

**STRUCTURE AND STRATEGY IN SMALL AND MEDIUM-SIZE
RESTAURANTS WITHIN THE CENTRAL BUSINESS DISTRICT
IN NAIROBI COUNTY IN KENYA**

BY

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DECLARATION

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

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DEDICATION

The research study is highly dedicated to my wife Patricia for trusting, caring and providing a lot of support during my studies. To my sons Felix and Junior, you make me proud.

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ABBREVIATIONS AND ACRONYMS

CBD:	Central Business District
EU:	European Union
OECD:	Organization for Economic Co-operation and Development
KPLC:	Kenya Power and Lighting Company
SMEs:	Small and Medium Enterprises
SPSS:	Statistical software for social sciences

ABSTRACT

Organizations that do not respond to the changing environment demand or do not adapt to keep pace with the change; and even in some situations fail to anticipate change, are likely to suffer and become irrelevant. Whereas structure is the communication and realignment of the internal capabilities that include processes and relationships, strategy is a plan, direction, a guide or a course of action into the future and as a pattern, that is, consistency in behavior overtime (Mintzberg, 1994). The two – strategy and structure must work together to give the organization a competitive edge over its competitors. There is no perfect or ideal organizational design or universally applicable rule for matching strategy and structure and that, all the basic organizational forms have got their strengths and weaknesses. The best organizational structure is that which best fits the situation at the moment. A good match between the structure and strategy is key to building a capable organization. A mismatch between strategy and structure creates strategic problem (Aosa, 1992). Whereas there has been many studies in the area of structure and strategy relationship, structure and strategy is specific to an organization at any particular time due to the unique nature of the organization and its resources as well as the environment in which it operates. This led to the study objective which was to establish structure and strategy relationship in small and medium-size restaurants in the Central Business District in Nairobi-Kenya. Similar studies have been carried out on structure and strategy relationship. Koyio (1999) and Mwangi (2003) whose studies were on manufacturing industries in private sector in Kenya concluded that strategy and structure were reciprocal. The study used cross-sectional survey and the samples were determined through purposive sampling. Data was collected using questionnaires which were administered face to face to the managers and owners of the restaurants. Data was then analyzed using SPSS and descriptive statistics, frequency tables and percentages were obtained and presented. 84.2 % of the respondents had strategy with 78.9% having changed their strategies over the last five years. 89.5% of the restaurants had organization structures with 36.8% having undergone structural changes over the last five years. The changes were as a result of changes in strategy, management actions, and government regulations as well as changes in customer demand and preferences. The study found out that there was a relationship between open systems theory in which the theory was based to the practices of the restaurants in response to their surrounding environments. 78.9% of the respondents agreed that changes in strategy were followed by changes in structure while 21.1% said their choice of strategy was influenced by the organizations structure. The study findings indicated that there was a relationship between structure and strategy and that structure followed strategy. The study had its own limitations of financial and time constraints as well as some respondents who were not willing to give all the information as this touched on very sensitive areas of the organization – structure and strategy and therefore the researcher recommends that the study be done in other counties and other districts of Nairobi County as well as in five star hotels to find out the relationship between structure and strategy.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Structure and strategy plays a key role in the success of any enterprise. Any change in strategy is likely to require some sort of change in the ways an organization is structured and the kind of skills needed in particular positions (Wheelen and Hunger 2008). Successful strategy implementation depends in large part on the firm's primary organizational structure. Existing (inter-organizational) structures also determine the capacity of the organization to pursue a specific strategy and may also entrench managerial interest that shapes a firm specific strategy type. Strategy and structure is dependent on the firm's environment both internally and externally. Changes in the external environment could cause a business to rethink its strategy changing it thereby making it necessary for firm to change its structure to adapt the organization to its environment.

Several organizational theories have been done on the relationship between businesses and their environments. The open system theory described organizations that interacted with their environment, on which they rely on obtaining essential inputs and for the discharge of their system outputs (Cole, 2004). The contingency theory was developed out of the open system theory and states that there is no best way to organize a corporation, to lead a company, or to make decisions. An organizational leadership, or decision making style that is effective in some situations, may not be successful in other situations. The optimal organization leadership or decision making style depends upon various internal and external factors. Therefore the management of any organization

needs to select a mix of theories which will adequately meet the needs of the organization both its internal and external pressures at a particular period in its life.

The hospitality industry is exposed to forces of a rapidly changing competitive environment and in the future hotels and restaurants can expect greater change and uncertainty. Lifestyle diseases have forced people to change their eating habits prompting a big change in food products and the customers demand for better services that has also pushed the hotels and restaurants to change the way they deliver their services. Since customer preferences are continually changing and competitors are innovating new products and services, the strategies adopted by the restaurants in the Nairobi CBD will continually be changing and this will require them to realign themselves to gain competitive advantage over their rivals.

1.1.1 Structure and Strategy

Chandler (1962) defines strategy as “the determination of the basic long term goals and objectives and the adoption of courses of action and the allocation of resources necessary for carrying out goals”. He further defines structure as “the design of the organization through which the business is administered including the lines of authority and communication and the data that flows through these lines”.

Organizational structure determines how the roles, power and responsibilities are assigned, controlled and coordinated and how information flows between the different levels of management and directed towards the goals and objectives of the organization (Mullins, 2010). Strategy is also viewed as the direction and scope of an organization over a long-term period which achieves advantage for an organization through its

configuration of resources within a challenging environment, to meet the needs of the markets and to fulfil the stakeholder's expectations.

Organizations should be structured in such a way that they can respond to pressures for change from its environment and pursue any appropriate opportunities available (Lawrence and Lorsh, 1967). An enterprise operates under a highly dynamic environment where technology, social, political and economic setting in which it operates and the people managing the organization are continually in a flux (Bhattacharyya and Kumar, 2009). This calls for adapting the organization to the changing conditions so that it can survive and grow. Accommodating changes in the organization require that the structure should be partly modified so as to adjust it to the changes in the attitudes, ambitions and abilities of the people.

