RELATIONSHIP BETWEEN GROWTH STRATEGY AND ORGANIZATION STRUCTURE OF COMMERCIAL BANKS IN KENYA

ZEPHANIAH ORINA OCHIKI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, AND UNIVERSITY OF NAIROBI.

2014

DEDICATION

I dedicate this research project to the Almighty God for His grace, mercy and blessings that have seen me through. To my loving wife Esther, my comforting son Nick, my cheerful daughters Nelly and Joy the who gave life and encouraged me whenever I felt like giving up. Thank you for your understanding when I stayed away for long, either in class throughout the weekends, or in the field. This is for you

DECLARATION

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

Signed ……………………………………… Date ……………………..

ZEPHANIAH ORINA OCHIKI **REG. NO: D61/61394/2013**

This research project has been submitted for examination with my approval as the candidate's university supervisor.

Signed ……………………………… Date………………………….

Dr. Jackson Maalu

Senior Lecturer

School of Business

University of Nairobi

ACKNOWLEDGEMENTS

I would like to extend my appreciation to my supervisor, family, friends and all the respondents who contributed tremendous inputs towards the successful completion of this research project. Special gratitude and appreciation go to my Supervisor, Dr. Maalu, for his patience, candid guidance, support and dedication throughout the study. He was such an inspiration! I truly feel indebted to him. Secondly, I am grateful to my father for foreseeing the future and sacrificing so much to prepare and support me, the same extends to my entire family, for cheering me up after every tough day of fieldwork. Thirdly, I am grateful to all the respondents who provided invaluable data and information. I couldn't have done it without them! Finally, I am deeply grateful to the Almighty God who makes all things possible and for giving me strength, good health and sound mind throughout the study period.

LIST OF TABLES

TABLE OF CONTENTS

ABSTRACT

The main objective of this study was to establish the relationship between growth strategy and organization structure of commercial banks in Kenya. Achieving performance excellence is a continuous dynamic process and various financial institutions are employing diverse growth strategies to achieve high performance levels. A good growth strategy needs a well laid down organization structure so that it is possible for strategy to be well implemented. The literature review focused on the concepts of growth strategy and organization structures. It also reviewed the established theories on growth strategies and organization structure and the empirical findings on the relationship between growth strategy and organization structure. The study adopted a descriptive survey design and collected primary data by use of questionnaires given to commercial banks in Kenya. The research was conducted through a descriptive survey design and a total of 54 respondents. Questionnaires were administered to each of the respondents at their work stations and collected. The collected data was cleaned and coded before being analyzed by use of the Statistical Package for Social Sciences (SPSS). The data analysis techniques included descriptive statistics like the mean, percentages and standard deviation. In addition, inferential statistics like regression analysis were also used to establish relationships between the dependent and independent variables. The findings were presented in tables and bar graphs. Major research findings indicated that the nature of organization structure had a high effect on the performance of employees, compliance wit h regulations and attainment of community expectations. The findings also indicated that the nature of organization structure had a moderate effect on the attainment of bank communities' expectations and growth of investments of major commercial banks in Kenya. The main conclusion was that the nature of organization structure affected the effectiveness and efficiency of strategy implementation among the selected major commercial banks in Kenya. The researcher recommends improvement of organization structures through enhanced communication, involvement of employees in decision making, relevant training of employees and flexibility of policies and regulations related to strategy implementation. The researcher suggests that a similar study be carried out to come up with a model to guide the establishment of an appropriate organization structure that can assist in ensuring that organizations attain their strategic objectives and respond to environmental changes in a cost effective manner.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Growth strategy consists of introducing new products or adding new features to existing products. The firms may choose to adopt merger or acquisitions which may take different forms such as merger through absorption or merger through consolidation. To a greater extent strategies that an organization chooses are at times linked to the structure of an organization. In the recent past most of the organization structure are greatly influenced by the type of strategy that an organization chooses. Organizations with different growth strategies tend to adopt different organization structures that fit to the growth strategy. In organizations in Kenya and worldwide, the quest for the ideal organization structure should be seen as a means of increasing business efficiency and effectiveness thus in the long run achieving business growth. When an organization changes its strategy, the organization structure must change to fit the new strategy. The management of an organization may realize that strategy has shifted in an undesirable way and it appears to have done it on its own. In reality an organization’s structure has a strong force that cannot be directed to do something for any length of time unless the structure is capable of supporting that strategy (Mintzberg, 1991). This raises the alarm of to what extent does the growth strategy of an organization affect the organization structure that the firms adopt.

This study is anchored on population ecology theory presumes that organizations exist within a population or field of similar organizations, and the organizations which survive are those that respond appropriately to their environment. That can be the external environment outside the field, or the internal environment of the other organizations within the field, or both. On the other hand the contingency theory argues that the most effective way to organize is contingent on complexity and changes in the environment. The environment is turbulent and ever changing therefore managers should first perceive the environment come up with effective growth strategy which can enable the firm achieve sustainable competitive advantage. This two theories form the basis of this study since, the structure of an organization largely determines how organizational roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between different levels of management. The contingency approach to management sees no one right structure for all organizations. Instead, the right structure depends on contingency factors. Contingency or situational factors may include the organization's strategy, size, technology and environment, type of industry, the organization's and industry's stage of development, and the latest organizational fad (Galbraith, 1991).

The economic importance of the banking industry is unquestionable. It represents one of the main sources of revenue for many countries and regions. Over the last few years, the banking sector has tremendously continued to grow in assets, deposits, profitability and product offering. The major growth is mainly linked to industry wide branch network, expansions strategy both in Kenya and the extensive east Africa region , automation of a large number of services and the move towards giving greater emphasis on the emerging complex customer needs rather than the off the shelf banking products. (Njoroge, 2010). Every commercial bank needs a growth strategy in order to be successful in its operations and on the other hand it needs a structure in order to operate systematically. Strategy is first formulated then the firm adopts a structure that best fits the implementation of that strategy.

1.1.1 Growth Strategy

A known researcher (Chandler, 1962) on this subject defines strategy as “the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”. On the other hand, an early scholar (Ansoff, 1965) views ‘strategy’ as “decision rules and guidelines” required by a firm for its “orderly and profitable growth”. However, apart from this “design view of strategy”, more recent works on strategy recognize that a strategy can be more than an explicit, formal planning (Johnson & Scholes, 2002). In other words, not only can a strategy be a plan, but also a ploy, a pattern, a position, or a perspective (Mintzberg, 1987), depending on the context of discussion.

