver benefits that exceed those of competing products (differentiation advantage), thus a competitive advantage enables the firm to create

superior value for customers and superior profits for itself. Competitive advantage becomes core when it is sustainable and thus the realization of sustainable competitive advantage. Sustainable competitive advantage is an advantage that enables business to survive against its competition over a long period of time.

Organization design can be considered to be a strategic tool for the execution of business strategy. The management should consider it pertinent in designing structures that enables implementation of strategic goals in order to suit the demands of the market, price, customers and business model. Structure can be a source of competitive advantage if it is designed in a way it can compete. Strategy structure alignment is a systematic methodology for designing these capabilities in a fully functional and informed criteria.

1.1.2 Organizational Structure

Organization is a system of rules and streams of activities designed to accomplish shared purposes, the term system of rules describes structure of organizations (Robey, 1991) organizations are human systems with basic fundamentals being formal and informal roles. Formal roles are designed explicitly to accomplish some functions through hierarchy of authority, reporting lines and job description. Informal roles are not designed but they evolve within organizations to satisfy needs not directly related to the organization. Studies from the Hawthorne experiments showed the importance of informal groups within organization structure which has an immense impact on the general performance (Burnes, 2004). Organization structuring is a formal, guided process for integrating the people, information and technology of an organization. It is used to match the form of the organization as closely as possible to the goals the organization

seeks to achieve. Through the design process, organizations act to improve the probability that the collective efforts of members will be successful. Managers and members work together to define the needs of the organization then create systems to meet those needs most effectively.

Organizational structure may differ within the same organization according to particular requirement. Robbins (1989) describes three main component of structure namely; complexity, formalization and centralization. Complexity refers to the degree to which activities within the organization are differentiated. There are three dimensions of differentiation-horizontal which is differentiation between departments based on tasks, education and training, vertical differentiation describes the number of hierarchy levels in the organization, finally spatial differentiation which refers to the distribution of various units across a given geographical set up. Formality in organizations describes the extent of job description while centralization relates to the degree to which decision making is concentrated within organization.

The designers of organization structure should consider the following aspects: clarity, understanding, decentralization, stability and adaptability. Clear goals and well articulated procedures will minimize confusion. The structure should fit people into different units and their roles properly defined .business organizations are ongoing entities hence the need for stable and flexible structures in adjusting to environmental challenges and withstanding various forces. Structure is thus an integral component of the organization. Nystrom and Starbuck (1981) have defined structure as the arrangement and interrelationship of component parts and positions in an organization. It is essential in

providing framework for division of work into activities, linkage between different functions, hierarchy, authority structure, authority relationships and coordination with the environment.

Fayol (1949) described the duties of management as follows: planning, organizing, command, coordination and control. Planning is achieved through strategy formulation while the rest is effected through organization structure. Organisational structure defines the formal relationship between people and specifies both roles and responsibilities. Administrative systems govern the organization through guidelines, procedure and policies. The essence of structure is to fit people, information and technology to the purpose vision and strategy of organization. Organization structure begins with the formulation of business strategy; strategic mission is derived from the organizational mission, vision and statement of intent which are the core philosophies of its existence. Strategy acts as unifying theme which makes the organization to focus its action in order to achieve desired outcomes (Pearce et al, 2011).

1.1.3 Concept of Alignment

Alignment poses a strategic challenge for most organizations. When an organization aligns the activities of its various business and support units, it creates additional sources of value. The proposition that there should be alignment between strategy and structure suggests that once we understand organizations' structures we can better understand how well they are suited to realize their goals by comparing it with a formal description of strategy. It is this alignment that enables the business to develop the organizational capabilities needed to compete successfully (Beer, 2002)

The importance of fitting a company's organizational structure to its strategy was initially highlighted by Chandler (1962). His work subsequently spurred a series of studies of strategy and structure in domestic firms (Pavan, 1972; Channon, 1973; Rumelt, 1974; Dyas and Thanheiser, 1976). Since strategy is much more dynamic and emergent than structure, there tends to be a lag between the two – structures representing an historic understanding of strategy, when the current and emerging strategy might well require something quite different. Moreover, power and other intervening variables can also give rise to dysfunction in the relationship between formal structure and processes reflecting strategy – it must be realized that this strategy-structure analysis does not say anything about strategy or structure being optimal or ideal in any sense.

It is the responsibility of the management to design and implement the strategic organizational form best suited to the demands of emerging strategies. Considering competitors essentially have access to the same information and may have developed similar strategies, it is important to consider organizational structure as one of the most effective strategic weapons. Firms with a fit between strategy and structure should perform better than those without such a fit. Miles and Snow (1984), argue that, over time, strategy and structure reinforce each other: organizations choose an administrative system that is consistent with their strategy and then find that this system continues to propel them in the same strategic direction.

1.1.4 KCB Group Limited

Kenya commercial bank is among the oldest banks in Kenya. KCB started in 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the operational centre for the construction work of Kenya –Uganda railway; Nairobi was also the preferred headquarters of white settlers in Kenya due to its climatic and natural attractiveness.

In 1958, Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank. . The Government has over the years reduced its shareholding in KCB by forfeiting to exercise its options in rights issues, as of December 2008 the shareholding 23%. In a rights issue which concluded in August 2010, the shareholding by the Kenyan Government was reduced to 17.74 %.(KCB, 2011)

In 1972, Savings & Loan (Kenya) Limited was acquired to specialize in mortgage finance, S&L existed as a subsidiary of KCB until the year 2010 in which it was incorporated into KCB Kenya. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar el Salaam, Tanzania. In May 2006 KCB extended its operations to Southern Sudan following licensing by the Bank of Southern Sudan. In November, 2007, the first branch of KCB Uganda Limited opened in Kampala,

Uganda. In 2008, KCB expanded to Kigali, Rwanda, where it opened its first branch in December 2008. Other countries of interest includes Burundi and Congo DR. (KCB, 2011)

KCB has more than 200 branches throughout East Africa, making it the largest banking network in the region. It has the largest number of own-branded ATMs in Kenya. Since 2004 all of the branches in Kenya have been re-branded as part of a wider corporate branding exercise. KCB has partnered with Pesa Point, visa electron and kenswitch to increase the number of ATM points where customers can access their funds.