There are incidences where strategy changes without necessary changing the structure. This arises when an organization is a monopoly or oligopoly where the organization enjoys security from the influence of its environment (Koyio, 1999).

Changes in structure can be followed by changes in strategy. There cannot be a strategy without an organization and therefore in some instances a structure is put in place so that a strategy can be adopted. The impact of process and organization and the contribution of the employees in energizing organization and promoting innovation cannot be underestimated. People and process issues do not arise after strategy has been agreed (lynch, 1997).

In some cases, strategy and structure influence each other. This happens when structure and strategy changes at the same time and both reciprocate each other. Aosa (1992) in his study found that strategy and structure were reciprocating relationship.

In cases where strategy is emergent, the learning and experimentation involved may need a more open and less formal organization structures. It does not matter which one comes first, structure or strategy since the two are interwoven hence interdependent. Strategies cannot be decided in isolation from the organization structure because structures both enable and constrain strategies (Mintzberg, 1990).

1.1.2 Small and Medium Enterprises

Defining SME sector and particularly small businesses is fairly difficult as there are differences in what is appropriate to describe as “small” in different industries (Storey, 1994). The EU defines SMEs according to the number of employees, turnover and balance sheet totals. Micro, small and medium sized enterprise is one that has less than 10, 50 and 250 employees, less or 2, 10 and 50 Million Euro turnover and less or 2, 10 and 43 Million Euro balance sheet total respectively. Organization for Economic Co-operation and Development (OECD) uses employee numbers with slightly different criteria; micro-firms having fewer than 20 employees, small 20-99 and medium 100-299 employees. US definitions consider all the firms employing fewer than 500 employees as SMEs. The Republic of Kenya (2005) defines Small and Medium Enterprises business enterprises as those that employ 10-49 and 50-99 people respectively.

The changing environment both internal and external is rapidly making it imperative for the small scale enterprises to continually conduct their activities effectively and

efficiently in order to succeed. To survive in dynamic environments, enterprises need to adopt business strategies that focus on the customers and deal with the emerging issues and the changing environment challenges even when the operation is designed and activities planned.

1.1.3 Hospitality Industry

The hospitality industry is a broad category of fields within the service industry that includes lodging, restaurants, event planning, theme parks, transportation, cruise line, and additional fields within the tourism industry. The hospitality industry is a several billion Kenya Shilling industry that mostly depends on the availability of leisure time and disposable income. A hospitality unit such as a restaurant, hotel, or even an amusement park consists of multiple groups such as facility maintenance, direct operations (servers, housekeepers, porters, kitchen workers, bartenders, etc.), management, marketing, and human resources.

Kenya offers excellent dining opportunities. The blends of cultures that have existed in Kenya have led to a rich diversity of food. The abundance of seafood, fresh vegetables, fruit and meat provides excellence in raw materials number of which is exported to Europe. Nairobi has a large diversity of restaurants and well used by locals and tourists and some having achieved internal fame. Most types of cuisine can be found in Nairobi.

1.1.4 Restaurants in Nairobi Central Business District

A restaurant is a business establishment which prepares and serves food and drink to customers in return for money, either paid before the meal, after the meal, or with a running tab. Meals are generally served and eaten on premises, but many restaurants also

offer take-out and food delivery services. Restaurants vary greatly in appearance and offerings, including a wide variety of the main chef's cuisines and service models.

The characteristics of SMEs in Nairobi CBD have been described as those of self employment with high proportion of family workers and apprentices, requirement of little capital, ease of entry and exit and small scale nature of activities and have little access to organized market (Kendi, 2012). Restaurants form a considerable number of SMEs in the Nairobi's CBD selling products ranging from Fresh juices, Smoothies, Coffee and various foods and employing between 10 and 99 employees. Due to globalization, SMEs in Nairobi CBD have to compete in the global market by developing competitive advantages which are affected by costs and quality.

The Hotel industry has lately been facing competition which has been triggered by the latest rising trends of lifestyle diseases caused by poor eating habits of the people around the world. These trends have put the hotels and restaurants in a turbulent environment where peoples' tests and preferences are changing every day with people focusing on health eating habits.

1.2 Research problem

Structure and strategy are very important factors in the success of every organization. The structure of an organization is determined by the size of the organization and the complexity of its business. Strategy and structure are related and whether one follows the other, interdependent or independent of each other is an area that has been debated by many scholars. Regardless of whether structure follows strategy or vice versa, it is clear that change in strategy requires change in structure and vice versa. Strategy refers to the

future long term goals and objectives of the company and adoption of course of action and consequently allocating the necessary resources to carry out goals while structure is the particular system of arrangements, lines of authority and communication in an organization, ensuring a smooth flow of resources culminating to the achievement of the organizational goals. It is very clear that the match of an organization structure and its strategy can influence the performance of an organization.

The hospitality industry comprises of five star hotels, four star hotels and three star hotels, restaurants, bars and lodgings and coffee shops etc. They offer food and services to the people around. The Nairobi CBD comprises of such hotels and restaurants, coffee shops, bars and lodgings that compete for business in the market with each of them jostling for position. The Nairobi CBD comprises of all kinds of people working in the offices and these people require food and drinks served in a manner they want. The area also comprises of average, medium and high spending people with majority being average and thus the area has many restaurants than there are hotels.