To achieve a firms growth, a firm may use different strategies amongst which are growth strategies to expand to different regions and to diversify their investments. A growth strategy consists of introducing new products or adding new features to existing products. The key to finding the right growth strategy is properly matching it to your company and its specific marketplace. Since the wrong strategy can devastate your business, it's important to determine whether you are selling new or emerging products in a new or existing market. Therefore the Ansoff’s growth matrix theory which focuses mainly on market penetration, Market development, Product development and Diversification as the main strategies is applicable.

According to Mitchberg and Goshal diversification is a strategy that takes away from both its existing markets and its existing products while at the same time increasing the organization scope. This strategy may take the form of a concentric or a conglomerate diversification which involves building a relationship with existing markets or products. In some instances market penetration and product development entail some diversifying adjustments of products or markets (Johnson et al, 2008). Pearce and Robinson (2007) acknowledges that as organizations move from their starting point of existing products and existing markets then the more the organization has to learn because diversification is just one direction for developing the organization, and needs to be considered alongside its alternative.

Market Development is offering already existing products to new markets though limiting to the extent of scope. Miles and Snow(1987), This strategic growth decision directs the firm to either new segment or even new users of their products. Strategies applied are aimed at luring clients away from competitors or introduce new brand names in a market (Keller and Kotler, 2006).Product Development is where organizations delivers modified or new products(or services)to existing markets. This entails a limited extension of organizational scope (Johnson et al, 2008). In practice the strategy of market penetration will probably require some product development, but product development involves a much higher degree of innovation to come up with solutions for the market needs (Keller and Kotler, 2006)

Market penetration is a strategy where organizations take increased share of its existing markets with its existing product range, Wheeller and hunger (2008).An organization builds on its existing strategic capabilities and does not require the organization to venture into unchartered territory, essentially maintaining the scope. Moreover, greater market share implies increased power over buyers and suppliers, economies of scale through more efficient manufacturing ,distribution, purchasing power and overhead sharing and lastly the experience curve benefits(Johnson et al, 2008).

The firms may choose to adopt merger or acquisitions which may take different forms such as merger through absorption or merger through consolidation. Company merger may be in the form of one or more companies being merged into an existing company or alternatively a new company may be formed to merge two or more existing companies. Acquisition is an expansion strategy that is frequently used by firms. An acquisition, also known as a takeover or a buyout, is the buying of one company by another. It is an act of acquiring control over management of other companies (Ansoff and McDonnell, 1990).

Companies may also use a product differentiation strategy when they have a competitive advantage, e.g. superior quality or service. Obviously, companies use a product differentiation strategy to set themselves apart from key competitors. On the other hand a product differentiation strategy can also help a company builds brand loyalty. In addition, a company may opt to use branch network to spread its goods and services to a wide network (Naidu, 2003). The choice of suitable growth strategies in an organization is not easy. It involves consideration of many factors which may be tangible or intangible. Pearce and Robinson (2007) argue that for a strategy to be successful, it must place realistic requirements on the firm's internal capabilities. The process also calls for the involvement of many of the organizations stakeholders as lack of involvement may affect the implementation of the strategies.

Firms grow in order to achieve their objectives, including increasing sales, maximizing profits or increasing market share. Firms grow in two ways; by internal expansion and through integration. Internal expansion i.e to grow organically, a firm will need to retain sufficient profits to enable it to purchase new assets, including new technology. Over time, the total value of a firm's assets will rise, which provides collateral to enable it to borrow to fund further expansion. One of the most common strategies for internal growth is to build the firm's brand, which provides the firm with many advantages. Once a brand is established, less advertising is required to launch new products. Internal growth often provides a low risk alternative to integration, although the results are often slow to arrive. External expansion is the second route to achieve growth is to integrate with other firms. Firms integrate through mergers, where there is a mutual agreement, or through acquisitions, where one firm purchases shares in another firm, with or without agreement.

1.1.2 Organization Structure

Accountability, authority and responsibility are the primary formal relationships for organizing. They play a key role of bringing together functions, people, and other resources in order to achieve strategic objectives. The framework for organizing these formal relationships is known as the organizational structure. An organizational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. The set organizational structure may not coincide with facts, evolving in operational action. Such divergence decreases performance, when growing. E.g., a wrong organizational structure may hamper cooperation and thus hinder the completion of orders in due time and within limits of resources and budgets. Organizational structures shall be adaptive to process requirements, aiming to optimize the ratio of effort and input to output there exists different types of organization structures. The three most common generic organizational structures are the functional structure, the divisional structure and the matrix structure (Pascale, 1990).

In functional structures the organization is divided into segments based on the functions when managing. This allows the organization to enhance the efficiencies of these functional groups. Functional structures appear to be successful in large organization that produces high volumes of products at low costs. The low cost can be achieved by such companies due to the efficiencies within functional groups. In addition to such advantages, there can be disadvantage from an organizational perspective if the communication between the functional groups is not effective. In this case, organization may find it difficult to achieve some organizational objectives at the end (Peters and Waterman, 1982). The most typical problem with a functional organizational structure is however that communication within the company can be rather rigid, making the organization slow and inflexible. Therefore, lateral communications between functions become very important, so that information is disseminated, not only vertically, but also horizontally within the organization. Communication in organizations with functional organizational structures can be rigid because of the standardized ways of operation and the high degree of formalization. (Pascale, 1990).

On the other hand, divisional structures divide the functional areas of the organization to divisions. Each division is equipped with its own resources in order to function independently. Divisions can be defined based on the geographical basis, products / services basis, or any other measurement. A division is self-contained and consists of a collection of functions which work to produce a product. It also utilizes a plan to compete and operate as a separate business or profit center. According to Zainbooks.com, divisional structure in America is seen as the second most common structure for organization today. (Pascale, 1990).

Lastly, in a matrix structure, the organization places the employees based on the function and the product. The matrix structure gives the best of the both worlds of functional and divisional structures. In this type of an organization, the company uses teams to complete tasks. The teams are formed based on the functions they belong to (Galbraith, 1991). Matrix management is more dynamic than functional management in that it is a combination of all the other structures and allows team members to share information more readily across task boundaries.

It also allows for specialization that can increase depth of knowledge in a specific sector or segment. (Pascale, 1990).

Virtual organization structure is defined as being closely coupled upstream with its suppliers and downstream with its customers such that where one begins and the other ends means little to those who manage the business processes within the entire organization. A special form of boundary less organization is virtual. Hedberg, Dahlgren, Hansson, and Olve (1999) consider the virtual organization as not physically existing as such, but enabled by software to exist. The virtual organization exists within a network of alliances, using the Internet. This means while the core of the organization can be small but still the company can operate globally is a market leader in its niche. According to Anderson, because of the unlimited shelf space of the Web, the cost of reaching niche goods is falling dramatically. Although none sell in huge numbers, there are so many niche products that collectively they make a significant profit, and that is what made highly innovative Amazon.com so successful.

