

**RESTRUCTURING STRATEGY AND PERFORMANCE OF KCB BANK
LIMITED**

BY

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DECLARATION

This research project is my original work and has not been presented for award of any degree in any University.

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DEDICATION

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TABLE OF CONTENTS

| | |
|---|-------------|
| DECLARATION..... | ii |
| ACKNOWLEDGEMENT..... | iii |
| DEDICATION..... | iv |
| ABBREVIATIONS AND ACROMNYS..... | vii |
| ABSTRACT..... | viii |
| CHAPTER ONE: INTRODUCTION | 1 |
| 1.1 Background..... | 1 |
| 1.1.1 Restructuring Strategy | 3 |
| 1.1.2 Organizational Performance | 4 |
| 1.1.3 Restructuring Strategy and organizational Performance | 5 |
| 1.1.4 Kenya Commercial Bank Group Limited | 5 |
| 1.2 Research Problem | 7 |
| 1.3 Research Objective | 9 |
| 1.4 Value of the Study | 9 |
| 1.5 Chapter Summary | 11 |
| CHAPTER TWO: LITERATURE REVIEW..... | 12 |
| 2.1 Introduction..... | 12 |
| 2.2 Theoretical Foundation..... | 12 |
| 2.3 Organizational Restructuring Strategy..... | 13 |
| 2. 4 Rationale for Restructuring Strategy | 15 |
| 2.5 Restructuring Strategy in Organizations..... | 16 |
| 2.6 Empirical Studies and Research Gaps | 17 |
| 2.7 Chapter Summary | 20 |
| CHAPTER THREE: RESEARCH METHODOLOGY | 21 |
| 3.1 Introduction..... | 21 |
| 3.2 Research Design..... | 21 |
| 3.3 Data collection | 22 |
| 3.4 Data Analysis | 22 |
| 3.5 Chapter Summary | 23 |

| | |
|--|-----------|
| CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION | 24 |
| 4.0 Introduction..... | 24 |
| 4.1 Respondents Characteristics. | 24 |
| 4.1.1 Interviewees Department | 24 |
| 4.1.2 Designation of the Interviewees..... | 24 |
| 4.1.3 Working Experience | 25 |
| 4.1.4 Period of time working in Kenya commercial Bank | 25 |
| 4.2 Extent to which Kenya commercial Bank has undertaken restructuring | 26 |
| 4.3 Restructuring in KCB Limited..... | 26 |
| 4.4 Adoption of Restructuring Strategies at KCB Group Limited..... | 27 |
| 4.5 Restructuring Strategies adopted at Kenya Commercial Bank..... | 31 |
| 4.5.2 Restructuring strategy on performance at Kenya Commercial Bank | 32 |
| 4.5.3 Financial restructuring influence performance at Kenya Commercial bank. .. | 34 |
| 4.5.4 Portfolio restructuring and Bank Performance | 34 |
| 4.5.5 Debt restructuring and Bank Performance..... | 35 |
| 4.5.7 Mergers and Acquisitions Restructuring | 36 |
| 4.6 Discussion..... | 37 |
| 4.7 Chapter Summary | 40 |
| CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. | 41 |
| 5.0 Introduction..... | 41 |
| 5.1 Summary | 41 |
| 5.2 Conclusion | 46 |
| 5.3 Recommendations and Implication of the study..... | 49 |
| 5.4 Area for further study..... | 54 |
| 5.5 Limitations of the study | 54 |
| REFERENCES..... | 56 |
| APPENDICES..... | 62 |
| Appendix I: Interview Guide | 62 |
| Appendix II: Letter of Introduction..... | 64 |

ABBREVIATIONS AND ACROMNYS

| | |
|-------------|---|
| KCB | : Kenya Commercial Bank Limited |
| APS | : Asset portfolio strategy |
| ICBC | : Industrial and commercial bank of China |
| RIL | : Reliance Industries Limited |
| RBV | : Resource Based View |
| ACS | : Asset Clearing Strategy |

ABSTRACT

Banks have had to restructure their business operations by downsizing, focusing on customers care, through tailored products and restructuring of non-performing loans in order to improve their financial performance and shareholder value. KCB has been restructuring successfully over the last 5 years. The objective of the study was to determine how restructuring strategy influence organizational performance This study adopted a case study design meant to determine the effects of organization restructuring on organizational performance at Kenya Commercial Bank. The interview guide was administered through personal interviews with the directors, managers and departmental heads of Kenya Commercial bank who were 15 in number. Content analysis was used to analyze data collected The study restructuring strategies had led to increase in loan recovery through debt and portfolio restructuring reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets. The financial restructuring strategy enhance liquidity in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value, introduction of improve debt cards and increase lending performance. The study revealed that portfolio restructuring led to asset quality management, enhances decision making, eliminate role duplication, improve internal efficiency, risk loss reduction and increase bank return on assets and return on equity. The study concluded that Kenya Commercial Bank had adopted restructuring strategies such as downsizing, debt restructuring, portfolio and financial restructuring strategies. The study concluded that restructuring strategies had led to increase in loan recovery through debt and portfolio restructuring, reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets. Restructuring strategies should involved top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process. the study recommend that bank management should adopt restructuring strategies as it would result into increase in loan recovery through debt and portfolio restructuring, reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, makes tracking easier hence lower default rate and increase in bank returns on assets. The study has established that restructuring strategies has significant effects on bank performance. The policy makers and government should sought measures formulate and develop regulatory framework to enhance financial restructuring strategy, debt restructuring, downsizing, merger and acquisition restructuring and portfolio restructuring in commercial banks to improve on bank performance