Several studies have been done on the area of structure and strategy relationships. Mutua (2012) in her study of strategy and structure alignment at Barclays Bank of Kenya found out that corporate strategies led to changes in structure and the conclusion was that there was a relationship between strategy and structure at Barclays Bank of Kenya. Ciano (2006) in his study of KPLC found out that there was a relationship between strategy and structure though there was a lag between the two. Koyio (1999) did a study of structure and strategy relationship in pharmaceutical companies and found out that there was a relationship and that strategy and structure reciprocated each other. Mwangi (2003) also did a similar study on locally owned pharmaceutical manufacturing companies and

multinational companies operating in Kenya and the findings were that structure followed strategy. Another study was also done by Ogolla and Awino (2009) who looked at the broader configuration of structure, strategy, environment and performance. Otieno (2011) did a study on structure-Strategy alignment at Kenya Commercial Bank group Limited and found out that there was a relationship between strategy and structure at Kenya commercial Bank although there was a slight lag between the two. Muthoka (2008) also did a survey of structure and strategy relationship in multinational banks operating in Kenya while Kioko (2009) did a study of manager's perception of strategy and structure at Nairobi Bottlers Company and the findings were that there was a relationship between the two.

Studies that have been done on structure and strategy relationships have focused on specific aspects of different organizations but structure and strategy is unique in every organization and varies from organization to organization and depends on the environment and the internal capabilities of the organization. Therefore the study focused on structure and strategy on small and medium-size restaurant in Nairobi CBD. The business environment is continually in a flux and dynamic and requires each organization to adapt its structures so that it is flexible enough to allow a continuous improvement on its performance. Strategy and structure are context specific and the findings in the previous studies having been done on different contexts may not be used to explain the strategic and structural relationships in small and medium-size restaurants in Nairobi CBD. What is the relationship between structure and strategy in small and medium-size restaurants in Nairobi central business district?

Research Objective

The objective of the study was to establish structure and strategy relationship in small and medium-size restaurants in the Central Business District in Nairobi-Kenya.

1.4 Value of the study

This study will be of interest to government officials and its development agencies involved in SME support policies and programs. The government has a mandate to ensure that business thrives well as part of their goal of growing the country's economy.

In practice the study will be useful to the restaurant owners and managers in improving their performance through effective match of organizational structure to strategy. Restaurant owners are keen on improving the performance of their businesses and will be interested in understanding the steps to take to improve the performance.

In academics, the study will shed more light to the relationship of strategy and structure which adds to the body of knowledge to the academics world. The study will also open more opportunities for further research in the area of structure and strategy relationships in the hotel industry and add more knowledge to the studies of the open system theory.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature that has been done by other scholars on the areas of strategy and structure in organizations. The study identifies strategy and structure and compares both, their relationship and how they influence the performance of organizations.

2.2 Theoretical Perspective

In system theory, an open system is a system which continuously interacts with its environment or surroundings. The term "open systems" reflected the newfound belief that all organizations are unique - in part because of the unique environment in which they operate - and that they should be structured to accommodate unique problems and opportunities. The open system theory described organizations that interacted with their environment; on which they rely on obtaining essential inputs and for the discharge of their system outputs (Cole, 2004). The contingency theory was developed out of the open system theory and stated that there was no single theory at that time which could guarantee the effectiveness of an organization. Management of organizations has to select a mix of theories which will meet the needs of the organization and its internal and external pressures at a particular period of time in its life.

Environmental changes generate uncertainty that perpetuates prospects of either not surviving or for changing their activities in response to the respective environment. Thus an organization is an open system, changes or demand from the environment will force

the organization to redefine its strategy and realign its internal resources and capabilities to strategically position it (Ciano, 2006).

In organizational theory, Pfeffer (1997), studies provide an interdisciplinary focus on, the effect of social organizations on the behaviour and attitudes of individuals within them, the effects of individual characteristics and action on organization, the performance, success, and survival of organizations, and the mutual effects of environments, including resource and task, political, and cultural environments on organizations and vice versa.

2.3 Structure and Strategy Relationship

Chandler (1962) argues that structure follows strategy. In his study of DuPont, General motors, Sears, and Standard oil, changes in the environment gets reflected in the strategy which lead to changes in the organization structure. Structural changes occur because the old structure having been pushed too far leads to inefficiencies that become too obvious detrimental to bear. This prompts the management to initiate structural changes to combat the situation.

Strategy is creating fit between the external characteristics and internal conditions of an organization to solve a strategic problem where strategy problem is the mismatch between the internal characteristics of an organization and its external environment. The matching is achieved through developing an organizational core capabilities that correlate to the external environment and organizational internal capabilities (Aosa, 1992).

According to Thompson and Strickland (1989), structure evolves as strategy evolves in what he refers to as 'the stage model'. In this model organizations structure changes as

business grows from simple to complex operations. It consists of six stages of an organization growing from small single business enterprises managed by one person to large, diversified firms decentralized by line of business. Structure identifies key activities within the firm and the manner in which they will be coordinated to achieve the firm's strategic purpose (Pearce and Robinson, 1991)

In some incidences changes in structure precedes changes in strategy. A particular organizational structure influences the strategy of that organization. A particular structure develops a mindset of the people working in the organization making them adaptable to it and any changes to it to keep pace with the changed strategy (Bhattacharyya and Kumar, 2009).

Jackson and Carter (2000) recognized that there cannot be organization if there is no structure. At a strategic level, the ways in which organizations are structured affect their scope to interact with their environment and fulfill their strategic goals, their abilities to operationalize and their working relationships and behaviors. Management levels in an organization can equally dictate the strategies to be undertaken by an organization (Kirer, 2011). Management contains various levels of management and an organization will only succeed if all the players or levels work in harmony and each level play a role in contributing to the overall goal. A strategy does not work well unless its parts are mutually reinforcing and its functional strategies are supportive of the overall business level strategy (Thompson and Strickland, 1989).

Strategy and structure can also reciprocate each other where changes in structure and changes in structure happen at the same time. This is according to Koyio (1999) in his study of structure and strategy relationship in pharmaceutical companies.

Strategy can also be independent of structure where changes in strategy do not need to be followed by changes in structure. This arises when an organization is a monopoly or oligopoly and the organization is capable of controlling its environment (Koyio, 1999).

Strategy and structure are interdependent where the strategy is emergent, the learning and experimentation involved may need a more open and less formal organization structures because structure and strategy are interwoven hence interdependent. Strategies cannot be decided in isolation from the organization structure because structures both enable and constrain strategies (Mintzberg, 1990).