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

1.1.3 Relationship between Growth Strategy and Organization Structure

Every organization has a unique structure. An organizational structure reflects the company's past history, reporting relationships and internal politics. Every organization needs to take a very close look at its organization structure and evaluate if it supports the growth strategy. In most cases organizations may need to customize their structure to fit their strategy (Atlantic Canada Business Blog 2007). The locus points in relation to identification of the appropriate structure needed for strategy implementation include identification of critical activities in the organization's value chain. These are the activities that are critical to the strategic process while others are not. Primary activities have to be performed exceedingly well to develop the organization's core competencies. For example, a product manufacturing firm has to be good at purchasing, production, merchandising and promotional activities. An insurance company must be good at lead generation, pricing, underwriting and quick and just processing of claims. In all organizations, the support activities include payroll, book-keeping, IT infrastructure, managing investor relations, PR, etc. Identifying the primary activities is important. In order to identify the primary activities, an organization needs to answer the following: What processes do we need to perform exceedingly well to help us achieve a competitive advantage; and what areas in our business value chain will hurt us if we fare poorly? Answering these questions will immediately enable the organization to see their primary activities.

Secondly, the organization needs to decide which of these activities need to be performed internally. Once the organization has identified their mission critical activities, it needs to decide if it's going to outsource the non-critical activities. If the managers are spending too much time on activities that do not further the strategy, that activity is a good candidate for outsourcing (Pearce and Robinson, 2005).What makes outsourcing attractive is that the non-critical activity is another organization's critical activity. They will have experts who can efficiently perform the activity. For example, all major airlines outsource in-flight meals while focusing on timeliness, sales and marketing and logistics. In-flight meals are not the airlines' core business: operating flights on time is. Deciding which activities to perform internally and what to outsource is of strategic importance and an organization should not take it lightly. One of the other advantages of outsourcing (besides lower costs) is that both organizations can benefit from each other's capabilities. By leveraging collaborative partnerships, the organizations can enhance its capabilities and build resource strengths that deliver value to its customers (Atlantic Canada Business Blog 2007).

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

1.1.4 Commercial Banks in Kenya

Commercial Banks in Kenya are governed by the Companies act, the banking act, the central bank of Kenya act and the various prudential guidelines issued by the Central Bank Of Kenya (CBK) .The CBK is governed by the National treasury and is responsible for formulating and implementing monetary policy and fostering liquidity, solvency and proper functioning of the financial system.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests and a forum to address issues affecting members. Banking business involves accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice, the accepting from members of the public of money on current account and payment on and acceptance of cheques and the employing of money held on deposit or on current account, or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money. Apart from accepting deposits and making loans, the banking industry has a wide variety of other business line. Banks today provide a broad range of products and services, such as underwriting and dealing in securities, selling and managing shares in mutual funds and even insurance (Shapiro 1996).

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

Over the last few years, the commercial banking sector has tremendously continued to grow in assets, deposits, profitability and product offering. The major growth is mainly linked to industry wide branch network, expansions strategy both in Kenya and the extensive east Africa region , automation of a large number of services and the move towards giving greater emphasis on the emerging complex customer needs rather than the off the shelf banking products. (Njoroge, 2010). Every commercial bank needs a structure in order to operate systematically. The organizational structures can only be used if the structure fits into the nature and the growth of the commercial bank. In most cases, the commercial banks evolve through structures when they progress through and enhance their processes and manpower.

1.2 Research Problem

Most companies have plans to grow their business and increase sales and profits. However, there are certain methods companies must use for implementing a growth strategy. Some common growth strategies in business include market penetration, market development, product development, diversification and acquisition Ansoff and McDonnell, 1990).The structure of an organization is an expression of the understanding of the organization on how the human resources can be aligned and coordinated to deliver on the strategic objectives of the organization. In other words, the organization structure is aimed at delivering the strategy of the organization as summarized in form of roles, responsibilities, duties and accountabilities of employees in relation to the overall strategic intent of the organization. To a greater extent the organization structure plays a very big role toward successful implementation of a strategy in an organization.

The commercial banks in Kenya are characterized by intense competition. In order to compete effectively in this environment it is really necessary to develop strategies which will give the firm a sustainable competitive advantage .The strategies must be well matched to a organization structure which will enable successful execution of the strategy.

Scholars have conducted related studies to establish various aspects related to organization structure and attainment of the strategic intents of organizations. Otieno (2011) conducted a study on the strategy-structure alignment at Kenya Commercial Bank Group limited while Munyiva (2012) also conducted a research on the strategy and structure alignment at Barclays Bank of Kenya. They observed that every organization needs an organization structure that is capable of delivering its strategic intent. Akwara (2010) conducted a research on the challenges of strategy implementation at the Ministry of Cooperative Development and noted that the bureaucratic organization structure was the greatest hindrance to the implementation of strategy at the ministry. Nyamasege (2012) conducted a research on the organizational structures adopted by KCB as a strategic response to competition within the banking industry in Kenya. He noted that there was no static organization structure KCB and the strategic objectives of the bank were determined by the strategic actions of the competitors which thereafter determined the type of organization structure to be adopted at KCB. The above scholars have mainly focused on the relationships and alignments of organization structure and the growth strategy implementation of organizations. However, there is no specific study that tries to establish the relationship between organization structure and growth strategy adopted by commercial banks in Kenya. Taking into account the dynamism and turbulence in the banking industry in Kenya the emphasis of this study is undertake an in depth evaluation of the relationship between the growth strategy and the organization structure that the firm adopts. This study is adaptive from previous studies and seeks to answer the question of what are the growth strategies adopted by commercial banks in Kenya and how does growth strategy influence the organization structure of commercial banks in Kenya?

1.3 Research Objectives

1. To identify the growth strategies being adopted by commercial banks in Kenya.
2. To establish the relationship between growth strategy and organization structure of commercial banks in Kenya.

1.4 Value of The Study

The findings of this study are intended to make theoretical, practical and methodological contributions. Specifically, the findings would contribute to professional extension of existing knowledge in the theory of Strategic Management by helping to understand the relationship between the structure of an organization and the growth strategy that a firm chooses to adopt. The academia and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research.

Policy makers in the field of Strategic Management will use the findings of this study to come up with universally applicable growth strategies that may make organizational structures well aligned with stakeholder needs and facilitate the attainment of strategic ambitions of both private and public organizations.