CHAPTER ONE:

INTRODUCTION

1.1 Background

Organizational restructuring is inevitable for any organization that is focused on dealing with competition and day to day organizational challenges. It is critical that organizations management seek to implement restructuring carefully if they are to survive. Many corporate firms nowadays are constantly involved in activities that are designed to enhance their organizational effectiveness. This phenomenon invariably creates a need for the corporate to restructure, Armstrong (2006). Organizational restructuring may assume different forms ranging from mergers, acquisitions, and the addition of new product lines or markets. Ikhide and Alawode (2010) pointed out that organizational management influence proper restructuring, banks would be able to stage a remarkable growth and revitalize their management efficiently. Organizations that adopt restructuring strategy focus on maximization of restructuring opportunities and achieving high performance for the business. This means that they are able to identify the problem and its root causes, and are capable of formulating the best approach to counter risks and improve organizational performance. Corporate restructuring is one of the important firm's strategies for business performance and business sustainability (Donnelly and Morris 2003).

The Resource Based View (RBV) theory emphasizes the internal resources of the organization in formulating strategy to achieve a sustainable competitive advantage in its markets. Firms that possess and exploit resources and capabilities that are valuable and rare will attain a competitive advantage. In some cases organization resources may

actually allow it. Resource-based strategic theory predicts that firms that restructured in the competitive and volatile market would achieve higher performance (Richard, 2000). The Burke-Litwin theory indicate that management restructure their organizations to manage changes happening in an organization and help in understanding the interaction between the organization and external environment and how they influence each other. The Burke-Litwin theory entails aspects such as firm structure, systems, management practices, climate, individual skills, and motivation that are critical in understanding and simulating transition. This theory is significant when restructuring influenced by external changes in the market place.

Management that effective redesigns of their organizations facilitate information processing and accurate decision making exhibit higher performance. Organizations that restructure improve efficiency and sharpen their competitive edge even though fiercely competitive banking industry. Wilkinson (2004) asserts that motives for forming restructuring strategy to build on company's strengths, spreading costs and risks, to improve access to financial resources, to gain economies of scale and advantages of size, to access to new technologies and customers and to access innovative managerial practices. Financial institutions in developing countries such as Kenya has resulted to restructuring strategy.

The banking industry in Kenya has over the past made tremendous adjustments aimed at improving the industry as it plays a significant role in the growth of economies in Kenya. Although banking industry is one of the most profitable in Kenya, liberalization, globalization, and technological advancement and more enlightened customers, it has been faced with huge non-performing loans, high overhead costs, and difficult operating

environment. Banks have had to restructure their business operations by downsizing, focusing on customers care, through tailored products and restructuring of non-performing loans in order to improve their financial performance and shareholder value (Kithinji 2000). This process has had impacts on various aspects of the bank industry such as the human capital, performance and customer satisfaction as well as challenges such as lack of capital, regulatory policies, cultural and socio-economic factors which have posed high labor cost, slow business growth and delay in the implementation of restructuring (Mellahi, & Wilkinson, 2006)

1.1.1 Restructuring Strategy

Restructuring strategy has been defined as the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable, better organized for its present needs, change of ownership or ownership structure, demerger, a response to a crisis or major change in the business such as bankruptcy, repositioning or buyout. Restructuring strategy involves the elimination of non-core business and business processes, the consolidation of related operations and business functions and to a great extent, reengineering of existing processes.

According to Mintzberg and Quinn (1991), restructuring strategy involves frequently changing organizational management team, shifting strategy, or infusing the organization with new technology that the company may follow up on new acquisitions or business in order to build a critical mass, and selling off unneeded or unconnected parts and hereby reduce the effective acquisition cost.

Corporate restructuring has been a management approach used in financial management and organization management. Most companies have restructured their firms to improve their performance (Thompson and Strickland, 2003).

1.1.2 Organizational Performance

Organizational performance is one of the most important constructs in management research. The concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Carton, 2004). Organizational performance comprises the actual output or results of an organization as measured against its intended outputs.

According to Richard, Devinney, Yip & Johnson (2009) organizational performance encompasses three specific areas of firm outcomes, financial performance such as profits, return on assets and return on investment), product market performance such as sales, market share and shareholder return measure through total shareholder return and economic value added. Lebars & Euske (2006) define performance as a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results. This research considers organization performance relative to the competition from multiple organizational perspectives including quality, productivity, increase in customer base, market share increase market share, profitability, return on equity, and overall firm performance.

1.1.3 Restructuring Strategy and organizational Performance

Restructuring strategy has been adapted by managers in several industries so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance among other reasons. Motivation for organizational restructuring strategy been to lower operational costs and assist in better formulation and implementation of strategies (Eby and Buch, 1998). According to Cascio (2002), restructuring strategy allows organization facing cash flow problems and financial distress, to reduce and renegotiate its delinquent debts in order to improve or restore liquidity and rehabilitate so that it can continue its operations.