KCB is headed by Chief Executive Officer who is appointed by the Chairman of the Board of Directors. The bank has adopted a functional organization structure as opposed to the previous divisional structure, this is intended to improve the bank's capabilities in line with its growth strategy and control mechanism. The bank has recently embarked on restructuring that is intended to radically transform the organization in response to emerging challenges and to catapult the bank into the global arena. (KCB Cascade, 2011)

1.2 Statement of the Problem

Various studies have drawn attention to the relationship between strategy and structure with no firm basis emerging to settle the issue of causal direction or to affirm their relationship's effects on organizational performance. The importance of fitting a company's organizational structure to its strategy was initially highlighted by Chandler (1962). Chandler investigated several organizations and found that in the most successful industrial organizations, strategy leads to the performance only through diversified

structure, the multidivisional form. However, there are a group of researchers who suggested structure leads strategy. Structure sets the agenda for top managers in making strategic decisions (Hammond, 1990). Pitts (1980) maintained that structure institutionalizes strategy and thereby provides the premises for strategic decision making. Chamberlain (1968) suggested that structure and historical actions constrain firms' strategies such that they constrain the set of alternatives from which strategies may be chosen. Miller (1986) argues that there are ties that unite strategy and structure such that for a particular strategy there are limited number of relevant structures and vice versa.

Kenya Commercial bank like any other organization has undergone numerous changes since its inception including strategic, structural, operational and technological changes among others. Among the major changes includes organizational restructuring at different levels in order to improve efficiency and effectiveness. The Bank has reduced the number of top executives to seven in order to improve service delivery. With business world in a constant state of chaos, the only way for any organization to survive is by constantly reinventing itself through a ceaseless process of innovation and change (Peters et al, 1993). The major aim of restructuring in KCB is to increase efficiency and effectiveness. The organization structure is designed to fit its overall strategy of profit maximization and market penetration which is clearly manifested in its vision of be the preferred financial provider in Africa with a global reach and with a mission to grow our existing Business whilst building the platform to be the preferred financial solutions provider in Africa with the global reach.

According to Birchal and Lyons(1995),successful organization structures are in constant state of flux as they adjust to the changing needs of their dynamic customer base.KCB has embarked in regional expansion program and customer sales drive .The restructuring program is always intended to ensure the bank is responsive to different market segments. Before any restructuring process is implemented, organization should carry out SWOT analysis to its core competencies, external threats and opportunities. The dynamic and turbulent environment requires organization to adopt more flexible structures which facilitates continuous innovation, improvisation and improves communication within the organization.

The strategy-structure alignment has been a major topic of research in management and organizational analysis. Corporate strategies and structure have been analyzed as major variables to influence corporate performance in management and organizational studies. However, their relationships in terms of which variables are leaders and followers, as well as the choices of variables to configure them, are controversial. Situma (2006) studied the turnaround strategies adopted by KCB; some of the strategies adopted include BPR and restructuring which have enabled the institution to recover from loss making into profitability. Ogollah and Awino (2009) looked at the broader configuration of structure, strategy, environment and performance. Ciano (2006) studied the strategy structure relationship in KPLC in which he found out that indeed there was relationship even though there was a lag between the two. Finding of relationships among strategic variables and structural variables is beneficial to researchers as well as corporate managers.

1.3 Objectives of the Study

The objective of this study is to establish the relationship between strategy and structure at KCB Group Ltd.

1.4 Value of the study

The study seeks to identify the structure –strategy alignment process. Therefore the management will gain better understanding of the strategies it has adopted and the relevance of the structure in supporting those strategies. On the basis of the findings of the study, the management of KCB will build more elaborate relationship in order to achieve the objectives. The board endeavors to steer the company into greater heights, this study will go some way in helping them play their oversight role

The relationship between structure and strategy will be explored in the study. Researchers will use the findings as a source of reference for further studies on structure –strategy alignment.

Corporate and Financial managers are very sensitive to firm's performance and long term sustainability. Strategy and structure alignment is crucial to financial performance hence, they will be informed of long term strategic plan and how the structure will sustain the strategies to maximize performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organization Configuration

Modern organizations are based on organization theories that have led to formulation of basic principles for designing structure. The main principles for effective structures includes: specialization, coordination, departmentalization, reporting lines, centralizations and line authority.

Specialization is the segregation of duties and responsibilities with the main focus on core competence of various sub-units. According to the classical approach, work can be performed much better if it is divided into components and people are encouraged to specialize by components. Work can be specialized both horizontally and vertically (Anderson, 1988). Vertical specialization refers to different kinds of work at different levels, such as the CEO, divisional directors, line managers, departmental heads etc. Horizontally, organization is divided into various departments i.e. finance, human resources etc

Lawrence and Lorsch (1967), argues that even though specialization can improve quality and organizational efficiency, it can also be a hindrance to the attainment of organizational goals. The difference in goal orientation, time orientation, interpersonal orientation and formality of structure can make coordination and functioning difficult.

Coordination of different activities is important to achieve strategic objectives. Efficient coordination can also help in resolving conflicts and disputes in an organization; Anderson (1988) defines Coordination as the process of integrating the objectives and

activities of specialized departments to realize broad strategic objectives of the organization. Hierarchy facilitates vertical coordination of various departments and their activities

Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. It is closely related to the classical bureaucratic principle of specialization (Luthans, 1986). Departmentalization is conventionally based on purpose, product, process, function, personal things and place (Gullick and Urwick, 1937). Departmentalization may not be very effective. The organization has to be further divided into separate units to limit the span of control of a manager to a manageable level (Luthans, 1986).

Decision making can either be centralized or de-centralized. De-centralization refers to decision making at lower levels in the hierarchy of authority while decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and de-centralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control. According to Luthens (1986), centralization and de-centralization could be according to: geographical or territorial concentration or dispersion of operations, functions or extent of concentration or delegation of decision making powers.

Almost every organizational structure contains both centralization and de-centralization, there are some decisions that can be handled at lower level and others at higher level depending on complexity of the situation and the powers vested on decision maker. Modern organizational structures show a strong tendency towards de-centralization.

Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich, 1980). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.

It is the responsibility of the manager to make proper and effective use of staff through their supportive functions. The staff may be specialized, general or organizational (Anderson, 1988). Specialized staff conducts technical work that is beyond the time or knowledge capacity of top management, such as conducting market research and forecasting. General staff consists of staff assistants to whom managers assign work. Organization staff (such as centralized personnel, accounting and public relations staff) provides services to the organization as a whole. Their role is to integrate different operations across departments.

Organizational structures can be grouped as traditional or modern structures. Traditional structures includes: simple, functional, divisional, SBUs, matrix, holding company and product team structures. The modern trends includes flat structures which encourage more coordination and innovation ,modular organizations and virtual organizations .the global business environment has changed dramatically leading to new forms of structures which responds to globalization, internet and high-speed digitizations.Major efforts have been undertaken to improve traditional structures and reduce unnecessary control and size by focusing on core competences ,cost reduction and integrating organizations with

the environment. Structures have been redesigned to reduce the role of headquarters from control to support and coordination, this is due to the fact that demand for control and coordination needs differ across different types of business and strategic situations, (Pearse and Robinson, 2011).