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

CHAPTER TWO: LITERATURE REVIEW

2.1: Introduction

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

2.2: Theoretical Foundations of Study

This is the basic with which the theory can become explainable and sustainable. It may range from some assumptions which serve to really make the situation. The simplest of ways to put it is saying that a theoretical foundation is something which makes the theory valid while at the same time logically sustainable. For the case of this study the population ecology theory will be used.

2.2.1 Population Ecology Theory

In trying to answer the question why there are so many kinds of organizations, population ecology challenges the view that individual organizations effectively and without consequence adapt to changes in the environment (Hannan and Freeman, 1977). Population ecology theory proposes that change occurs at the population level and is a result of the process of organizational selection and replacement (Carroll, 1988). Population ecology theory presumes that organizations exist within a population or field of similar organizations, and the organizations which survive are those that respond appropriately to their environment. That can be the external environment outside the field, or the internal environment of the other organizations within the field, or both. Newer members of the field initially survive by copying the field's dominant or successful organizations not only because those organizations' strategies obviously work, but also because if the new organization acts like the dominant organizations, it will likely be perceived as more legitimate and thus be able to gain the resources it needs.

However, newer organizations have an advantage over older organizations in that they can usually adapt to the environment more quickly; older organizations are usually larger and slower, and are probably more committed to continuing what has worked for them in the past. Organizations can get into serious trouble if they misinterpret what their environment consists of, if they misread the environment's signals, or if they understand the signals but choose to deviate from them, and the environment doesn't accept the deviation. The underlying concepts of population ecology theory are borrowed from evolutionary theory in biology. A population ecology perspective on organization environment relations is proposed as an alternative to the dominant adaptation perspective. The strength of inertial pressures on organizational structure suggests the application of models that depend on competition and selection in populations of organizations. Several such models as well as issues that arise in attempts to apply them to the organization environment problem are discussed (Hannan and Freeman, 1989)

The population ecology theory has its focus on the whole population of organizations, in this case the banking industries. All the firms are subjected to a natural selection process, the firms compete using their strategies and they go through a natural selection process which involves variation, selection and retention, the unsuccessful firms will die out and the successful ones will continue growing and competing. This theory is mainly based on the concept of environmental determinism, such that it is the growth strategy that a firm chooses to adopt that will determine whether the firm can withstand the environmental turbulence or it will die out.

2.2.2 Contingency Theory

This theory argues that the most effective way to organize is contingent on complexity and changes in the environment. The environment is turbulent and ever changing therefore managers should first perceive the environment come up with a effective growth strategy which can enable the firm achieve sustainable competitive advantage. Wiio and Goldhaber (1993) when a business operates in a stable environment once the firm has come up with its growth strategy the firm can adopt a mechanistic organization structure. These structures are characterized by specialization of roles, formality in business undertakings, and hierarchy in communication. On the other hand if a business is operating in a changing environment once the firm has settled on the growth strategy to adopt it should adopt an organic structure which is characterized with less specialization, informality and lateral relations.

2.3 Determinants of Organization Structure

Organizational structure is a map of the way your business functions in terms of decision-making hierarchy, supervisory authority and the placement of employees with similar functional responsibilities. Merce Bernardo (2009) argues that each organizational design has its own unique advantages and disadvantages, and gaining knowledge of the factors that determine organizational structure can help you to choose the structure that best fits with your business type, industry and operational philosophies. The factors include.

Long-term Organizational Goals

The management chooses an organizational structure very carefully. It evaluates whether it wants to delegate authority to its employees or whether it wants to make all the final decisions.

If it decides on keeping authoritative powers with itself, it chooses a horizontal organizational structure. Here, there are very few levels of hierarchies and the management always makes ultimate decisions; whether small or big. However, when the scale of operations increases, it becomes difficult for the management to get involved in small matters, and it may decide on delegating powers and authority.

Size of Operations

The size and scale of operations is a major determinant of the organizational structure. A restaurant business can afford to centralize its authority and decision making, but a large computers manufacturing firm cannot. As the business expands, it becomes mandatory to decentralize authority and departmentalize all important strategic functions. A large organization has different departments for different functions like marketing, production, finance and human resources (HR). Each department takes care of its function, and later all chores are collated to form organizational tasks. Merce Bernardo. & Jose M. Castan (2009)

Skills of Employees

Merce Bernardo. & Jose M. Castan (2009) argues that the skills and educational qualifications of the employees also influence the choice of the type of the structure. A law firm would be constituted of attorneys. These individuals would have vast professional and educational expertise and experience. It would get very difficult to maintain authority over them at all times. They must be given a free hand to make their own decisions. Otherwise, there are chances of ego clashes between the employees and the management. It is very easy to maintain authority over low-rung laborers.

Technologies Used

The types of technologies used by the organization also determine the type of organizational structure. A company that has automated its operations can choose to decentralize its authority. The systems would monitor progress of the employee throughout. Hence, the task of the employee's immediate superior would be to provide guidance as and when required. Also, the type of technologies and systems used must be considered. The interdependence of the functions on the technologies must be assessed.

2.4 Empirical Literature Review

In the 21st century, due to the dynamic environment organizational theorists such as Lim, Griffiths, and Sambrook (2010) after doing a correlation study on relationship between organisation structure and strategy implementation, they propose that organizational structure development is very much dependent on the expression of the strategies and behavior of the management and the workers as constrained by the power distribution between them, and influenced by their environment and the outcome.

Weber (1948,) gives the analogy that "the fully developed bureaucratic mechanism compares with other organizations exactly as does the machine compare with the non-mechanical modes of production. Precision, speed, unambiguity, strict subordination, reduction of friction and of material and personal costs- these are raised to the optimum point in the strictly bureaucratic administration." The functional structure is based on a group's function or dedicated activities in an organization such as sales and marketing, finance and operations. The structure's effectiveness is based on this division of labor. Smaller to medium-sized organizations with limited product ranges tend to favor the functional structure. This structure allows for specialization within the functional areas and facilitates co-ordination among its members. However, in reality, individuals become insulated in their functional groups and fail to see or understand the other functions' jobs. This can lead to co-ordination problems. He holds that operating efficiencies afforded by grouping specialists together in functional areas with a traditional chain of command becomes a barrier to the cross-function communication and co-ordination needed effectively to implement multiple product multiple market strategies Wilson, (1986).