Cascio (2002) contends that the investment pattern of a company which relates to ability of corporations to identify the various investments opportunities that would lead to higher returns is part of the restructuring procedure. Financial restructuring may be accomplished with the motive to enhance liquidity, lower the cost of capital, reduce risk, avoid loss of control, and improve shareholder value, among many other reasons. Restructuring strategy has also been associated with achieving of greater employee satisfaction, reduced turnover, increased efficiencies and better communication.

1.1.4 Kenya Commercial Bank Group Limited

Kenya Commercial Bank Limited (KCB) dates back to 1896 when its predecessors, the national Bank of India opened an outlet in Mombasa (KCB financial report, 2012). Kenya Commercial Bank Ltd is a Kenya-based bank that provides corporate and retail banking services. The bank is the biggest bank in Kenya in terms of assets which stands at 311 billion (KCB financial report, 2012), and has an enviable customer base which stands at about 24 percent of the bankable population.

The bank has a rich history of over a decade, which has seen it undergo tremendous growth to its current status of a regional bank with subsidiaries in six other African countries namely; Sudan, Uganda, Rwanda, Tanzania and Rwanda. It offers various personal banking products and services, such as savings and current accounts, personal loans, easy pay loans, salary advances, and credit facilities; Visa and Master Card credit and prepaid cards; advantage banking services, and business banking products. The Company provides corporate banking products, such as custody services, safe keeping services, transaction settlement, corporate actions administration, activity reporting, trustee, and capital and income services, asset finance and insurance premium finance services, corporate finance services, and trade finance products and services.

Kenya Commercial Bank (KCB) started its restructuring in 2006 and has appointed new senior managers as the restructuring programme gathered pace. The programme, which seeks to cut its operation costs by about 20 per cent saw KCB trim its executive committee from 22 to seven. Staff costs had risen from Sh4 billion in 2006 to Sh9.3 billion in 2010, stifling profit growth. In a bid to cut operational costs and return to profitability in all its branches in the East African region, Kenya Commercial Bank launched a massive restructuring exercise. The bank has expected to review its corporate and governance structures, business model, jobs roles and people placement, risk management and mitigation mechanisms, employee performance management and reward frameworks, IT infrastructure and subsidiary businesses (Gaitho, 2011).

1.2 Research Problem

Restructuring equips the firm with the requisite competences needed to capture opportunities that present themselves in the operating environment through leadership in focused value. Gordon (1994), contends that restructuring institutes higher levels of operating efficiency and effectiveness of the organization. Jin, Dehuan and Zhigang, (2004) suggest restructuring processes typically have either short-term or long-term outcomes. The most successful restructuring actions are those which help top management regain strategic control of the firm's operations. Roe (2004) noted that banking industry experience liberalization, globalization, technological advancement and more enlightened customers, it has been faced with huge non-performing loans, high overhead costs, and difficult operating environment. Restructuring has been adapted by managers in several industries so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance among other reasons (Norley et al. 2001)

Commercial banks today are also increasingly encountering fierce competition from competitors, customers that are more demanding, economic pressures and financial crises. Banks have had to restructure their business operations by downsizing, focusing on customers care, through tailored products and restructuring of non-performing loans in order to improve their financial performance and shareholder value (Namatsi, 2010). KCB has been restructuring successfully over the last 5 years. Despite registering success in restructuring, empirical studies determining effects of restructuring on performance of the bank remain elusive.

Yeh and Hoshino (2002) evaluated the effects of restructuring strategy on bank' operating performance on the basis of its effect on efficiency, profitability, and growth and found that restructuring improve productivity, profitability, increase sales growth rate. Nicholson and Goh, (2003) conducted a study to explore improvements in the corporate performance of firms involved in restructuring. Results show that merger and acquisition in the construction sector has contributed in improving the profitability of firms while in the technology sector, no improvements were discovered. Other studies conducted on restructuring include one by Xinliang Xu (2006) on corporate restructuring of industrial and commercial bank of China (ICBC), Motivators and Impacts, Kumar (2013) carried a study on corporate restructuring in India with special reference to Reliance Industries Limited (RIL),while Panchal, and Singh (2014) carried out a study on impact of restructuring on the financial Performance of rrganization: A case study of Reforms in Gujarat Power Sector which concluded that restructuring had a positive impact on performance

Despite growing interest in research on restructuring, little attention has been paid to effect of restructuring strategy on performance of commercial banks. Locally, Riany, Musa, Odera and Okaka (2012) investigated effects of restructuring on organization performance of Mobile Phone Service Providers and revealed that restructuring strategy had a favorable effect on the company Providers' market share and market growth.. Kiyai (2003), did a study on bad debts restructuring techniques and non-performing loans of commercial banks in Kenya, Namatsi (2010) did a study on implementation of restructuring strategy at Kenya airways, to the research knowledge there is scanty of research on effects of organizational restructuring on organizations performance. Munjuri

(2011), conducted a study on impact of restructuring on the employees which found out that the most common restructuring practice by Kenyan Commercial banks involve retrenchment of the employees which reduce costs to ensure profitability. Betsy (2011) carried out a study on effects of restructuring on employee's motivation in Kenya Commercial Bank. There is no known study that has focused on determining the effects of restructuring strategy on performance of the KCB Bank Limited. This study therefore seeks to fill this knowledge gap by answering the question, what is the effect of restructuring strategy on the performance of the KCB Bank Limited?