Organizational structures can be further categorized into two models namely; mechanistic and organic structures. Mechanistic structures are characterized by jobs which have narrow scope, tasks that are well defined, clear responsibilities, hierarchy of authority and formality. Weber uses the term bureaucracy to describe an ideal mechanistic structure. Organic structures are flexible and easily adapts to changing environmental conditions. They are characterized by wide scope, few rules, and vague tasks, ambiguous responsibilities informal and personal.

2.2 Concept strategy

The concept of strategy has penetrated the business segments and has been accepted as a management tool for achieving strategic targets. Chandler (1962) defines strategy as the determination of basic long term goals and objectives, the adoption of courses of action to achieve them, and the allocation of resources as being central to the concept of strategy. According to Chandler (1962), organization structure should follow business strategy. This means that structural design must have clear objectives driven by business strategy or focus in the market that demands a different approach resources(both human

and financial capitals).Restructuring may involve strategic decisions but it should be viewed as means to effective strategy execution.

Strategy can be viewed from different perspectives. The first is that of strategy as a framework within which decisions are made to act as rules for guidance of organizational behavior, determination of basic long term goals and objectives, adoption of action, and allocation of resources necessary for carrying out these goals, and the planning and coordinating of growth (Ghosal & Westney, 1993 Tregoe & Zimmerman,1980;Robert, 1993; Treacy & Wiersema, 1993). Another purpose of strategy is to provide direction to the organization that enables it achieve its objectives while responding to the opportunities and threats in the environment (Schendel and Hofer 1979; Rumelt et al. 1995).

Strategy can also be regarded as a source of competitive advantage. Porter (1996,) introduced the concept of competitive strategy where he argued that competitive strategy is about being different. Strategy is basically about competition and the means by which an organization tries to gain competitive advantage. In business environment several dimensions may be associated with the term strategy which includes cost leadership, differentiation and focus.

Camillus (2008) describes strategy as complex issue which does not have the right answer. He concludes that to effectively deal with strategic issues, executives must explore and monitor the assumptions behind their strategies bringing in the human and social aspects. This aspect is best demonstrated by Lovas and Ghosal (2000) in their paper strategy as a guided evolution. They emphasize incorporation of an important yet

realistic role of top management in shaping the direction and outcomes of an evolutionary process within the firm and incorporate human and social capital as critical units of selection within the process.

2.3 Organizational Structure

Organization structures are unique depending on various factors. How a firm ought to organize as it grows in size and complexity is the question addressed in the study of organizational form (Armor & Teece, 1978). Chandler, (1962) defines Structure as the design of organization through which the corporation is administrated.

Studies conducted to analyze the co-alignment of structure and performance have shown organization structure has direct impact on the firms performance. Based on transaction cost economics (Williamson, 1979; 1981), various studies have been done regarding a continuum of governance structures that include spot markets, contracting, franchising, joint ventures, and hierarchy (vertical financial ownership). Asset specificity, with the cost of production, agency costs, and cost of transactions are major criteria for determining which organization structure is preferred to another in a given environment.

Profit maximization can be achieved if the chosen organisation structure allows for efficiency of operations within the organization. Formally, the optimal organizational form is determined based on interplay of technical efficiency and agency efficiency. Agency efficiency concerns the efficiency of the exchange process, whereas technical efficiency concerns the efficiency of the production process (Williamson, 1991). Technical efficiency is closely related to the cost of production that relies on economies

of scope and economies of scale in Chandler's managerial model (Chandler, 1990). Technical efficiency, narrowly defined, represents the degree to which a firm produces as much as it can from a given combination of inputs. Technical efficiency, more broadly defined, represents whether the firm is using the least-cost production process. In contrast agency efficiency refers to the extent to which the exchange of goods and services in the vertical chain has been organized to minimize agency and transaction costs. Agency costs are the costs associated with slack effort and with the administrative controls to deter slack effort. Managers are "slacking" when they do not act in the best interest of their firm

According to Delmas and Toffel (2009) organizational architecture can be divided into explicitly mandated formal structures (incentives, information processing structures and authority relationships) and emergent informal structures (culture, social networks and communities). Later process scholars have acknowledged that administrative procedures are contextualized by social, political and cultural factors (Johnson, 1987; Lovas and Ghosal, 2000). The above arguments tie up with the structuration theory's and the famous "duality of structure". (Giddens 1979, 1984). Jarzabkowski (2008) concludes that top managers may draw upon existing structures in the process of altering them, suggesting a more dynamic structural process which is continuous and can be either sequential or simultaneously applied.

2.4 Strategy-Structure Alignment

The relationship between strategy and structure can be viewed in three dimensions- strategy determine structure, structure constrains strategy or strategy and structure emerge together from the interaction of rational planning and environmental constraints.

Chandler (1962) stated that changes in corporate strategy precede and lead to changes in organization structure. As organization grow from the initial one product or service to multiple products/services, the structure also changes accordingly. Organizations begin with single product or service- Simple, therefore only simple structure necessary with low complexity and formalization in organizations structure. Companies expand, need more specialized units. Product diversification leads to independent divisions. Since a restructuring effort is a result of a change in strategy, a company must first review its strategy, and then pursue a different structure. The adoption of new technology or the penetration of a new market warrants a review in strategy which in turn merits an organizational restructuring. The emergence or evolution of new organizational structure occurs neither in isolation nor by accident. If an organization changes its strategy, it must change its structure to support the new strategy. When it doesn't, the structure acts like a bungee cord and pulls the organization back to its old strategy. Chandler (1962) formed the basis of the structure follows strategy paradigm which was later tested and confirmed in Britain (Chanon, 1973), France (Pooley-Dias, 1972) and Germany (Thanheiser, 1972). Rumelt (1974) was then able to show how the match influenced performance

Strategy as process intertwines with structure both affecting structure and being affected

by it (Robey, 1991). There is need for consistency in analyzing elements of both strategy and structure to determine their performance rather than engaging in discussion about which comes first. A modern organization now focuses on three strategic dimensions: innovation, cost minimization and imitation and structural design that fits the same. Pettigrew (1991), hold that structure and strategy are to be regarded as equal to one another. Other studies that have also suggested the inseparability of the two, (Hall and Saias, 1980; Fredrickson, 1986; Russo, 1991). Importantly, they concluded that strategy and structure are closely linked although their relationship remains complex and iterative which makes the debate continue. Galan and Sanchez - Bueno (2009) concluded that strategy leads structure and structure leads strategy however the former is stronger than the latter