According to Porter (1980), every firm competing in an industry has a competitive strategy whether explicit or implicit. There are three generic strategic approaches to outperforming other firms in an industry namely the overall cost leadership, differentiation and focus. For a firm to compete effectively it has to position itself to maximize the value of the capabilities that distinguish it from its competitors.

The success of a strategy can be seen in the organization in various ways; the increase or decrease of profit margins, the increase or decrease of the market share, the net profits or return on investment, the firms' growth in sales relative to the rival firms and the firms' profitability relative to rival firms (Thompson and Strickland, 1989).

2.4 Organizational Structure

Chandler (1962) points out that as the complexities of firm's strategy increases, the structure is expected to move from functional to divisional forms. The contingent relationship between strategy and structure was the idea that certain strategy and structure combinations are better than others. The complexity of certain multiproduct firms could best be served by divisional structures. As firms strategy grows in complexity, it is important structural changes follow otherwise in efficiencies would be expected. When external environment of an organization changes or dictates changes significantly, this creates pressure for change of an organizations strategy which again pushes the organization to adapt to their internal operations to reflect the new realities.

Organizational structure is a particular system of arrangements, pattern of network relations in an enterprise between various positions characterized by activity-authority relationship (Bhattacharyya and Kumar, 2009). The global economy demands ever increasing productivity, speed and flexibility from companies that seek to survive or perhaps thrive. To do so the companies must change their organizational structures dramatically, retaining the best of their traditional structures while embracing radically new structures that leverage the value of the people who generate ideas, collaborate with colleagues and customers, innovate and there in generate future value for the company (Pearce and Robinson, 2011).

Structure is clearly important for any organization, whatever size. However in the smaller organizations there are likely to be fewer problems of structure. The distribution of tasks, the definition of authority and responsibility, and the relationship between members of the organization can be established on a more personal and informal basis. With

increasing size, however, there is greater need for a carefully designed and purposeful form of an organization. There is also need for a continual review of structure to ensure that it is the most appropriate form for the particular organization and in keeping with its growth and development (Mullins, 2010).

Organization design plays a key role in strategy implementation. Structure improves the efficiency of operations and balances the need for specialization with that need for integration. The need for structure becomes evident as the business evolves. In the early days of an organization, structure receives little attention, over time, as the scale and complexity of operations increases, problems emerge and the charisma of the founders becomes insufficient to manage a larger enterprise. As a result, the scale of business activity expands, activities need to be subdivided and responsibilities assigned. At the same time there is need for tight coordination of the different activities.

Before any plans can be implemented an organization should be appropriately organized, programs should be adequately staffed and activities should be directed towards achieving desired objectives. The organization structure has definite bearing on the behavior of employees and its effectiveness is affected by the nature of culture and climate that exists within an organization. The structure influences the nature of managerial attitude, style and the culture and the climate in the organization thereby affecting the levels of employee's morale and commitment (Millmore, Lewis, Saunders, Thornhill and Morrow, 2007). Good structure allows its organization to improve its ability, to create value and develop competitive edge.

One of the main functions of a manager is to exploit the resources available for the company by creating designs and patterns of work and appropriate conditions that enable the people to achieve the intended goals and objectives. Organization structure helps determine the authority relationships among members of an organization hence influencing the behavior of individuals, groups and divisions within an organization (Bhattacharyya and Kumar, 2009).

Organizational structures can exist in two forms emanating from span of control; flat and tall structures. Flat structures have few hierarchical levels while tall structures involve too many levels. Tall structures are associated with slow communication, slow decision making, information distortion, high costs, information overload, less authority and motivation on the part of middle level managers (Jeyarathmm, 2009). Flat structures are associated with decision on making and response to the environment.

There are several types of organizational structures; functional, divisional, virtual organization, cellular organization and hybrid or matrix (combination of both functional and divisional structures). The matrix structure is very useful when external environment and more especially it's technological and market aspects, is very complex and changeable. Cellular structures are composed of cells that include self-managing teams and autonomous business units which can operate alone but interact with other cells to produce a more potent and competent business mechanism (Wheelen and Hunger, 2008). This is the most advanced type of structure and it is the pressure for a continuous process of innovation in all industries.

2.5 Strategic Change

Corporations evolve through long periods of stability (equilibrium periods) punctuated by relatively short bursts of fundamental change (revolutionary periods). After the long period of fine tuning an existing strategy, some sort of shock to the system is needed to motivate management to seriously reassess the corporation's situation (Wheelen and Hunger, 2008)

Strategic change generally calls for change in how internal activities are conducted and administered to counter any resistance tendencies by parts of the organization to the new strategy. Employees are the biggest resource and contributor to the success of an organization strategy and to which the structure is built. This calls for employee commitment to the vision, mission and values of the organization which is achieved through motivation, incentives and rewarding good performance, which is one of the first steps, is selection of a strong management team with the right mix of skills for the key positions. According to Peters and Waterman, (1982) and McKinsey 7s framework model, the basic premise is that there are seven internal aspects of organization that needs to be aligned if it is to be successful: Strategy, Structure, Systems, Shared Values, Skills, Staff and Style

The extent of an organizations success is partially dependent upon its ability to be proactive as well as reactive to the environment. The organization must be aware of shocks and surprises being generated in its environment and be able to coordinate information and effort throughout the organization in order to deal with any potential threats (Thompson, 1997).

2.6 Matching Organizational Structure to Strategy

Strategy is a carefully devised plan of action to achieve a goal or the art of developing or carrying out such a plan while organizational structure is a framework or system of parts: a system or organization made up of interrelated parts functioning as a whole in which the coordination of the strategy and structure leads to strategy implementation. Strategy is a plan, direction, a guide or a course of action into the future and as a pattern, that is, consistency in behavior overtime (Mintzberg, 1994).