1.3 Research Objective

To determine how restructuring strategy influence organizational performance

1.4 Value of the Study

The study would be of benefit as it would bring out the importance of restructuring of commercial banks in Kenya and particularly to the management of the Kenya Commercial bank. The study would shed light on the effects on restructuring on employees' motivation.

Other financial institutions like the Microfinance institutions would gain an insight on the effects of organizational restructuring and seeks way of effecting restructuring. The study would be useful to policy makers and government as it would establish the relationship between restructuring and the performance of the banks. It would be useful to the government policy making bodies, as it provided knowledge useful in formulation of policy and a regulatory framework on best practices on improving organizational restructuring in commercial banks and other financial institutions to avoid negative effects of restructuring on performance the organization.

In addition it sought to establish the impact of restructuring as a strategy used by commercial banks in Kenya and to extension commercial banks globally. This was in return benefit commercial banks and banking industry as a whole and all in understanding the challenges facing the banking industry as regards restructuring and makes the necessary adjustments that were of benefits the banks. It was also be significance to the researchers and scholars who found this study significant as it was form the foundation for further study and act as source of knowledge to scholars.

The study would offer a modern restructuring model for many institutions and especially banking institution and thus contribute to the importance of further research, superior performance, and growth of the industry. The results of the study may also be applied to other organization in the financial service industry since restructuring strategy is critical to organizational performance.

The study would contribute to the existing theories and practices as it creates insight on effects of restructuring strategy on performance in commercial banks in the current competitive financial market. The restructuring strategy which is realized in banking structuring can be oriented to various spheres of the bank's activities.

1.5 Chapter Summary

The chapter highlighted the concept of restructuring strategy and the influence on organizational performance, overview of the KCB Bank Limited, the research problem, and the research objectives .The chapter also presented value of the study.

The next chapter discusses literature, theories related to the concept of restructuring strategies and organizational performance. It identifies which theories best suit the research especially those that have been done in the past

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter dealt with the available literature that has been reviewed for the study. The literature is mainly on the organizational restructuring and organizational performance. The chapter presented the theoretical foundation of the study, need for organizational restructuring in a firm and effects of organizational restructuring on organizational performance.

2.2 Theoretical Foundation

The study is underpinned by various theories. The resource-based theory assumes that resources, are heterogeneously distributed among firms and imperfectly mobile. The Resource Based View (RBV) theory emphasizes the internal resources of the organization in formulating strategy to achieve a sustainable competitive advantage in its markets. Firms that possess and exploit resources and capabilities that are valuable and rare will attain a competitive advantage Barney (1991). Resource-based theory seeks to delineate the set of market frictions that would lead to firm growth and sustainable economic rents (via isolating mechanisms) If the organization is seen as made of resources which can be restructured to provide it with competitive advantage then its perspective does indeed become inside out.

Organizational capabilities are combinations of human skills, organizational procedures and routines, physical assets, and systems of information and incentives that enhance performance along a particular dimension'Chandler (1962). Organizational capabilities are products of constant learning and relearning, from and about the firm's activities, its

suppliers and customers, and its own members. And again similarly, capabilities are firm-specific: they reside in the organizational setting in which they were developed and used' (Chandler, 1962). Capabilities may take the form of particular areas of technological expertise, or the ability to translate changes in demand quickly and effectively into new products, or the capacity to adjust and speed the flow of materials through a particular kind of production process.

Burke-Litwin theory reveals various change models that management can use to implement changes in their organizations. These models can assist not only in managing the changes happening in an organization, but can also help in anticipating and identifying possible key issues that are critical in managing change process (Gowing, Kraft and Quick, 2008). The open systems models such as the Burke-Litwintheory, for instance, can help in understanding the interaction between the organization and factors in the external environment and how they influence each other. This theory is particularly helpful when restructuring is brought about by the serious changes in the market place. The Burke-Litwin theory also entails other aspects such as structure, systems, management practices, climate, individual skills, and motivation that are critical in understanding and simulating transition.

2.3 Organizational Restructuring Strategy

A company that has been restructured effectively will generally be leaner, more efficient, better organized, and better focused on its core business. If the restructured company was a leverage acquisition, the parent company will likely resell it at a profit when the restructuring has proven successful. Some common means of restructuring are downsizing, down scoping and leveraged buyouts.

Hayes (2002) explains the origins of organizational restructuring strategy in his concept of future shock. He postulates that the change is a consequence of the existence of three related trends, namely, transience, novelty and diversity. Organizational restructuring will normally change the levels of management in the company, affect the span of control or shift product boundaries. There is also a change in production procedures and compensation associated with this strategy. Reduction in the work force is the main by-product that accompanies organizational restructuring and is the reason for the least positive impact on organizational performance (Burnes, 2004)

Companies involved in acquisitions, divestitures, or spin-offs are using a portfolio restructuring strategy. This type of strategy includes selling off those business units that are drawing down operations or spinning off business units to raise more capital. The organization's objective is to regain its perspective on the core business. Portfolio restructuring has the best results when the firm uses the spin-off strategy and count on subsequent mergers, (Fisher, 2008). According to Gilson (2010), the need to address poor financial performance enhances the need for restructuring strategy, declining sales, accounting losses or falling stock price are silent calls for restructuring to reverse the condition. The Bell and Burnes (2007) is an example of portfolio restructuring. The belief of Bell and Howell's CEO is that this strategy would maximize the organization's strength and help them attract and maintain a talented workforce (Hane & Howell, 2000).