Pascale, (1990) Mills (1991) in their studies of organization structures observed that the matrix structure is based on a dual chain of command. The functional departments are used to gain economies of specialization while the project teams focus on particular products or markets. Each employee in the matrix structure is responsible to one functional department and one project manager, hence the dual chain of command. Although the matrix structure is usually a combination of functional and divisional groupings, it can also be a combination of product and market groupings. These matrix structures can be temporary or permanent, depending on the needs of the organization Peters, (1992). Charles Heckscher in his study came to the conclusion. This sort of horizontal decision making by consensus model is often used in housing cooperatives, other cooperatives and when running a non-profit or community organization. It is used in order to encourage participation and help to empower people who normally experience oppression in groups.

Still other theorists are developing a resurgence of interest in complexity theory and organizations, and have focused on how simple structures can be used to engender organizational adaptations. For instance, Miner et al. (2000) studied how simple structures could be used to generate improvisational outcomes in product development. Their study makes links to simple structures and improviser learning. Other scholars such as Jan Rivkin and Sigglekow, and Nelson Repenning revive an older interest in how structure and strategy relate in dynamic environments. Munyiva (2012) also conducted a research on the strategy and structure alignment at Barclays Bank of Kenya. They observed that every organization needs an organization structure that is capable of delivering its strategic intent. Akwara (2010) conducted a research on the challenges of strategy implementation at the Ministry of Cooperative Development and noted that the bureaucratic organization structure was the greatest hindrance to the implementation of strategy at the ministry. Nyamasege (2012) conducted a research on the organizational structures adopted by KCB as a strategic response to competition within the banking industry in Kenya. He noted that there was no static organization structure KCB and the strategic objectives of the bank were determined by the strategic actions of the competitors which thereafter determined the type of organization structure to be adopted at KCB

2.5 Summary of Literature Review

This chapter mainly focused on the existing literature about this topic of study. The theoretical foundations of this study which is the basic with which the theory can become explainable and sustainable was at length discussed in this chapter, The population ecology theory is discussed and this theory presumes that organizations exist within a population or field of similar organizations, and the organizations which survive are those that respond appropriately to their environment. To add on that the contingency theory is also discussed and this theory argues that the most effective way to organize is contingent on complexity and changes in the environment.

A firms growth strategy is important for the ultimate competitiveness of the firm, this chapter concentrates more on Ansoff's growth matrix theory which focuses mainly on market penetration, Market development, Product development and Diversification as the main strategies. A firm's organizational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment.

This chapter also looked at the works of previous scholars on the same research study area, the relationship between growth strategy and organization structure is also discussed in this chapter. Every organization has a unique structure. An organizational structure reflects the company's past history, reporting relationships and internal politics.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter gives an insight on the methodology adopted; it focuses on the research design, target population, data collection methods and data analysis techniques used in the study.

3.2 Research Design

This research was conducted through a descriptive survey design. According to Kothari, (2008) descriptive research includes a cross sectional survey and fact-finding enquiries and describes the state of affairs as it existed at the time. A descriptive research design helps in ascertaining and description of characteristics of the variables of interest in a situation (Sekaram, 2006). The views of the respondents were measured by a 5 point likert scale based on the strength of the views ranging from the weakest to the strongest view on the subject matter.

3.3 Population

The population of the study was commercial banks in Kenya. As per CBK (2014), there are 43 commercial bank as evidenced in table 3.3, commercial banks form the basis of the target population that were researched on.

3.4 Data Collection

Primary data was collected in this case. Primary data was obtained by use of semi structured questionnaires. The questionnaire consisted three sections dealing with the bio data of the respondents, the general awareness on the organizational structure at the commercial banks and their influence on the choice of growth strategy of these banks. The data collection tool chosen was geared towards enabling a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. 54 questionnaires were used because they helped in collection of large volumes of data within a short period of time and they were much easier to administer (Orodho, 2008).Permission to administer the questionnaires was sought through an introduction. The respondents included the banks branch managers, product managers and sales managers who formulate the banks growth strategies. Face to face interviews and drop and pick method was used to administer the questionnaire. Follow ups were made through personal visits and telephone calls to enhance response rates.

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

3.5 Data Analysis

Data analysis was done by editing, coding and tabulation of the data according to the research questions. Statistical Package for Social Sciences (SPSS) . Descriptive statistics like the mean, and percentages were used in the analysis of data. According to Orodho (2008) the advantage of using descriptive statistics is that they enable the researcher to use one or more numbers to indicate the average score and the variability of scores of a sample. Pearson correlation analysis was used to draw inferences on the relationship between growth strategy in commercial banks in Kenya and organization structures of commercial banks in Kenya. Tables were used to present the information.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter contains analysis of the findings from the study. The chapter analyses the data systematically by focusing on the study objective: To establish the influence of organization structure on the strategy implementation in major banks in Kenya. A total of 54 questionnaires were administered but only 48 were fully filled and returned while 6 were not returned. This represented a response rate of 88.89%. The findings are presented as a report of the questions answered by the respondents.

4.2 Profile Of Commercial Banks Studied

This study focused on commercial banks in Kenya .The economic importance of the banking industry is unquestionable. It represents one of the main sources of revenue for many countries and regions. Over the last few years, the commercial banking sector in Kenya has tremendously continued to grow in assets, deposits, profitability and product offering. The major growth is mainly linked to industry wide branch network, expansions strategy both in Kenya and the extensive east Africa region , automation of a large number of services and the move towards giving greater emphasis on the emerging complex customer needs rather than the off the shelf banking products.

The commercial banks in Kenya are characterized by intense competition. In order to compete effectively in this environment it has become a necessity to develop strategies which will give the firm a sustainable competitive advantage .In addition to that for the strategies to be implemented there is need for an organization to come up with a structure which allows effective implementation of the strategy.

The commercial banks in Kenya have mainly adopted a functional structure. From the findings of this study the commercial banks in Kenya that have adopted a matrix organization structure have done this based on geographical locations, functional areas and specific projects management. The organization structure at these banks changes almost regularly due to introduction of new projects, separation and appointment of employees, creation of new business functions, merging of existing business functions, entrance into new markets and routine reviews of reporting lines to ensure quicker decision making, efficiency and proper utilization of resources. However, the banks' strategic intents remain unchanged because the laid down strategic objectives do not change in line with the changes in the organization structures. For instance, the top three commercial banks(Kenya Commercial Bank, Standard Chartered Bank, Cooperative Bank and Barclays Bank) have adopted market development strategy while the other two (Equity Bank and CFC Stanbic Bank) have adopted product development strategy. The fact that the commercial banks in Kenya offer similar products and services makes it almost impossible for any commercial bank to attain a competitive advantage through product differentiation (CBK, 2013).

The working experience of the employees ranges from less than 1 year to above 16 years. A majority of the respondents, 25 (52.08%) have a working experience of between 1 and 5 years meaning they are well versed with the system and at the same time they have information about the growth strategies used by the banks and the organization structure the firm adopted.