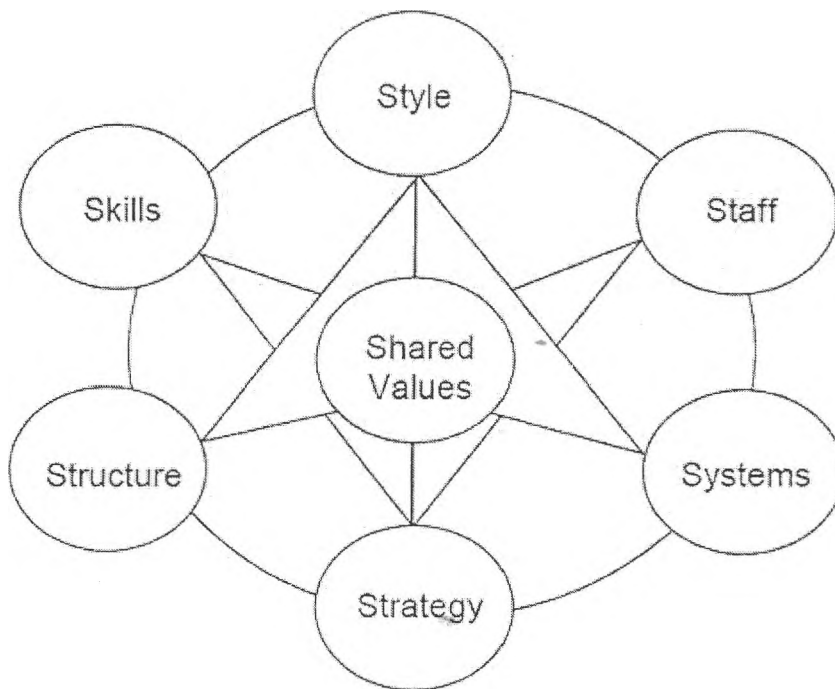
Mintzberg (1983) argued that the current organizational form can also be regarded as constraining strategy. According to Mintzberg, there are five basic parts of the organization are: the operating core, strategic apex, middle line, techno structure, and support staff. He further proposes five basic mechanisms of coordination namely: mutual adjustment, direct supervision, and the standardization of work processes, outputs, and skills. Mintzberg reviews nine different parameters used in organizational design, they are: job specialization, behavior formalization, training and indoctrination, unit grouping, unit size, action planning and performance control systems, liaison devices (such as integrating managers, teams, task forces, and matrix structure), vertical decentralization (delegation to line managers), and horizontal decentralization (power sharing by non managers); and finally he addresses the impact of situational factors in shaping structure which includes: age and size, technical system, environment, and power. The five

different organizational parts each pull in their own direction and the part exerting the most forceful pull will indicate what structure the organization has or will develop in the future.

Meanwhile, there is a perspective that structure influences strategy (Hammond, 1990). In this view, structure sets the agenda for top managers to make strategic decisions, since critical information and decision making capabilities in larger corporation are dispersed throughout the corporation rather than concentrated in top managers. When an organization changes its structure and not its strategy, the strategy will change to fit the structure. Strategy follows structure. Suddenly management realizes the organization's strategy has shifted in an undesirable way. The underlying logic here is that a company's strategic options are bounded by the environment. In other words, structure shapes strategy.

Firms with a fit between strategy and structure should perform better than those without such a fit. Miles and Snow (1984), argue that, over time, strategy and structure reinforce each other: organizations choose an administrative system that is consistent with their strategy and then find that this system continues to propel them in the same strategic direction. This is supported by Chakravarthy (1982) who found out that organizations having different levels of adaptation would utilize different strategies to match their structural arrangements. Using Miles and Snow's (1978) strategy typology, Chakravarthy argued that organizations with a high-level of adaptation would exhibit a prospector strategy and organic structure while organizations with a low-level of adaptation would adopt a defender strategy and a mechanistic structure.

While some models of organization effectiveness go in and out of fashion, one that has persisted is the McKinsey 7s framework. Developed in 1982 by Tom Peters and Robert Waterman, two consultants working at McKinsey and company consultancy firm. The basic premise of the model is that there are seven internal aspects of organization that needs to be aligned if it is to be successful. The 7s can be distinguished in two hard S's (strategy and structure) which are relatively easy to identify and five soft S's (systems, shared values, skills, staff and style), which are more difficult to identify and influence because they are less tangible. The 7s model can be used in situations where alignment perspectives is useful. It can be helpful in improving the performance of the company, align departments and processes, determine how best to implement a proposed strategy and examine the likely effect of future changes within a company



Source: Adapted from Peter, T.J and Waterman R.H, (1980)

2.5 Factors Affecting Organization Strategy and Structure

The process of aligning strategy and structure cannot be viewed in isolation without considering other intervening factors that have impact on the formulation and implementation process. Factors such as size, technology culture, environment etc are important determinants on the successful alignment process.

Large organizations generally contain a great deal of vertical and horizontal differentiation. More likely to require decentralized decision making. Size and bureaucratic structures go hand in hand Control by management requires more formal rules and regulations .size seems to increase specialization at the task level and differentiation of specialized departments at upper levels. Result is increased horizontal differentiation. Large organization typically responds with increased standardization, automation and decentralization. Large organizations are also more formal, impersonal and standardized than the smaller ones. Standardization is achieved through rules and procedures commonly known as SOPs.

According to Roger Mansfield (1986), it can be argued paradoxically that the only method by which the directorate in large organization can retain overall control of the organization is by decentralizing much of decision making within the framework of bureaucratic rules. Large organization use more computing devices than the small ones, these allows greater decentralization without loss of control. Rationale for increasing corporation size is generally explained in terms of market share, and economies of scale and scope. Some theorists posit size as the major predictor of certain structural configurations (Pugh et al, 1969; Blau, 1970). Others focus on the relationship between

size and strategy, structure. Size is correlated with both related and unrelated diversification strategy, and structure in a way that mediates strategy and structure (Grinyer & Yasai-Ardekani, 1981). Keats and Hitt (1988) include size as the mediator between the strategy and structure in their causal model on corporate performance. They view size having indirect effect on performance via diversification and structure

Technology can be referred to as the process of converting input into output. It is concerned with means by which an organization converts financial, human and physical resources into products or services. Technology has changed the way of doing business. It has reduced technology processing time, speed of the flow of information, analysis and decision making. When organizations adopt new operational technology, they need to review their production and service facilities but also reorganize their hierarchy and support staff. Technology is the cause of organizational change (Robey, 1997), these implies that organizations aiming to be effective are required to adjust their structure to match the new technologies adopted.

Woodward (1965) demonstrated the way in which technology affects the structure of an organization. Firms were classified according to the technology being used and each was found to have typical organization structure. Woodward's research was mostly applicable to manufacturing firms but not service industries such as banks and hospitals. According to the work of Charles Perrow, technology can be considered as a source of task uncertainty. Perrow describes technology along two dimensions: variety of problems encountered during processing and the analyzability of these problems. The existence of

technical and structural differences between departments affects their ability to work together (Robey, 1997). For efficiency and harmony to exist, technological interface between departments should be enhanced in order to understand and co-operate with one another.