In a financial restructuring that is in the form of a leverage buyout, research reveals there is an immediate influx of free cash flows, organizational efficiency is enhanced and the company refocuses on the core business (Norley, Swanson and Marshall, 2001).

Additionally, long-term performance of the organization is significantly improved after. Leverage buyouts of divisions have greater improvement in efficiency than when the entire company is acquired (Grossman and Hart, 2002). Firms now feel compelled to downsize because being lean-and-mean is believed to be a valued attribute. While downsizing initiatives were initially prompted by the need to increase organizational competitiveness by reducing costs, they also reflect the influence of technologies (Daugherty and Droge, 1990).

2. 4 Rationale for Restructuring Strategy

Modern life is increasingly characterized by impermanence and transience due to the expanding scope and accelerated pace of change (Adut, Cready and Lopez, 2003). This results in shorter duration of people's relationship with things, places, other people, organizations and ideas. This change in turn requires new levels of adaptation for individuals and organizations in order to continue to exist. The individuals and organizations that are more adaptable are more likely to cope through restructuring (Hayes, 2002). Every industry is undergoing a consistent wave of evolution.

Organizations go through periods of intermittent change with some degree of regularity that differs across industries (Hayes, 2007). There are symptoms that may indicate the need for organizational restructuring strategy for instance significantly over or under staffed, organizational communications are inconsistent, fragmented and inefficient, technology and or innovation are creating changes in workflow and production processes, significant staffing increases or decreases are contemplated and new skills and capabilities (Paton, and McCalman, 2000).

Firms that are experiencing unusually low current performance may be more likely than other firms to restructure. If this is the case, then simply calculating pre- and post-buyout performance changes may overstate the effect of the reorganization (Schein, 2000). In addition, part of the change in performance at the restructuring firms is also experienced at other firms. Both the firm's expected change in performance and contemporaneous shocks felt at the firm and elsewhere must be removed (Strauss, 2007). Adjusting the change in performance at a restructuring firm with the change in performance at non-restructuring firm will not yield a correct estimate unless both the control and restructuring firm have the same expected performance improvement.

2.5 Restructuring Strategy in Organizations

Restructuring strategy influence corporate operations to achieve higher levels of the operating efficiency. Pearce and Robinson (2010) viewed restructuring strategy as an approach that organizations recast their organizational structure, leadership, culture and reward systems may all be changed to ensure cost competitiveness and quality demanded by the unique requirements to improve performance. Organizational restructuring strategy has proven to be beneficial in a number of ways that are not limited to lowering operational costs and assisting in better formulation and implementation of strategies. According to Sutton, and D'Aunno, (2009), debt restructuring also qualifies as financial restructuring. This process allows a private or public company facing cash flow problems and financial distress, to reduce and renegotiate its delinquent debts in order to improve or restore liquidity and rehabilitate so that it can continue its operations.

Financial restructuring strategy may be accomplished with the motive to enhance liquidity, lower the cost of capital, reduce risk, avoid loss of control, and improve

shareholder value, among many other reasons (Tyler & Wilkinson, 2007). The primary argument in favour of restructuring strategy such as mergers is that they are good for industrial efficiency without the threat of their companies being taken over and, in all likelihood, the loss of their jobs; managers would act more in their own interest than those of owner.

Boen (2006) suggest that restructuring strategy involves top management deciding what it trying to archive with the new structure. Some of the objectives of restructuring may be to increase productivity, increase sales, improve service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills, establish clearly defined functional units or decentralize the decision making process . Next, top management must decide on what structures to be used. According to Byars and Lloyd (1991) restructuring strategy may be needed to deal with, increases in company's size diversity in products or customer base. Restructuring strategy led to improve bank profitability, to improve productivity, enable banks compete effectively, improve balance sheet ration and enhance growth rate.

2.6 Empirical Studies and Research Gaps

Erickson (2009) conducted a case study in 20 multinationals that have survived for over 200 years and found out that the multinationals had adopted various restructuring strategies to be able to survive and improve on performance. The study also show that restructuring strategy was adopted due to major economic events such as depression, economic recessions, wars and major technological and socio-cultural shifts in order to realign the firms to the environmental changes.

Pietro Giorgio and Alberto (2006) studied impact of Asset restructuring strategies in Bank Acquisitions, Evidence from the Italian Banking Industry between 1993 to 2003. The bank adopted a causal and effects research design. The study collected unbalanced panel data includes Bank of Italy information on bank conditions and bank branch locations, and selected bank balance-sheet variables extracted from the Bilbank dataset. An asset cleaning strategy (ACS), in which the acquiring bank makes a clean sweep of all the negative net present value activities in the portfolio of the acquired bank, and an asset portfolio strategy (APS), in which the acquiring bank permanently changes the portfolio allocation of the acquired bank.