4.3 Growth Strategies Adopted By Commercial Banks In Kenya

The objective of the research was to establish the growth strategies that the commercial banks adopted. This section was necessary for the study for the purposes of establishing the specific growth strategies that the commercial banks have adopted .A 5 point likert scale was used to collect data which signified the extent to which specific banks used a specific growth strategy. On the 5 point likert scale 1 represented No extent and 5 which was the maximum represented Very great extent.

Table 4.3 Growth Strategies Adopted By Commercial Banks In Kenya

Growth strategy	Frequency	Percentage	Cummulative percentage
Market penetration	7	14.6	14.6
Market development	29	60.4	75.0
Product development	9	18.8	93.8
Diversification	3	6.3	100
Total	48	100	

From the findings it was evidence that 60.4% of the respondents agreed that the banks practiced market development as a growth strategy, 18.8 % agreed that the banks practiced product development as a growth strategy, 14.6% agreed that their banks practiced market penetration as a growth strategy and only 6.3% of the respondents agreed that their banks were doing diversification as a growth strategy. This implied that most of the commercial banks in Kenya adopted market development growth strategy.

4.4 Organisation Structures Adopted By Commercial Banks

The researcher sought to establish the nature of organization structure adopted by the commercial banks represented by the respondents. This was for the purposes of identifying specific Organization structures which the banks have adopted for proper implementation of their growth strategies. On the other hand by identifying the organization structures adopted by the bank it will be much easier to determine if there is a relationship between the growth strategies the bank adopts and the organization structure that the bank chooses and the nature of organization structures that were investigated included functional, divisional and matrix structures. Data was captured by use of a simple question of the specific organization structure that the bank adopted. Data was collected and presented as below and the organization structure were ranked from 1-3, with 1 representing the most adopted and 3 representing the least adopted organization structures.

Table 4.4 Organization Structure Adopted By Commercial Banks

Organisation structure	Frequency	Rank	Percent	Cumulative percent
Divisional	4	3	8.3	8.3
Functional	32	1	66.7	75.0
Matrix	12	2	25.0	100.0
Total	48	6	100.0	

From the finding above Most of the respondents agreed to the fact that their banks adopted a functional type of organization structure representing a 66.7% views of the total population.12 of the respondents agreed that the banks followed a matrix type of structure while on the other hand only 4 of the respondents agreed that the banks followed a divisional type of structure.

This implies that the mostly adopted organization structure is functional type which was ranked 1 followed by matrix organization structure then divisional organization structure.

4.5 Relationship Between Growth Strategies And Organization Structure

The objective of this research was to find out the relationship between the growth strategy of commercial banks in Kenya and the organization structure. The questionnaire formulated had sections that captured growth strategy and organization structure of the bank from that the following table that represents a relationship between the specific growth strategy and organization structure was generated

From the findings of the study it is evident that most of the banks which adopted market development as a growth strategy 24 of the banks adopted a functional organization structure,3 adopted a matrix organization structure, and 2 adopted a divisional structure.5 of the banks which used market penetration adopted a matrix structure 1 adopted a functional structure and 1 adopted a divisional structure.9 commercial banks adopted product development and 7 adopted functional organization structure.2 adopted a matrix structure while none adopted a divisional organization structure. 3 banks practiced diversification as a growth strategy 2 amongst them adopted matrix organization structure, 1 adopted a divisional structure while none adopted a functional structure. This implies that the mostly adopted growth strategy is market development and at the same time the most adopted organization structure is the functional structure. On the other hand most of the banks which use market development adopt the functional organization structure similarly organizations which apply market penetration as a growth strategy adopt a matrix organization structure. The correlation analysis below futher explains the relationship.

4. 5.1 Correlation Analysis Of Growth Strategies And Organization Structure

In order to determine the relationship between growth strategy and organization structure adopted by the commercial banks in Kenya. A Pearson correlation analysis was conducted to establish the relationship between the Growth strategy and organization structure adopted by commercial banks in Kenya.

Table 4.5.1 Correlation Analysis of Growth strategy And Organization Structure

Model Summary				
Model	R	R Square	Adjusted R Sq uare	Std. Error of the Estimate
1	0.59832718	0.35912961	0.293602614	1.16166537
Predictors: (Constant): Growth strategy				

The findings indicate that growth strategy explained only 29.3% of the organization structures of commercial banks in Kenya. Therefore, this signifies that there are other factors that were not studied in this research that explain the 70.7% organization structure of the commercial banks in Kenya.

A analysis of variance was necessary for the purposes of finding the significance of the model. The findings are represented in the SPSS generated table 4.5.2 below.

Table 4.5.2 The ANOVA Model

ANOVA MODEL						
		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.067	1	.067	.210	.649
	Residual	14.600	46	317		
	Total	14.667	47			

The ANOVA model indicates that at the degree of freedom of 1 and 46; and level of significance of 0.05; the F test was 0.210 compared to the recommended level of 2.25. Therefore, the findings indicate that the model was neither fit nor significant to explain the relationship between growth strategy and organization structure of commercial banks in Kenya.

In order to determine the relationship between growth strategy and organization structure of commercial banks in Kenya a 1 tailed Pearson correlation analysis was conducted. The results are indicated as per the SPSS generated table 4.5.3 below.

Table 4.5.3 Correlation Of Growth Strategy And Organization Structure

Pearson correlation		STRUCTURE	STRATEGY
	Structure	1.000	.067
	Strategy	.067	1.000
Sig. (1-tailed test)	Structure	.	.324
	Strategy	.324	.
	Structure	48	48
	Strategy	48	48

From the above findings, α = 0.324 this means that α is less than 0.5 therefore that means that at 95% confidence level there is a significant relationship between the growth strategy of a bank and the organization structure that the firm adopts. A growth strategy of a firm influences the organization structure of a bank by 32.4%, this means that there are other factors not discussed in this study that also influence the organization structure of the bank by 67.6%

4.6 Types Of Changes To Be Made To Growth Strategies

The researcher sought to find out the views of the respondents on the types of changes that should be made on the growth strategies of the commercial banks. The findings indicated that the respondents were of the view that the growth strategies should be customer centric and market driven. They also observed that the commercial banks should customize their products to suit their different markets. Other changes that were suggested include the employees should be sponsored to undergo trainings to enhance their execution of the growth strategies while their ideas and suggestions should be taken into consideration when setting the growth strategies. Lastly, the growth strategies should be flexible in nature and executed with a higher degree of efficiency.