The environment is very dynamic and organizations must keep changing and adapting their strategies to their environment to compete successfully and to do so they must align their internal strengths and capabilities in a competitive position and one of the ways of aligning the organization is by having an effective organization structure.

Strategy is implemented through a particular structure and control resulting to organizational design the purpose of which is to coordinate employees' activities and to motivate them thereby increasing performance (Jeyarathman, 2008). Shifts in competitive focus require changes in organizational structure and systems to support them. These may come in the form of tighter budgeting, stricter control and new performance incentive systems (Porter, 1980).

According to Wheelen and Hunger (2008) in their organizational life cycle approach, an organization just like products undergo birth, growth, maturity, decline and death stages. These stages have different strategies and structures that are adopted as the organization grows ensuring that it competes effectively in the market. When a business starts, it is dominated by the owner who plays all roles in the business. As the business grows, the roles and functions become more and more and there arises the need to create functions

and employees to execute those functions. The structures are changed as the business grows and the environment changes to ensure that the business remains competitive. In the decline stage, there is need for the business to have strategies that will enable the organization to retain its profits or market share and there will require structural surgery. This will involve retrenchment, change of structure as well as change in personnel.

According to Thompson and Strickland (1989), every strategy is grounded in its own set of key success factors and critical tasks and a successful strategy highly depends on good internal organization and competent personnel. There is no perfect or ideal organizational design or universally applicable rule for matching strategy and structure and that, all the basic organizational forms have got their strengths and weaknesses. The best organizational structure is that which best fits the situation at the moment. A good match between the structure and strategy is key to building a capable organization.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that was used in the study. It shows the data collection techniques and the methods that were used to analyze the data.

3.2 Research Design

This study employed cross-sectional survey in carrying out the research. This was in line with what Saunders, Lewis and Thornhill (2007) who argued that the objective of using cross-sectional survey is to provide information on a phenomenon (or phenomena) studied a particular time and generate findings that have universal validity. Surveys allow the collection of large amounts of data from a sizeable population in a highly economical way.

Survey is a measurement process used to collect information during structured interviews where questions are carefully chosen or crafted, sequenced and precisely asked of each participant with the aim of deriving a comparable data across subsets of the chosen sample so that similarities or differences can be found (Cooper and Schindler, 2011).

3.3 Population

The population targeted in this research comprised of small and Medium-Size restaurants in Nairobi's CBD. The estimated target population was 120 restaurants comprising of coffee shops, fast food and sit in restaurants.

The Nairobi's central business district (CBD) is the area surrounded by Uhuru Highway from Haile-selassie roundabout, university way roundabout, from University way to Moi

Avenue and Railways roundabout and back to Haile-selassie roundabout. The restaurants in the CBD serve the population of employees who work in the government offices, colleges and private businesses and offices.

3.4 Sample Design

The sample population for the study was selected from the small and medium-size restaurants in Nairobi's CBD. The study targeted a sample size of 24 (20%) restaurants and used purposive sampling method to arrive at the participating restaurants and administered the questionnaires using face to face method. Purposive sampling is used when the research design calls for a sample of population which exhibit particular attributes or characteristics.

Data sample is a set of data collected or selected from a population by a defined procedure and statistics calculated from the samples so that one can make inferences or extrapolations from the sample to the population. It is a set of data collected or selected from a statistical population by a defined procedure.

3.5 Data Collection

Data was collected using questionnaires administered face to face with the respondents. This was aimed at making data collection systematic. The questionnaires were self-administered where owner-managers were given questionnaires to give their answers. The researcher created a good rapport with the respondents which made the study successful.

The research study employed largely open ended questions. Questionnaires were pre-tested before distribution to the respondents. Secondary data was obtained from the owner-managers and previous researches.

3.6 Data Analysis

Data was analyzed using Statistical package for social sciences (SPSS). Descriptive statistics such as mean and standard deviation, frequency distribution tables and percentages were obtained and presented. Data was then be analyzed qualitatively and quantitatively to address research objective.

Descriptive statistics enables one to describe and compare variables numerically and focuses on central tendency and dispersion Saunders *et al.*, (2007). Descriptive statistics aims at summarizing and describing the sample concerned in the study.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

The chapter covers the analysis of data obtained from the study. The data was collected and analyzed to address the research objective which was to study structure and strategy relationship in small and medium-size restaurants within the Nairobi CBD. The data was obtained through filling of questionnaires which were administered face to face to the owners and the managers of the restaurants.

4.2 Respondent Profile

The study targeted managers and owners of the restaurants as they are charged with crafting of strategy and discharge of organizational obligation to ensure its survival and success. A total of 24 questionnaires were distributed to the respondents and 19 (79.17%) of them were successfully filled while 20.87% were not.

Respondents in the restaurants were asked to indicate their experience in the restaurant business and the findings were as below:

Table 4.1: Years of experience of respondent

	Frequency	Percent
Between 1-5yrs	12	63.2
Between 6-10yrs	4	21.1
Over 10 yrs	3	15.8
Total	19	100.0

Source: Field data

From the Table 4.1 above, majority of the interviewees had between 1 to 5 years (63.2%) of experience, 21.1% had between 6 to 10 years while 15.8% had over 10 years of experience in the restaurants business.

Table 4.2: Age bracket of respondent

	Frequency	Percent
Between 20-30yrs	3	15.8
Between 31-40yrs	14	73.7
Above 40yrs	2	10.5
Total	19	100.5

Source: Field data

According to Table 4.2 above, majority (73.7%) of the respondents were aged between 31 to 40 Years, while those aged between 20 and 30 and over 40 years were 15.8% and 10.5% respectively.

Table 4.3: Number of employees

	Frequency	Percent
Between 10-49	17	89.5
Between 50-99	2	10.5
Total	19	100.0

Source: Field data

According to the Table 4.3 above, majority (89.5%) of the restaurants had between 10 and 49 employees while the rest of the restaurants (10.5%) had between 50 and 99 employees.