The study found that restructuring strategy, asset portfolio strategy (APS) impacted positively on profitability of the banks in Italy.

Jin, Dehuan, and Zhigang (2004) examined the impact restructuring strategy had on the operational aspects of the publicly traded firms in China. They used changes in revenue, profit margin, return on assets and the total asset turnover ratio before and after the restructuring as proxies for firm performance and conducted tests to determine whether restructuring resulted in significant changes. Their study showed that there were significant improvements in total revenue, profit margin, and return on assets following restructurings but there was no evidence of any significant impact on asset turnover ratio. They also found evidence of significant market anticipation and over reaction to the restructuring strategy.

Munjuri 2011, conducted a study on impact of restructuring on the employees which found out that the most common restructuring practice by Kenyan Commercial banks involve retrenchment of the employees which reduce costs to ensure profitability.

Riany (2012) also carried out a study on the impact of restructuring on the performance of mobile phone service providers. The study adopted a causal research design using questionnaires to collect data from the finance, human resources, information communication technology and marketing departments of the major mobile phone service providers. The study found that restructuring influence firms achieving returns.

From the review of the past studies Nicholson and Goh, (2003), Jin, Dehuan, and Zhigang (2004) and Pietro and Alberto (2006) , it evident that there had been growing interest in research on restructuring strategies in different firms in manufacturing and banking institutions. Despite many studies done on restructuring strategies, little attention has been paid to effect of restructuring strategies on performance of commercial banks in Kenya. This study seek to fill the research gaps by determining whether there exist a significant relationship between restructuring strategy and performance in KCB bank Group.

2.7 Chapter Summary

The chapter presented review of the past study related to concept of restructuring strategies and organizational performance. Theoretical foundation underpinning the study and empirical review of the study are also presented in the chapter.

The chapter has highlighted theories used in the past by outlining how more studies have been achieved throughout the study. Burke-Litwin theory and Resource Based View (RBV) theory have been the most used in achieving the expected results

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the research study was conducted. It explained the research design that was applied. It also explained the data collection methods to be applied and how the data was analyzed to produce the required information for this study.

3.2 Research Design

This study adopted a case study design meant to determine the effects of organization restructuring on organizational performance at Kenya Commercial Bank. Kothari (2004) noted that case study as a description of a situation involving problems to be solved. A case study is also an in-depth investigation of an individual, group, institution or phenomenon, Mugenda and Mugenda (2003).

Case study involves studying one organization where one or several respondents are interviewed and enable collection of in-depth information that helps in understanding situations or phenomenon to avoid generalization. It eliminates or minimizes time wastage and also minimizes costs of movement from one firm to another.

3.3 Data collection

The researcher used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information on effects of restructuring on bank performance. The interview guide was administered through personal interviews with the directors, managers and departmental heads of Kenya Commercial bank who were 15 in number. Personal interviews are advocated by Yin (2003) as having the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview.

3.4 Data Analysis

Content analysis was used to analyze data collected. This is a systematic detailed qualitative description of the objectives of the study. It involves observation and detailed description of objects, items or things that comprise the study, Mugenda and Mugenda, (2003). This method made it possible to analyze and logically group the large quantity of data and compile the rest of the study.

Content analysis as a technique for making references by systematically and objectively identifying specific characteristics of information and using the same approach to relate to trends. The researcher used the data with an aim of presenting the research findings in respect to the effects of restructuring strategy on performance in the bank.

3.5 Chapter Summary

The chapter has covered the research design of the study by articulating the target population. The data collection techniques and tools used and data analysis were also presented. Results and discussion was discussed in chapter four

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSION

4.0 Introduction

The chapter presents the data analysis and presentation of the findings. The chapter will also present the discussion of the finding on effects of restructuring strategies on performance of Kenya commercial bank.

4.1 Respondents Characteristics.

The study sought the respondents characteristics based on the department they work in, their designation, respondents working experience in years and period of time working in Kenya commercial Bank.

4.1.1 Interviewees Department

The interviewees were picked from different departments. From the findings, 24% indicated that they were working in finance and accounting department, 20% in Operation department, and 22% in credit departments, 18% in customer relation and marketing , 6% were from retail banking department and 5% in corporate departments and It department. This implied that the interviewees were from all the departments in Kenya Commercial Bank and therefore the information on the effects of restructuring strategy on bank performance was collected from all the departments.

4.1.2 Designation of the Interviewees

The interviewees were requested to indicate their designation. From the findings 54% of the interviewees indicated that they were head of departments, 33% were bank managers while 13% were bank directors.

This implied that the information on effects of restructuring strategies on bank performance was collected from relevant people who were in a position of offering the information needed for the study. This enhance validity and reliability of the data collected to be able to answer to the research question which was what was the effect of restructuring strategy on the performance of the KCB Bank Limited?

4.1.3 Working Experience

The interviewee was requested to indicate their working experience in years. From the findings, 40% (6) of the interviewees indicated that they had a working experience in the bank of 7-10 years; 35% (5) indicated that they had been working experience of 4-6 years, while 24% (4) indicated that they had a working experience of over 10 years in Kenya Commercial Bank.