Jobs may be transformed when technology is introduced. In some instances technology leads to job enrichment while in some other instances it leads to job design according to principles of scientific management. Technology operates less as an imperative on organization structure rather than an opportunity for change to emerge from a more complex set of interactive causes. (Robey, 1997). When technology is certain, mechanistic structures become relevant since problems are less varied and solution analyzable. When technology is more uncertain organic structures become most relevant.

Miller (1983) shows that relationship between variables cannot be divorced from their context that is environment, in which they operate, statistical and real association among variables are functions of the context in which they occur. The environment can be described as anything outside the control of the organization; these may include clients, customers, competitors, labour, markets, regulatory agencies and scientific community. Recent research has shown that there are three key dimensions to any organization's environment namely capacity, volatility and complexity (Dess and Beard, 1984; Child, 1972; Mintzberg, 1979; Miller and Friesen, 1978). Capacity refers to the ability to support business i.e. customer base, inputs, regulations etc. Volatility can be described as the risk factors in the environment maybe in terms of political, security and government regulations. Complexity refers to the market dynamics i.e. entry requirements, competition, consumer bargaining power, supplier bargaining power, substitutes e.t.c.

These factors combined suggest different structural arrangements. PESTEL model can also be used to analyze business environment and determine appropriate structures.

Environmental complexity and dynamism have been closely linked to the information uncertainty perspective (Lawrence and Lorsch, 1967; Thompson, 1967), while hostility has been tied to the resource dependence perspective (Aldrich, 1979). The perspectives offer a better understanding of the impact of each environmental dimension on the formulation of a firm's strategy. (Miles and Snow, 1978; Miller and Friesen, 1982). The more scarce, dynamic and complex the environment, the more organic a structure should be. The more abundant, stable and simple the environment, the more mechanistic it should be.

Using the analogy of organism, we can describe the relationship between organization structure and its life cycle. It can be noted that large organizations require elaborate structures to support their growth. The life cycle can be illustrated using a model developed by Miller and Freeman (1986) i.e. Birth (small firms)-growth (rapidly growing firms, departmentalized with more formal structures)-maturity (stable with bureaucratic structures)-decline (stagnation)-revival (higher levels of innovation within markets based divisional structures

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design.

The research design used was case study method. A case study allows for in-depth investigation and stresses contextual analysis of fewer events or coordination and their interrelationship. It may generate new understandings, explanations or hypotheses. Case studies involve collecting empirical data from a small number of cases. Young (1960) asserts that case is a very powerful form of qualitative analysis that involves a careful and complete observation of a unit.

3.2 Data collection.

Primary data collected were largely qualitative. The study involved contacting respondents through telephone and emails to solicit for interview and included mailing letter of introduction. Data was collected through personal interviews, telephone and email correspondence with the senior management of KCB. The top management included Director Logistics, Director Mortgages, Director Strategy and New Business, Director Operations and Director Finance as well as Regional managers. Most of them were involved directly in the recent restructuring process christened-Transformation Journey from Good to Great. The respondent provided valuable Data on the major organizational changes taking place with respect to strategic and structural changes currently being implemented at KCB.

Secondary data was extracted from cascades, newsletter, strategic policy papers and human resources analysis of job design. These data was valuable in providing the

chronological sequence of strategic changes and the corresponding organizational structures. The objective of this study was to determine the relationship between strategy and structure at KCB .the following table summarizes the variables for strategy and structure and other intervening factors that were considered.

Strategy	Structure	Other factors
Vision/mission statement	Number of functions/ staff productivity	Organization culture
Business objectives and Goals	Management layers	Organization size
Core business / Business process	Number of managers	Technology
Customer service	Subsidiaries and business units	Environment

3.3 Data Analysis

The study used content analysis technique to analyze the data. Holsti (1969) defines content analysis as any technique for making inferences by objectively and systematically identifying specified characteristics of messages.

Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of text. Researchers quantify and analyses the presence, meanings and relationships of such words and concepts, then made inferences about the messages within text

The interview guide provided questions in a systematic method which enabled to identify the key strategic and structural changes that had taken place within the span of 10 years. The relationship between strategy and structure was determined by observing the impact of one variable and the effect on the variable other within a particular time frame. The objective was to investigate whether change in strategy would lead to adjustment in structure and vice versa.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This particular chapter summarizes the data findings together with their interpretation. It looks at the changes in strategy and structure together with other mediating factors within the period of study and thereafter examines if indeed there was any relationship between strategy and structure.

4.2 Changes in strategy

Organization reforms at KCB commenced around 2000 and it had direct impact on the business operations and processes. Following successive profit declines and reduced customers' growth, new improvements were introduced and new orientations adopted. Some non core activities were outsourced and existing roles restructured. The number of branches was reduced and some assets disposed to increase liquidity. The whole process was aimed at making the bank concentrate on its core functions and reduce redundancy.

In 2003 there was a major shift in the organization which was characterized by new management being outsourced externally from other successful firms. The main area of concern was turning around the company from loss making to profitability. The objective of different functions was drawn in line with the newly introduced organization structure. The bank crafted new vision, mission, values and logo for the newly rebranded KCB. The new objectives were needed so that random forces do not determine the organization direction and progress and also formed basis for the implementation of strategies. Poor financial performance and operational inefficiency and ineffectiveness had negatively

impacted on the organization's image. In order to boost public confidence and attract financial partners, KCB had to work around its brand image to appeal to the public. Rebranding seemed to have paid off since the old organization was now differentiated from the new organization. Once the public confidence was restored it was then easier to implement the new strategies of product differentiation, introduction of new technologies (i.e. ATMs machines and software), right sizing by employing new talents and redeploying/retrenching other staff, corporate social responsibility and market penetration by opening new branches. The respondent felt that the major strategic change in KCB had an impact on the organization structure.

Prior to 2003 reforms, it was explained by respondents that the bank did not have a properly crafted corporate vision and mission; precisely the vision did not portray the banks future aspirations. The new vision and mission was later formulated to capture public attention and communicate its corporate objectives. The vision of 2003 was "To be the best bank in the region" this led to the expansion program both inside the country and to other countries within East Africa region. Other strategy includes management control, cost efficiency and staff productivity.

In 2009 the bank during its five year strategic planning meeting, reviewed its vision and mission statement. The current vision is "to be the preferred financial solutions provider in Africa with global reach". The bank had realized that the business environment had changed and in order to move forward and achieve its objectives it had to adopt different strategies guided by new vision.