Table 4.4: Number of Years in Business

	Frequency	Percent
Between 1-5yrs	4	21.1
Over 5yrs	15	78.9
Total	19	100.0

Source: Field data

According to the table 4.4 above, 21.1% of the restaurants had existed for at least between 1 and 5 years while the majority (78.9%) had been in business for over 5 years.

Table 4.5: Respondents' Profile Statistics

	Mean	Standard deviation	Largest	Smallest
Experience	6.0526	4.6604	16	1
Age	34.3158	6.5069	49	22
No of employees	30.8947	18.1350	80	10
Years in business	11.6842	10.2364	41	2

Source: Field data

According to the table 4.5 above, the respondents had means of 6.0526, 34.3158, 30.8947 and 11.6842 in experience, age, number of employees and years in business respectively. The standard deviations were 4.6604, 6.5069, 18.1350 and 10.2364 in experience, age, number of employees and years in business respectively. The highest experienced respondent had 16 years while the lowest had 1 year. The most aged respondent had 49 years while the youngest had 22 years. Some restaurants had been in business for as long as 41 years while the newest had existed for only 2 years.

Table 4.6: Gross Turnover in the Last Five Years

	Frequency	Percent
Between 5-25 millions	5	26.3
Over 50 millions	1	5.3
Non Responsive	13	68.4
Total	19	100.0

Source: Field Data

According to Table 4.6 above, majority (68.4%) did not respond to this question, while 26.3% and 5.3% had between 5 to 25 million and over 50 Million respectively.

4.3 Structure and strategy relationship in small and medium-size restaurants within the central business district in Nairobi County in Kenya

Respondents were asked questions on the areas of strategy and structure. They were asked to indicate whether they had strategies for their restaurants, whether they reviewed their strategies and how often they reviewed their strategies and whether they had made

any changes to their strategies. They were also asked questions about their core business, organization structure, vision and mission statements and what the direction of change was and the following were the analysis of the responses as shown in the following tables:

Table 4.7: Does the Restaurant have Strategy

	Frequency	Percent
Yes	16	84.2
No	1	5.3
Not Sure	2	10.5
Total	19	100.0

Source: Field Data

According to the Table 4.7 above, 84.2% of the restaurants had strategy over the last five years while 5.3% did not have organizational strategy. 10.5% were not sure whether they had strategy or not.

Table 4.8: Frequency of review of strategy

	Frequency	Percent
1-6 months	13	68.4
7-12 months	3	15.8
Over 12 months	3	15.8
Total	19	100.0

Source: Field Data

According to the Table 4.8 above, of the respondents, 68.4% reviewed their strategies between 1 and 6 months, while those who reviewed between 6 and 12 months and over a year were 15.8% and 15.8% respectively.

Table 4.9: Change of core business in the last five years

	Frequency	Percent
Yes	10	52.6
No	9	47.4
Total	19	100.0

Source: Field Data

According to Table 4.9 above, 52.6% had changes in their core products over the last five years while 47.4% did not have any changes in their core products.

Table 4.10: Key drivers of change in your restaurant

	Frequency	Percent
Management	3	15.8
Customer preference	7	26.3
Change in government laws, Competition and customer preference	5	36.8
All the above factors	4	21.1
Total	19	100

Source: Field data

According to the Table 10 above, 15.8% said changes in their restaurant were as a result of changes in management decisions, 26.3% was as a result of changes in customer preferences, 36.8% was a result of combination of changes in government laws, competition and customer preferences while 21.1% said was a result of all the above factors. When asked, the respondents said customer preferences had changed over the last five occasions by increase in life style diseases which caused changes in customers eating habits. Other major changes were caused by market competition. With mushrooming of new restaurants within the CBD, the existing restaurants were left with no choice except to adapt their organizations to the environment.

Some restaurants were affected by the government regulation on alcohol which required them to sell alcohol in specific hours thereby reducing the hours of business, which

caused them to lose business thereby pushing them to rethink their strategies. 15.8% were as a result of deliberate action by the management to improve on the performance of their restaurants.

Table 4.11: Has your strategy changed over the last five years

	Frequency	Percent
Yes	15	78.9
No	4	21.1
Total	19	100.0

Source: Field Data

According to the Table 4.11 above, 78.9% had made changes in their strategies while 21.1% had not. This was a mean of 1.21 and standard deviation of 0.419 which indicated that the restaurants changed their strategies.

The respondents were asked to indicate whether they had organizational structures, whether they had made any changes to their structures, the causes of the changes and whether the objectives of the changes were achieved and the response was as shown below:

Table 4.12: Does the restaurant have organization structure

	Frequency	Percent
Yes	17	89.5
No	2	10.5
Total	19	100.0

Source: Field Data

In Table 4.12 above, the study shows that 89.5% had organization structures while 10.5% did not. The study also established that those who had the organization structures were able to describe them. The majority had simple structures e.g. from Director or owners to Managers from managers to supervisors and then to other staff e.g. the chefs, cashiers, cleaners, waiters and barristers.

Table 4.13: Has restaurant undergone structural changes in the last five years

	Frequency	Percent
Yes	7	36.8
No	12	63.2
Total	19	100.0

Source: Field Data

According to the results in table 4.13 above, 36.8% of the restaurants had structural changes while 63.2% did not change their organization structures over the last five years.

This showed that while 78.9% changed their strategies over the last five year, only 36.8% changed their structures and this represented 29% of those who had changed their strategies. This showed that 49.9%of the restaurants changed their strategies without changing their structures.

Table 4.14: Causes of structural changes

	Frequency	Percent
Management	2	10.5
Changes in strategy	12	63.2
Management and Change in strategy	3	15.8
Other factors	2	10.5
Total	19	100.0

Source: Field data

The study in Table 4.14 above showed that majority of the changes were as a result of changes in strategy (63.2%), 10.5% were as a result of management actions, 15.8% was a result of a combination of management and strategy changes, while 10.5% was as a result of other factors. This was a mean score of 2.26 and standard deviation of 0.806 which indicated that the changes were majorly caused by strategic changes.