4.7 Types Of Changes To be Made To The Organization Structure

The researcher sought to find out the views of the respondents on the types of changes that should be made on the organization structures of the commercial banks. The findings indicated that the respondents were of the view that the organization structures should be made more community focused, customer centric and flexible. They also observed that there is need for enhanced communication, feedback and interaction within the organization structure. They also affirmed the need for a lean organization structure and one that fits the organization strategy with the market needs. In conclusion the respondents also held the view that the functional organization structure was most ideal for the commercial banking organizations operating locally while those with international operations would be more effective if they adopted a matrix organization structure

4.8 Discussion Of Findings

The findings were discussed in relation to empirical studies and linkage of the findings to the established theories in the field of Strategic Management. This study shares some similarities with several studies that have been conducted in the past. For instance, Kariuki (2004) conducted a study on the IT strategy and organization structure relationship in companies listed on the NSE and established that changes in IT strategy almost always meant changes in the organization structure of organizations in Kenya. The findings of this study indicated that 24 (50.0%) respondents held the view that the organization structure had a very high effect on the response rate to technological changes at the commercial banks. Therefore, this finding was a confirmation of the need for commercial banks to adopt organization structures that would allow for adaptation to changes in strategy within the business environment. The finding also affirmed the fact that the nature of organization structure was a determinant of the extent to which growth strategy could be attained in any organization.

Secondly, Otieno (2011) conducted a study on the strategy-structure alignment at Kenya Commercial Bank Group Limited while Munyiva (2012) also conducted a research on the strategy and structure alignment at Barclays Bank of Kenya. Both researchers observed that every organization needs an organization structure that is capable of delivering its strategic intent. Macmillan & Tampoe (2011) define strategic intent as where an organization wants to get to and how it intends to get there.The findings of this study indicated that 26 (54.2%), of the respondents strongly agreed that the commercial banks adopted an organization structure that aligned with the strategic objectives of the organization. Therefore, the findings of this study affirmed the empirical findings of the other scholars on the need for an alignment of the organization structure with the strategic objectives of organizations.

Thirdly, Akwara (2010) conducted a research on the challenges of strategy implementation at the Ministry of Cooperative Development and noted that the bureaucratic organization structure was the greatest hindrance to the implementation of strategy at the ministry. The findings of this study also indicated that the respondents favored a lean functional organization structure, with enhanced interactivity, feedback mechanism and communication channels. Therefore, the findings of this study were an affirmation of the existing empirical findings on the importance of flexibility of an organization structure on the attainment of strategic objectives of organizations.

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

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

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

Hunger and Wheelen (1995) contend that strategic management is a simultaneous process which continually adjusts strategies according to the changes in the competitive environment. Similarly, the findings of this study affirmed that commercial banks were constantly adjusting their strategies and structures in line with environmental changes ranging from political, economical, socio-cultural, technological and natural factors. Ansoff identifies four industry-independent growth strategies namely market development, market penetration product differentiation and diversification.

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

CHAPTER FIVE: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and also gives the conclusions and recommendations of the study based on the objective of the study: To establish the relationship between growth strategy and organization structure of commercial banks in Kenya.

5.2 Summary Of Findings.

This study established that in the commercial banks, the organization structure aligns with the mission statement of the bank and the growth strategy the bank adopts has high effect on the organization structure that the bank adopts thus in the long run has an effect on the implementation of the growth strategy the firm has adopted. Most of the banks pursued market development as a growth strategy and adopted the functional organization structures for proper implementation of the growth strategy. Another finding was that the organization structure had a very high effect on the performance of the employees and a high effect on the attainment of the expectations of the banks' communities of the commercial banks.

The findings also indicated that the growth strategy adopted had effect on the organization structure that the bank adopted which in the long run the organization structure had a high effect on the growth of investments at the commercial banks. Lastly the findings indicated that the organization structure had a high effect on the response rate to competition.

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

5.3 Conclusion

The growth strategy that a bank chooses greatly affects the choice of organization structure the firm adopts. Most banks adopt the functional organization structure because it is flexible while at the same time it is perfect for strategy implementation thus bringing me to a conclusion that the commercial banks would be most effective in attaining their strategic objectives if the organization structure aligns with strategic growth objectives and allows for efficiency in service delivery to customers. Such an organization structure would also be most effective in ensuring compliance with regulations and allowing for a high effect on the attainment of the expectations of the banks' communities and growth of investments of the commercial banks.

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

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

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

5.4 Recommendations.

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

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

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

5.5 Suggestions For Further Study

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

Another area that would require a study is the establishment of an organization structure model that ensures that any organization structure adopted by an organization would allow it to be best for strategy implementation. This would enable commercial banks to attain their strategic objectives and enable the stakeholders to derive maximum strategic value from their investments.

REFERENCES

Ansoff, I. N., & MacDonnell, E. (1965), *Implanting Strategic Management*. New Jersey: Prentice Hall.

Central Bank of Kenya (2013), Commercial Banks in Kenya.

Chandler.A.D.(1962),*Multinational corporations and the new global history*,Cambridge: Cambridge University Press

Drucker, P. F. (1965), *The practice of management*. London: Mercury Books.

Galbraith, J. (1991), Strategy and Organization Planning, in Mintzberg, H. and Quinn, J. (Eds), *The Strategy Process: Concepts, Contexts, Cases*, 2nd edition, Prentice-Hall, Englewood Cliffs, NJ, pp. 315-24.

Johnson G, Sholes K, Whittington R .(2008), *Exploring Corporate strategy*, 8th edition, Pearson Prentice Hall, Harlow

Keller, K. L. and Kotler, P. (2006), *Marketing Management*, 12th Edition. Pearson Prentice Hall,

Kothari, C. R. (2008), *Research methodology: Methods and techniques*. New Delhi: New International Publishing.

Machiuka, N. K. (2010).*Growth strategies used by commercial banks in Kenya*.

unpublished MBA research project, School of Business, University of Nairobi,Kenya

Milles,R. and Snow C. (1987), *Organisational Strategy,Structure and Process*; 5th edition McGraw Hill.

Mintzberg, H. (1991), *The Structuring of Organizations*, in Mintzberg, H. and Quinn, J. (Eds), 2nd edition, Prentice-Hall, Englewood Cliffs, NJ, p. 331.

Mungai, F.W. (2010).*Growth strategies applied by the Institute of Advanced Technology*; The study of Ansoff Model, unpublished MBA research project, School of Business, University of Nairobi, Kenya

Munyiva, M. A. (2012), *Strategy and Structure Alignment at Barclays Bank of Kenya*. Unpublished MBA Project. University of Nairobi

Munyoroku, K. (2012), *Role of Organization Structure on Strategy Implementation among Food Processing Companies in Nairobi*. Unpublished MBA Project. University of Nairobi.