Strategic change can be described as small, medium and large (radical). Small incremental change can be implemented relatively simple through minor modifications in existing system and structure. Radical strategic change is more complex and challenging since it involves major paradigm shift from the past. Such type of strategic change may require business process reengineering and restructuring. Small/medium strategic changes can be described in terms of product development, product pricing and branch operations which can be implemented through simple alterations and internal communication. Radical strategic changes involve the whole organization and require massive resources, cultural modifications, systems and structural alignment. Some of the radical changes implemented at KCB since 2002 includes introduction of core banking system, subsidiaries business operations, operational policies and workforce rightsizing.

It is understood that any strategic change in organization often leads to realignment of existing structure and systems in the organization to match the changes. The Board of KCB set up a Transformation Committee and a strong cross functional project management unit to oversee and work closely with the Consultants to deliver the objectives of the program in 2011.

During the interview it was generally expressed that the pre-2011 efforts to redraw new strategies and structures received mixed feelings. Corporate objectives and strategies were clearly understood by managers and staff. However most did not appreciate them due to lack of proper communication on the purpose and long-term benefits and past experiences. Previously there was no effort to alter the culture and internal efforts to drive the change process among the business units.

KCB corporate strategies include the following: fully exploit the benefits of the T24 system, roll out new products, especially in the areas of micro and small-to-medium enterprises targeting the low-income groups, protect stakeholder value and investment through prudent risk management practices, attract and retain top employee talent within the organization, continue to be a profitable bank and make decent returns to shareholders, provide leadership in terms of corporate governance practices and standards as well as support for needy communities through KCB foundation.

4.4 Changes in structure

KCB has revised its structures many times since 2000 and this was mainly due to changes in their business and marketing practices in response to significant shift in business environment such as technology, competition etc. It is observed that the structure prior 2010 was largely informed by the span of control and centralization. Most of the emphasis was on tasks and functions with little evidence on customer service and processes and these led to the adoption of divisional structure. The structures formed between 2003 and 2010 were mainly focusing on growth strategies (customer base and geographical expansion), products diversifications and business functions and these led to the adoption of divisional structure (appendix III). The current structure is based on customer service, reengineering, sustainability, risk and value of doing business. There has been a lot of change in terms of business processes and environmental factors that have influenced the structural configurations of KCB over the last decade.

The approach to core function, core business and excellent customer service has greatly influenced the current structure .Respondents have attributed to shifting political, economical ,social ,technological and legal factors as the major issues in defining modern organization strategies and structures. The structure of the bank has changed tremendously in the past decade due to the following: sociopolitical reforms, ICT, decentralization and turnaround strategies. The restructuring of 2011 recognized the impact of structure restraining strategy and hence reduction of number of key officers and reviewed the reporting lines (Appendix III).

Organization structure between 2003 and 2011 resulted in CEO having three deputies and 22 directors directly reporting to him ,all of whom formed a large executive committee(Appendix III) .This was due to grouping of tasks into specialized functions resulting in small divisions that reflected job holder responsibilities rather than corporate functions/objective. The bloated Executive committee had challenges which included communication, policy formulation and implementation. Mckinsey consultants which were contracted in 2011 developed a new structure which reduced the number of key officers from 22 to 7, and realigned the whole structure with strategy. The bank also implemented staff rationalization program in 2010 whose objectives was to regularize the number of staff in all business units in tandem with business needs of that particular unit/branch and also appreciate the impact of technology in job enrichment and realignment.

4.5 Relationship between Strategy and Structure

The objective of this study was to investigate strategy structure relationship by observing strategy structure sequence with the aim of establishing whether it was a choice structure or a choice of strategy. According to most respondents, organisational structure prior 2003 was greatly influenced by traditions and government policies since it was largely viewed as a parastatal with the major emphasis on tasks and functions.

The influence of strategy on structure was viewed to be minimal prior to 2003 reforms. The reason was because the management did not address strategic change adequately and lack of political will to drive the changes. These made the bank to have a costly and redundant structure which was autocratic and mechanistic and did not appreciate the changing times. The strategies of 2003 were said to have greatly influenced the organization structure that addressed the market forces and impact of technology in improving business processes. It was the decentralization strategy which established the regions to cater for various business segments.

From 2003, the bank realized improved performance, increased number of customers and staff as it implemented the strategy to expand the business scope. The Board and Management since 2003 have occasionally responded with changes in organizational structure triggered by poor performance in some key areas and response to market and growth dynamics. This is evident by introduction of managing directors for subsidiaries and divisional directors: risk, strategy and communications which were initially departments in retail and operational divisions.

Certain instances where there was no evidence between changes in structure and organization strategy, some structural changes before 2003 and also between 2003 and 2010 were directed towards performance of task and functions rather than total business process e.g. special projects and communication divisions. There are some areas where structure has influenced strategy this includes IT and logistics i.e. new technology will always have an impact on business processes and therefore determine the strategy i.e. mobile banking.

Organizational change can be described as incremental, continuous and punctuated equilibrium. KCB change process can be described as incremental which is by a series of step by step change process. This has been due to forces of globalization, liberalization, regulations and increased customer awareness. KCB is deeply aware on the need for continuous improvement and response to emerging challenges. Strategy and new business department was formed to conceptualize this aspect and spearhead banks business growth.

The bank has five regions namely: Coast, Western, Great Rift, central and Nairobi. The regions are divided geographically and headed by regional business manager. The regions are not autonomous but have implications on influencing performance in terms of branch efficiency, business growth and resource mobilization. These regions were introduced during the reforms of 2003-2010 which recognized the need for delegating some of the head office functions to regional levels to efficiency and effective control mechanism considering the large network of branches the bank is operating.

4.6 Factors Influencing Strategy –Structure Alignment at KCB Group Limited

The respondents identified technology as the major factor that influences strategy structure alignment. The relationship between ICT and strategy is important in addressing how information processing capability has been co-opted into business to improve its competitive advantage and how the whole structure has been transformed. Flatter structures have emerged as a result of technology that has reduced processing time and improved system efficiency. The core banking system T24, that is currently being used has minimized operational cost and improved turnaround time and ensured proper controls. Staff rationalization program of 2010 was one of the effects of technology.

Organization culture can also influence the alignment process. Culture can be a major strength if it rhymes with the strategy and can also delay implementation of organizational strategies. KCB has established value system and professional ethics which is important in achieving its objectives. Organizational structure of 2011 was greatly influenced by customer service and sustainability as the key pillars. Culture change is a long process of changing behavior and values, structure and systems if used alone is unlikely to deliver the changes in strategy. Key changes should be linked to the basic company vision and mission. Implementing strategy and structural adjustments requires sensitivity to the interaction between changes necessary to implement the new strategy or structure and the fit between these changes and organization culture.

Organization leadership and control affects the change of corporate strategies and how they are implemented. The major turnaround in KCB was influenced by leadership that

was flexible and open to change. The bank emphasizes strict adherence to rules and regulations which forms basis for mechanistic structures which has clearly defined tasks and functions. The modern business environment is dynamic and therefore the shift towards organic structures which favors organization learning and adaptability in modern turbulent environment and at the same time ensures proper control.