Table 4.15: Were objectives of structural changes achieved

	Frequency	Percent
Yes	14	73.7
No	5	26.3
Total	19	100.0

Source: Field Data

According to table 4.15 above, a total of 73.7% of the respondents had achieved their objectives of changing the structures and 26.3% had not.

The respondents were asked to indicate whether they had vision and mission statements and whether they were written. They were also asked to state whether they had changed them over the last five years and whether they had changed the long term objectives of their restaurants. The researcher also sought to know from the respondents which came first, the structural changes or the strategic changes and the responses were as shown below:

Table 4.16: Does the restaurant have vision and mission

	Frequency	Percent
Yes	18	94.7
No	1	5.3
Total	19	100.0

Source: Field Data

In the Table 4.16 above shows that 94.7% had vision and mission statements while 5.3% did not have vision and mission statements.

Table 4.17: Has vision and mission changed over the last five years

	Frequency	Percent
Yes	2	10.5
No	17	89.5
Total	19	100.0

Source: Field Data

According to Table 4.17 above, 89.5% had not changed their vision and mission statements while 10.5% had changed them over the last five years.

Table 4.18: Have you reviewed long term objectives over the last five years

	Frequency	Percent
Yes	16	84.2
No	3	15.8
Total	19	100.0

Source: Field Data

According to the results shown in Table 4.18 above, the majority (84.2%) had reviewed their long term objectives while 15.8% had not reviewed their long term objectives over the last five years.

Table 4.19: Did changes in strategy influence the changes in structure

	Frequency	Percent
Yes	15	78.9
No	4	21.1
Total	19	100.0

Source: Field Data

The study showed, according to table 4.19 above, that 78.9% of the changes in structure were as a result of changes in strategy while 21.1% was influenced by other factors such as management action. The mean score was 1.21 and a standard deviation of 0.419 which indicated that structural changes were influenced by changes in strategy.

Table 4.20: Did structure influence the choice of strategy

	Frequency	Percent
Yes	4	21.1
No	15	78.9
Total	19	100.0

Source: Field Data

Table 4.20 above shows that the few changes in strategy (22.1%) were as a result of changes in structure while 78.9% of the respondents said that structure did not influence

the choice of strategy. This was a mean score of 1.79 and a standard deviation of 0.419 which indicated that change in structure did not influence the choice of strategy.

Table 4.21: Have you had improved performance over the last five years

	Frequency	Percent
Yes	19	100

Source: Field Data

According to the Table 4.21 above, all the restaurants had recorded improved performance over the last five years.

4.4 Discussion of Findings

This section intends to look at how the findings in study relate to the organizational theory as advanced by Pfeffer (1997) and open system theory as advanced by Cole (2004) and compare the findings with other studies that have been carried out in the area of structure and strategy relationship. The discussion of the findings is intended to demonstrate the importance of the findings in collaborating to the existing knowledge and areas that require further attention by both management researchers and practitioners.

The open system theory advocates for constant interaction of an organization with its environment or surroundings. Organizations are unique because of the unique environment they operate and their unique resources that accommodate their unique problems and abilities to tap in opportunities. The main force that determines the organization structure is strategy. If management makes significant changes in its organization strategy, the structure will need to be modified to accommodate and support this change (Pennings, 1992).

The restaurants have embraced this theory in one way or the other. They have done so by responding to pressures from the environment; from customers, the government and the competition. There has been changing tastes and preferences of the customers caused by the rising numbers of lifestyle diseases, which has forced the customers to change their eating habits. The Introduction of alcohol bill which became a law in 2010 (Mututho law) has forced bars to turn to food products in order to survive. This has as a result, intensified the competition for restaurants and forced the restaurants to come up with new strategies in order to survive. The study also shows that the restaurants have introduced new products and changed their strategies as well as adapting their organizations through efficiently changing their organizational structures.

The study is compared to other studies done by other researchers. Mwangi (2003) did a similar study on locally owned pharmaceutical manufacturing companies and multinational companies operating in Kenya and found out that structure followed strategy. Muthoka (2008) also did a survey of structure and strategy relationship in multinational banks operating in Kenya and the findings were that structure follows strategy. Koyio (1999) did a similar study of structure and strategy relationship in pharmaceutical companies and found out that there was a relationship and that the two were reciprocal.

The study found out there was a relationship between structure and strategy but there fewer (36.8%) changes in structure that were done following changes (78.9%) done on strategy. There were also fewer (21.1%) occasions where the choice of strategy was determined by changes in structure which majority (78.9%) agreeing that structural changes did not influence their choice of strategy.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presented the summary of the data finding, conclusions observed from the findings and the recommendations. The conclusions were made to address the research question, and objective outlined in this study. The chapter is outlined into Summary, structure and strategy relationship, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of the findings

The study also showed that these restaurants had strategies and organizational structures and reviewed their strategies. The respondents reviewed their strategies on quarterly, semi-annually and on annual basis. The restaurants also had weekly meetings to follow up on their plans. This was aimed at making a follow up on their plans, evaluating and making corrective action in order to achieve their objectives and strategy. Most of these restaurants had set targets and objectives for their employees with some of them remunerating their employees on commission basis upon achievement of their targets. This was an indication that the restaurants responded to market forces.

Majority of the respondents said had organization structures which was an indication that the restaurants had a way of communicating and managing their restaurants. Minority (36.8%) of the restaurants changed their organizational structures with few responding to the changes in strategy or as a result of changes in management policies and government

laws and regulations. The study further found out that there were changes in the core products of the restaurants as a way of responding to the market forces and customer demand and preferences. The restaurants had recorded improved performance over the last five years.