This implied that most interviewees had working experience of more than 7 year in the bank therefore had experienced on effects of restructuring strategies on bank performance at KCB Limited. This made the information collected to be valid and reliable.

4.1.4 Period of time working in Kenya commercial Bank

From the findings, 40% (6) of the interviewees indicated that they have been working in the bank for a period of 7-10 years; 35% (5) indicated that they had been working in the bank for a period of 4-6 years, while 24% (4) indicated that they had been working for over 10 years in Kenya Commercial Bank.

This implied that interviewees had worked in the bank for a period of more than 4 years therefore had experienced effects of restructuring strategies that had been adopted in Kenya commercial bank.

4.2 Extent to which Kenya commercial Bank has undertaken restructuring

The interviewees were requested to indicate what restructuring in Kenya Commercial bank involved. From the findings, Kenya Commercial Bank had restructured by through downsizing, debt restructuring, financial and portfolio restructuring. Interviewees indicated that restructuring exercise made the senior managers re-apply for their jobs under a new organizational structure, others were relegated and others were released off their duties. It also came out that Kenya Commercial Bank management had Sale restructuring was also done through sale activation, financial restructuring through bancassurance which was found to increase revenue earnings.

The interviews also indicated that the bank had adopted corporate and mortgage restructuring. This was in line with Jimmieson *et al.* (2004) who found that a positive relationship between employee's motivations and adjustment to organizational change including restructuring in reporting structures, the abolition of middle management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee posses to cope with the restructuring.

4.3 Restructuring in KCB Limited

On what restructuring involves in Kenya Commercial Bank, the interviewees indicated that that it involved complete reforming the bank systems to achieve efficiency and lower costs , clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank.

The interviewees also indicated that restructuring in the bank involves engaging employees in all the departments, customer care delivery , processing channels change, downsizing the organization through VER and branding changes and streamlining human resources policies.

The interviewees further indicated that restructuring strategy involves top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process. This was in line with Jimmieson *et al.* (2004) who found that restructuring involves organizational change in reporting structures, the abolition of middle management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee posses to cope with the restructuring.

4.4 Adoption of Restructuring Strategies at KCB Group Limited

The study sought factors that influenced adoption of restructuring strategies by KCB Group Limited. The interviewees were requested to indicate how management decisions, need for internal efficiency, need to improve profitability and **technology** advancement influence adoption of restructuring strategies by KCB Group Limited.

4.4.1 Management Decision Influence Restructuring at KCB Group Limited

On how management decisions influence restructuring at KCB Group Limited due to increase competition, the interviewees indicated that management guide restructuring process, report on progress and outline implementation framework to achieve success in

implementation of the restructuring strategy. The interviewees also indicated that the management decision influence alignment the strategy with the customer needs, enhance customer service delivery and succeed in expansion in the region.

The interviewees further indicated that management decisions influence resource allocation, employee's engagement and commitment to achieve success in restructuring process. The findings were similar to Ikhide and Alawode (2010) who pointed out that organizational management influence proper restructuring, banks would be able to stage a remarkable growth and revitalize their management efficiently

4.4.2 Influence of Need for Internal Efficiency on Restructuring at KCB bank Limited

The interviewees were requested to indicate how the need for internal efficiency influence restructuring at KCB Group Limited. The study found that timeliness in delivery of financial services, reduction in financial services procedure such loan approval and lowering bureaucracy level in the bank and need to eliminate redundancy and duplication of roles influence adoption of restructuring strategy in the bank. The study also found that internal efficiency in serving customers, need to lower cost of operations, need to achieve high performance, need for reduction of bank risks, achieving customer satisfaction and improve operational systems influence restructuring of KCB group to a great extent.

From the findings, the interviewees explained that the bank restructured to reduce costs, review its corporate and governance structures, business model, jobs roles and people placement, risk management and improve mitigation mechanisms.

4.4.3 Need to improve profitability of the Bank influence restructuring

On how the need to improve profitability influence restructuring, the interviewees indicated that need to improve profitability in the bank had adopted systems to develop superior and quality products and services, adoption of ICT in financial service delivery, developed effective compensation systems to motivate employees, need to increase market share and lowering non-performing loans by adopting loan portfolio restructuring. The interviewees also indicated that the need to increase shareholder value, improve in management efficiency, increase bank return on assets, improve loan portfolio performance and improvement in liquidity management influence bank in adopting restructuring strategy.

The need to improve profitability in Kenya Commercial bank influenced restructuring. It was indicated that the bank restructured to cut operational costs and return to profitability in all its branches in the East African region. This concurred with Druker (2007), Who indicates that the choice of which strategy to use will depend on which area the company wants to improve: profitability, performance or operation. The finding supported findings by Byars and Lloyd (1991) who found that restructuring strategy in commercial bank led to increases in bank's size diversity in products or customer base, improvement in bank profitability, improve productivity, enable banks compete effectively, improve balance sheet ration and enhance growth rate.