The current structure of KCB has also been influenced by size. Due to its large network of branches, the company has formed two posts of chief business officer (CBO) Kenya and CBO international business. Regional business units were also established to decentralize some of the activities of the head office considering the large network of branches. Subsidiaries have board of directors and managing directors to run the business, even though there are not autonomous since they report to chief business officer international and the group CEO and executive chairman.

Environment has changed tremendously hence the need to have proper structures that can fit into the environment for efficiency and effectiveness. The operating environment has shifted from a few local and international banks who were skewed towards corporate sector leaving the low income earners to cooperative societies and other financial institutions, the entry of more local banks to cater for these section of populace has changed the banking industry completely. The industry has also been influenced by government regulations. Legal issue, political and regional trading blocs which has harmonized business practices across member countries.

4.7 Discussions

The study sought to determine relationship between strategy and structure. Organization restructuring at KCB has been going on in stages since 2000. The 2000 restructure which was intended to improve the company's profitability by redefining core business of the bank, cost efficiency and improved liquidity. Further improvement was achieved in 2003 when KCB adopted turnaround strategies by emphasizing on business process reengineering. The 2011 transformation project in consultation with Mckinsey Consultants Company is intended to align business strategies, processes and structure.

The study found out that in all the restructuring processes that have been undertaken, successful reforms were as a result of aligning strategy and structure and also taking into consideration the influence of intervening factors. The relationship between strategy and structure in the period of study was found out to be mostly strategy influences structure, even though there are some cases where by there was no evidence of their relationship. The study also revealed a slight lag between strategy and structure which can be attributed to other intervening factors and discrepancies in respective subsidiaries government regulations. Strategic position is concerned with the impact on strategy of other mediating factors including internal and external environment, resources, competencies and the expectation and the expectations and influences of the stakeholders (Johnson et al, 2003).The reforms were therefore intended to maximize internal competencies and minimize external threats.

Mckinsey 7's framework states that strategy implementation is normally accomplished by modifying the following: resource allocations, structure, system, skills, culture, staff and

processes. Environmental turbulence and their impact on organization together with available resources and competencies determine competitive advantage which can be utilized to minimize the effects of internal weaknesses and external threats. It is the responsibilities of the management to identify key companies and strategies and allocate resources in order to leverage on competitive advantage.

From the findings it was concluded that the Board and Management were in charge of strategy and business process reengineering. According to Mintzberg (1990), the deliberate designed strategy by the chief executive style of strategy is inflexible and intolerant of deviation. These can be explained by the appointment of McKinsey consultants which led the restructuring process and directly reported to the Board and CEO. Their objectives for reforms included review of the bank's Group corporate and governance structures, business model, jobs roles and people placement, risk management and mitigation mechanisms, employee performance management and reward frameworks as well as the its IT infrastructure and subsidiary businesses, among other areas.

Contingency theory is emerging as an important organizing concept in organizational research including strategic management. This concept's relevance to strategic management research stems from a view that the strategy concept relates to the efficient alignment of organizational resources and capabilities with environmental opportunities and threats (Andrews, 1980; Bourgeois, 1980; Schendel and Hofer, 1979). It is therefore widely accepted that organization success depends on the fit between structure and strategy with other mediating factors also coming in.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the findings of the study discussed in the previous section. It also provides a conclusive overview on the relationship between strategy and structure based on the study. In this chapter issues that have constrained the study are analyzed and suggestions are presented for further studies.

5.2 Summary

The study revealed the relationship between strategy and structure at KCB, trends and changes also showed there have been many structural changes corresponding to changes in strategy. The intent of this study was to find whether strategy influences structure, structure influences strategy, strategy and structure influences each other or they are independent.

KCB has evolved for the past ten years to form a strong regional financial institution .it has grown from task and functions based organization to strategy driven business entity. It has reviewed effectively the number of employees to reduce operational cost and increase efficiency and profitability through right sizing (voluntary early retirement) and non-core assets disposal. The strategies did not yield expected results in periods before 2003.In 2003 the bank embarked in another restructuring proved to be successful since there was fit between strategies adopted and the new structure.

Despite the improved benefits of restructuring, the bank's strategy was mostly directed towards products diversification, market share growth, new markets and technology. This was in spite of stiff competition brought by new entrants in the markets who shifted the market dynamics towards low cost products, mass market, lower segment market and technological efficiency. The bank had to adopt incremental changes in the structure to match its changing strategies even though there was some evidence in strategy structure lag especially in the utilization of the benefits of core banking system.

There are some forms of structures that do not support business strategies, it is therefore important to have structures that are consistent with strategies being implemented. The current structure is designed to improve customer service and get maximum value from the customers through improved product quality, shortened processes and a one-stop-shop for excellent services.

5.2 Conclusion

The study revealed that indeed there has been a relationship between strategy and structure at KCB. However there is slight lag observed between the two mainly due to the cost of implementation, technological challenges and the risk analysis on the business implication. It can also be concluded that sometimes changes in strategies do not have any impact in changes in structure, especially when it doesn't involve major alteration in business processes and functions.

The banking sector has become competitive and volatile in the past decade. New entrants with enticing offers have joined the market, consumer awareness has increased,

knowledge and information process has improved, risk preparedness has been enhanced and governments became strict in the regulations. The environment has become unpredictable. Managers are leading more through uncertainty than ever before. The panacea is to build flexibility into the strategy process, with a portfolio of initiatives from which best choices shall be made adaptable to the new environment pattern. Organizations' which are able to achieve a fit between their strategy and structure can create a significant competitive advantage, while firms that do not have a fit are left vulnerable to external threats of competition and internal inefficiencies.

5.3 Limitations of the study

The major limitation of this study was to find main players in the transformation process since some have already left and others were unavailable. This affected the nature and quality of response since some respondents did not have firsthand experience of the earlier reforms that took place in 2000 and 2003. The respondents were also very careful not to betray the banks confidentiality therefore they answered the questions cautiously.

The study was also restricted to KCB alone whereas there are other financial institutions that have undergone successful restructuring. The study was limited in scope which hindered in-depth interrogation of the impact of mediating factors in the alignment process.

5.4 Recommendations for further research

The study should be also conducted in other financial institutions to test their strategy-structure alignment. Specific recommendation is to test the configuration linkages raised

above by examining empirically the situation in strategy, structure and environmental relationship in relation to performance. Culture and technology has emerged as crucial determinants of strategy structure alignment, the study can be refined further to analyze the impact of culture on strategy and structure and how technology has influenced strategy structure relationship.