The restaurants changed their strategies followed by changes in structure and the changes were fewer compared to the changes in strategy. Some restaurants did not change their structures and said they were adequate even after the changes in their strategies while others did not have enough resources to do so. These restaurants recorded reduced improvement in performance compared to the restaurants that changed their restaurants to match their strategies.

5.3 Conclusion

It is not mandatory to change the organization structure every time strategies change but there is need to have an appropriate structure in place to execute your strategy. There is no way of matching structure and strategy that is universally applied to all organizations. A good match of the structure and strategy is specific to every organization due to the unique nature of organizations resources and environment.

The restaurants had strategies and structures which they changed in response to their environment forces. There were changes in strategy followed by fewer changes in structure, likewise there few changes in structure that influenced the choice of strategy. From the discussion we conclude that structure follows strategy.

5.4 Recommendations

The government should make flexible laws that will allow restaurant businesses thrive well without undue competition. They should allow participation of the stakeholders involved to make their inputs to draft laws before they are implemented.

Organization structure should be tested for adequacy to use with the organization strategies. When a need to change the structure arises and the same is not done to match the changes in strategy, this could lead to inefficiencies resulting to reduced performance of the restaurant. The researcher therefore recommends that restaurants match the changes in structures with the changes in strategy otherwise the cost of not responding could be costly leading to reduced or no performance and thereby giving their competitors the opportunity to beat them in the market which could eventually lead to closure of their businesses.

The researcher recommends that these studies be done from other counties and other districts of Nairobi County. This will help in generating more findings in to the relationship of structure and strategy with small and medium-size restaurants in Kenya.

5.5 Limitations of the Study

The study was a survey and the information needed touched on the sensitive areas of the organizations – strategy and structure and to reduce resistance from the respondents, the researcher made an effort to construct questionnaires that sought to ensure that the information was general and specific to the study. Some respondents were unwilling to give all the information for the study citing confidentiality.

There were also time and financial constraints. The time and resources required by researcher was limited and therefore the researcher was not able to cover a wider area.

5.6 Suggestions for Further Research

The researcher suggests further studies be done within the five star hotels to find out their structure and strategy relationship. The study concentrated on strategy and structure within the Small and medium restaurants within the Nairobi CBD in Nairobi County.

The researcher also suggests that more studies be done from other counties and other districts of Nairobi County on small and medium restaurants. This will help in generating more findings in to the relationship of structure and strategy with small and medium-size restaurants in Kenya.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
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DATE 30/08/2013

TO WHOM IT MAY CONCERN

The bearer of this letter LAWRENCE MUEMBA MULANDI

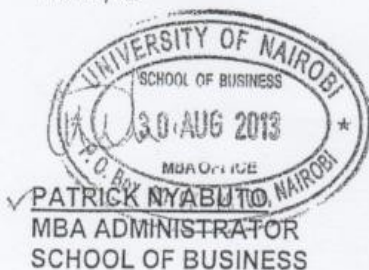
Registration No. D61/72121/2011

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.



**APPENDIX II: QUESTIONNAIRE FOR SMALL AND MEDIUM-SIZE
RESTAURANT OWNERS-MANAGERS**

Introduction

The main objective of this study is to establish structure and strategy relationship in small and medium-size restaurants within the Nairobi Central business district. Kindly complete all statements.

A). General

1. What is the name of your restaurant? _____
2. What is your name? _____
3. What is your position in the restaurant? _____
4. How many years of experience do you have in the restaurant? _____
5. What is your age? _____
6. How many employees does the company have on average? _____
7. How many years has the restaurant been in business? _____
8. What is the average gross turnover sale over the last five years? _____

B). Organizations strategy

9. Do you have a strategy in your Restaurant? If yes, is it written? explain _____

10. How often do you review your strategy? _____
11. Has the Core business of your restaurant changed over the last five years? If yes explain _____

12. What are the key drivers of change in your Restaurant? _____

13. Has the strategy of your restaurant changed over the last five years?

C). Organizational structure

14. Do you have organizational structure? If yes, is it written down? describe it ____

15. Have you undergone structural changes over the past five years? If yes Explain

16. What caused the changes? _____

17. Were the objectives of the changes achieved? _____

D). Matching structure and strategy

18. Do you have a Vision and Mission statements? _____

19. Have you changed your Vision or mission statement over the last Five years?

20. Have you reviewed your long term objectives over the last five years? _____

21. Did the changes in strategies influence the changes in structure? _____

22. Did structure influence the choice of strategy? _____

23. Have you had improved performance over the last five years? If yes, by what percentage _____

Thank you for your Cooperation

Lawrence Muema Mulandi

**APPENDIX III: LIST OF RESTAURANTS WITHIN THE NAIROBI CBD
SELECTED FOR THE STUDY**

<u>NO</u>	<u>RESTAURANT</u>	<u>LOCATION</u>
1	Walkers Restaurant	Aghakhan Walk
2	Rayan Hotel and Restaurant	Banda Street
3	Garden Square Restaurant	City Hall way
4	Hamdi Café and Cuisine	Kaunda Street
5	Antonio's	Kaunda Street
6	Simmers Restaurant	Kenyatta Avenue
7	Jamia Central Hotel	Kigali Road
8	Nairobi Java House	Koinange Lane
9	Hot Spot Restaurant	Koinange Lane
10	Empire Grill	Koinange Street
11	Savanna Coffee Lounge	Loita Street
12	Dormans Coffee House	Mama Ngina Street
13	Pekeshe Coffee Masters	Mama Ngina Street
14	Jazz Restaurant	Moi Avenue
15	Heritage Grill	Moi Avenue
16	San Valencia	Monrovia Street
17	Sokoni Restaurant	Monrovia Street
18	Galitos	MuindiMbingu Street
19	Hodgers Restaurant	Parliament Road
20	Café Pronto Restaurant	Standard Street
21	Green View Restaurant	Tubonau Road
22	Apple Green	Utalii Lane
23	Campia Ethiopian Restaurant	Utalii Lane
24	Trattoria Restaurant	Wabera Street