Nyamasege, T. G. (2012), *Organizational Structures Adopted by KCB as a Strategic Response to Competition Within the Banking Industry in Kenya*. Unpublished MBA Project. University of Nairobi.

Orodho J (2008) *Techniques of writing Research proposal And Reports In Education And Social Sciences*, Kennezza Hp Enterprises : Maseno

Pascale, R. (1990), *Fit or Split? Across the Board*, Vol. 27 No. 6, pp. 48-52.

Pearce, J.A. and Robinson, R.B. (2005), *Strategic Management: Strategy, Formulation, Implementation and Control.* 6th Edition. Boston: McGraw-Hill.

Shapiro, A.C. (1996), *Multinational Financial Management* (4 th ed.). New Delhi: Prentice Hall.

Thompson, J.L., Strickland A.J. & Gamble, (2007). *Crafting an executive strategy. The quest for competitive advantage*. New York: Irwin.

Waterman, R.H. et al (1980), *Structure is not organization*. Business Horizons. Vol. 23 No. 3, June pp. 14-23

Wheeller,L.T.,&Hunger ,J.D., (2008), *Strategic Management and business policy: concepts and cases,* 11th Edition, New Jersey, Prentice Hall

Table 3.3 List of commercial banks in kenya

1. Kenya Commercial Bank Ltd	22. Guaranty Trust Bank.
2. Equity Bank Ltd	23. Gulf African Bank Ltd
3. Co-operative Bank of Kenya Ltd	24. African Banking Corporation Ltd
4. Barclays Bank of Kenya Ltd	25. Equatorial Commercial Bank Ltd

5. Standard Chartered Bank Kenya Ltd	26. Giro Commercial Bank Ltd
6. CFC Stanbic Bank Kenya Ltd	27. Development Bank of Kenya Ltd
7. Commercial Bank of Africa Ltd	28. Fidelity Commercial Bank Ltd
8. I & M Bank Ltd	29. K-Rep Bank Ltd
9. Diamond Trust Bank Kenya Ltd	30. Guardian Bank Ltd
10. NIC Bank Ltd	31. First Community Bank Ltd
11. Citibank.N.A. Kenya	32. Habib Bank A.G. Zurich
12. National Bank of Kenya Ltd	33. Transnational Bank Ltd
13. Chase Bank Ltd	34. Victoria Commercial Bank Ltd
14. Bank of Africa Kenya Ltd	35. Charterhouse Bank Ltd
15. Bank of Baroda Kenya Ltd	36. Habib Bank Ltd
16. Prime Bank Ltd	37. Credit Bank Ltd
17. Ecobank Kenya Ltd	38. Paramount Universal Bank
18. Family Bank Ltd	39. Oriental Commercial Bank
19. Imperial Bank Ltd	40. Middle East Bank Kenya Ltd
20. Bank of India Ltd	41. UBA Kenya Ltd
21. Consolidated Bank of Kenya	42. Dubai Bank Ltd
	43. Housing finance coperation

APPENDICES

Appendix 1: Data collection letter

Appendix II : Questionnaire

Instructions:

Dear Sir/Madam, you are kindly requested to answer all questions in this research questionnaire. The information that you will provide will be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at establishing the relationship between the growth strategy and organization structure of commercial banks in kenya

Section 1:

Respondents' profile

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

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

2. How long have you worked with the bank?

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

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

NATURE OF ROLE	
Top level manager	
Middle level manager	

Line manager	

4. For how long have you held this position?

   0-1 years ( ), 1-5 years ( ), 5-10 years ( ), over10 year ( )

5. Since the time you were employed in this bank, would you say that you understand the growth strategy of the bank which enhances a sustainable competitive advantage?

SECTION 2:

General information about the banks growth strategy and the organization structure

6. Describe the nature of the organizational structure of your commercial bank.

NATURE OF ORGANISATIONAL STRUCTURE.	

FUNCTIONAL It is a structure that consists of activities such as co-ordination, supervision and task allocation.	
DIVISIONAL Also known as product structure and it is a configuration of an organization, which breaks down the company into divisions that are self- contained.	
MATRIX It is a structure that groups employees by both function and product aspects. This structure can combine the best of both separate structures.	

7. State the nature of the growth strategy of your commercial bank and the extent to which you use this strategy.

   1- No Extent, 2- Little Extent, 3- Some Extent, 4- Great Extent, 5- Very Great Extent.

NATURE OF GROWTH STRATEGY	1	2	3	4	5
MARKET PENETRATION This is where an organization takes its increased share from its existing markets and					

its existing product range.					
MARKET DEVELOPMENT Offering already existing products to new markets though limiting to the extent of scope.					
PRODUCT DEVELOPMENT The organization delivers modified or new products (or services) to existing markets.					
DIVERSIFICATION A strategy that takes its increased share from both its existing markets and its existing products while at the same time increasing the organization scope.					

Specific Information.

A) GROWTH STRATEGIES.

8. PRODUCT DEVELOPMENT STRATEGY:

To what extent have the following product development strategies been used to achieve growth in your bank?

5- Very great extent, 4- Great extent, 3- Some extent, 2- Little extent, 1- Very little extent.

1. New products have been introduced.

2. New features have been incorporated into the existing products.

3. Product qualities have been improved.

4. On- going research on new products.

9. MARKET PENETRATION STRATEGY:

To what extent have the following methods been used to achieve growth in your bank?

5- Very great extent, 4- Great extent, 3- Some extent, 2- Little extent, 1- Very little extent.

1. Establishment of a marketing department.

2. Introduction of new facilities at the bank.

3. Advertising of bank products and services.

4. Introduction of bundled products.

5. Price reduction.

10. MARKET DEVELOPMENT STRATEGY:

To what extent has the following methods been used to achieve growth in your bank?

5- Very great extent, 4- Great extent, 3- Some extent, 2- Little extent, 1- Very little extent.

1. Opening new branches in other parts of Kenya.

2. Opening banks in other countries. Giving specific incentives to existing customers. E.g. banking promotions.

3. Advertising in other media.

4. Establishment of new banking products.

11.DIVERSIFICATION STRATEGIES:

To what extent have the following methods been used to achieve growth in your bank?

5- Very great extent, 4- Great extent, 3- Some extent, 2- Little extent, 1- Very little extent.

1. Acquired other banks.
2. Merged with other banks.

Section 3

Commentary.

12. What changes should be made to the growth strategy of the bank?

13. What changes should be made to the growth strategy of your line of business?

14. Comment on the ideal organizational structure to assist in attaining the strategic growth objectives of your commercial bank?