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APPENDIX I: INTERVIEW GUIDE

This is an interview guide to collect data on the strategy –structure alignment that has led to corporate restructuring in KCB and various strategies adopted in sustaining business growth

Section A: organization strategy

1. Does your organization have business strategy/strategies and if yes what are they?

Please give detailed explanation of the strategies and how they have been drawn.

2. How are you implementing them?

3. How often do you review your strategy, when and who are involved in the review process.

4. Briefly describe how the core business of KCB has changed over the last few years?

5. What would you consider to be the key drivers for change?

6. How was the change communicated to staff?

7. Has KCB changed or re emphasized its strategy in past few years?

Section B: Organization structure

1. How would you describe the corporate structure of KCB?

2. How many restructuring can you recall since 2000?

3. What triggered the changes in the structure?

4. After the changes in the structure, what can you describe your organization structure?

Section C: Relationship between strategy and structure

1. What can you describe as the major milestone of KCB and Banking sector since the year 2000 to date?
2. Why do you consider these as major changes?
3. Who are the main stakeholders in KCB?
4. What is your vision and mission?
5. How have you achieved your mission for the last decade?
6. Have you reviewed your mission and vision to address any of these changes?
7. What are the major factors that influence strategy and structure in your organization?
8. What is the impact of environment on strategy and structural design you have adopted?
9. It is noted that currently you are undergoing restructuring, what effect will this have on your management approach both operational and strategically?
10. How would you describe the level of service standards in the past few years?
11. Briefly describe the impact of technology on strategy and structure of your organization.
12. What process was used to draw the current or earlier structures?
13. What are the major factors that influence the type of structural configuration in your organization?
14. Is the same structural design applied in all subsidiaries?
15. Are there some differences in business strategies implemented in various subsidiaries?
16. Are there any structural barriers that affect implementations of the organizations strategies?

17. Can you share with me how organization strategies have influenced the structure?
18. In your own perspective can you say how the structure has influenced the choice of strategy?
20. What are the reasons for adopting transformation process?
23. In your own opinion is the structure sufficient enough to support the business strategies?
24. What are some of the constraints you have encountered in aligning structure and strategy?

Thank you.

APPENDIX II: LETTER OF INTRODUCTION

PHILIP OTIENO

KENYA COMMERCIAL BANK LTD.

KISII BRANCH

Dear.....

REQUEST FOR RESEARCH PROPOSAL DATA.

I am a student undertaking a degree in Master of Business Administration, University of Nairobi. I am carrying out a research proposal project in partial fulfillment of the degree requirement.

The research proposal topic is strategy structure alignment at KCB Group Ltd.

I kindly request you to respond to the interview I will conduct. The information you will give will be used surely and solely for academic purposes and will be treated with utmost confidentiality.

Should you require a copy of the research paper, I will gladly oblige.

Regards


Philip Otieno

Cc

Dr Vincent Machuki



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SCHOOL OF BUSINESS
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P.O. Box 30197
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Date: 12th October 2011

TO WHOM IT MAY CONCERN

The bearer of this letter Philip Otieno

REGISTRATION NO: D61/76303/2009

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on Strategy – Structure Alignment at Kenya Commercial bank Group Limited

He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

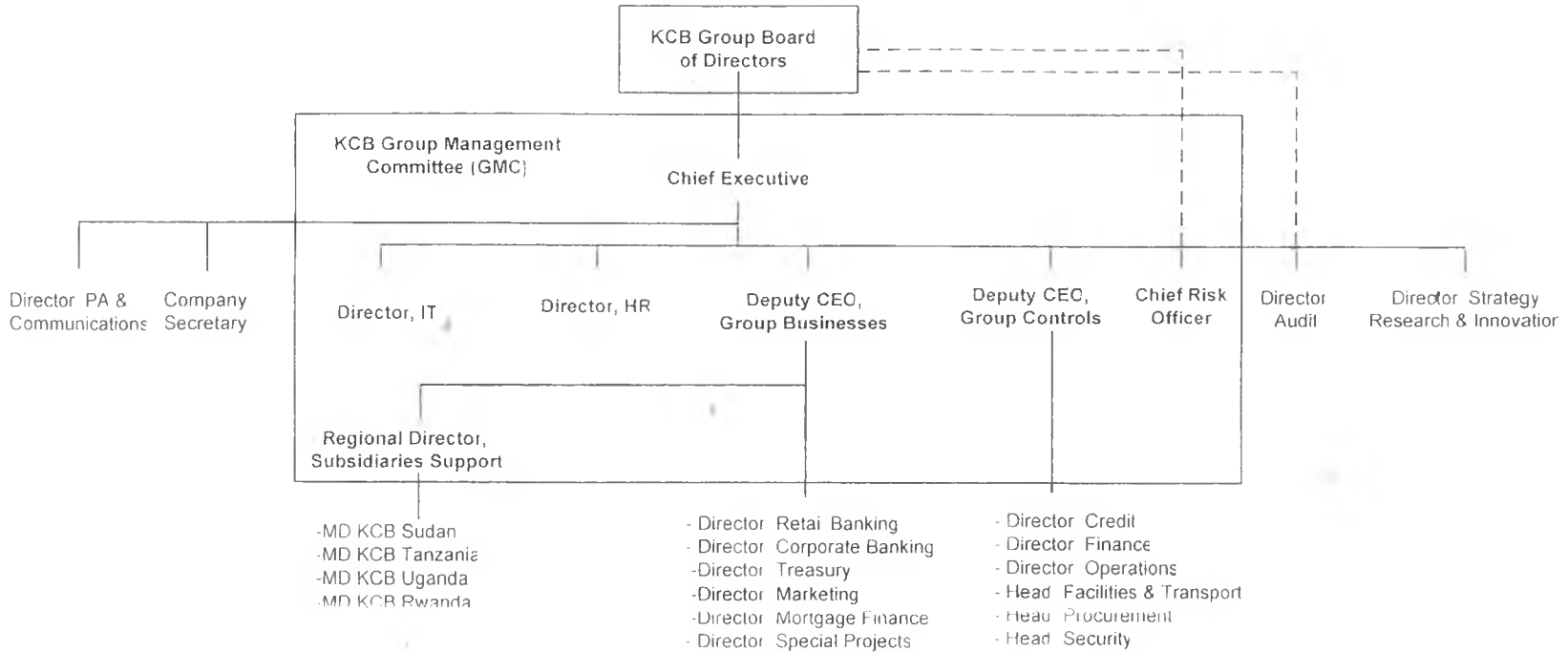
Sincerely,

MR. ALEX JALEHA
COORDINATOR, SOB, KISUMU CAMPUS

Cc File Copy

ISO 9001: 2008 Certified

KCB GROUP STRUCTURE: EFFECTIVE APRIL 1ST 2010



Appendix

KCB Group Organisation Structure Effective 17th May 2011