4.4.4 Technology Advancement Influence Adoption of Restructuring Strategies

On how technology advancement influence adoption of restructuring strategies, the interviewees indicated that technology adoption has led to improvement in information sharing, communication efficiency, led to development of sale and marketing strategies , led to conveniently and reliable in delivering products and services, increase customer provision standards, improve corporate management and influence adjustment in banking services, ICT-induced innovation, facilitated banks to offer differentiated delivery channels through which customers can access banking services like through mobile phones, deepen customer loyalty and increase customer retention and facilitated banks to expand their operations by opening new branches in rural and remote area. The interviewees explained that adoption of technology had led to bank restructuring to great extent as it led to development of more relevant and profitable products, improve bank processes and develop more intimate and profitable relationships with their customers, improve in risk management and enhance operation efficiency.

The interviewees also indicated that need for achieving management efficiency in enhancing decision making, reducing risks, curbing industrial unrest, effective utilization of bank assets and resources and need for bank to refocus on the core business to improving financial service delivery influence adoption of restructuring strategy at KCB Group Limited.

On other factors that influence adoption of restructuring strategies in banks, the interviewees indicated that organizational culture, availability of financial resources, economic growth rates, organizational policies, and change in money market, bank regulations, political environment and competition in the market influence adoption of restructuring strategy in the bank.

4.5 Restructuring Strategies adopted at Kenya Commercial Bank.

On whether the bank had adopted Financial Restructuring strategies, all the interviewees indicated that the bank had undertaken financial restructuring where the bank restructured its capital structures through debt swaps, leverage buyouts, or some form of recapitalization to enhance bank efficiency and enabling the bank refocus on the core business thus improving financial service delivery

The interviewees also indicated that the bank had adopted Portfolio Restructuring. It was explained that the management of Kenya Commercial Bank had adopted bank portfolio restructuring where different departments had been merged and products packaged to suit the need in the market, debts restructuring were also restructuring and recovery mechanism put in place to enhance debt collection and reduction in default rates.

4.5.1 Debt Restructuring

On whether the bank had adopted downsizing restructuring strategy, all the interviewees indicated that bank was downsizing. It was established that Kenya Commercial Bank management undertook downsizing strategy where the bank laid off most staff in the senior and low-level management due to merging of bank departments.

The interviewees explained that the bank adopted downsizing strategies due to the need to increase bank competitiveness through cost reduction and adoption on technologies to reduce overall operating costs

4.5.2 Influence of restructuring strategy on performance at Kenya Commercial Bank

The interviewees were requested to indicate whether restructuring strategies influence performance at the bank. From the findings, restructuring strategies had led to increase in loan recovery through debt and portfolio restructuring reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate, and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets.

The bank through downsizing strategy reduce bank workforce thereby cutting costs , improve on it internal efficiency, effective management of risks, improve product development thereby increase customer satisfaction and achieve quality financial service delivery. Automation recovery system was found to reduce risks to below 3% improving bank profitability.

Restructuring strategy adopted by KCB bank Limited led to providing customer centric product and services, more conveniently, more reliable and timely attracting more customer hence increase in customer base. Restructuring strategy had also enabled bank to expand in the region and open more branches both in the urban and rural area hence enabling the bank to increase market share in the market.

These findings were supported by According to Cascio (2002) who found that restructuring strategy allows organization facing cash flow problems and financial distress, to reduce and renegotiate its delinquent debts in order to improve or restore liquidity and rehabilitate so that it can continue its operations

4.5.3 Financial restructuring influence performance at Kenya Commercial bank.

Interviewees indicated that financial restructuring strategy enhance liquidity in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value and improve bank financial performance. The interviewees also indicated that through financial restructuring strategies led to introduction of improve debt cards, increase lending performance, reduce payment pressures through equity-based and debt-based strategies by dividend cuts or issuance of shares as a means to retain or generate funds, debt-based strategies involve the adjustment of interest, maturity, or debt/equity ratio borrowing.

The interviewees indicated that bank resorted into dividend payouts and others still into enhancing shareholders equity. The interviewees also indicated that through Financial Restructuring the bank achieve efficiency in capital structure lowering EPS. The findings were supported by Srivastava & Mushtaq (201)who indicated that financial restructuring lower high cost of debt and that reduction of fixed charge burden lower debt ratio by the introduction of new equity and preference share capita

4.5.4 Portfolio restructuring and Bank Performance

On portfolio restructuring have influence performance at Kenya Commercial bank, the interviewees indicated that it led to asset quality management, enhance decision making , eliminate role duplication, improve internal efficiency, risk loss reduction and increase in bank return on assets and return on equity.

The study found that portfolio restructuring also led to development of effective policies and framework that enhance management efficiency in the bank, led to development of quality product and services, led to adoption of technologies that influence quality delivery of financial product to customers and led to development of risk mitigation measures thereby increasing bank revenue, income level and profits.

4.5.5 Debt restructuring and Bank Performance

The interviewees were requested to indicate how debt restructuring had influence performance at Kenya Commercial bank. From the findings, debt restructuring was found to increase debt recovery, improving loan portfolio performance, lower loan books, increase bank interest earning on loan recovered, and enhance easier tracking of non - performing loans, attaining portfolio risk rates at 3%.

The interviewees further indicated that through debt restructuring, bank adopt appropriate debt collection policies and procedures ,use sound management information systems and develop adequate internal controls efficiency in loan recovery reducing non performing rates to a great extent. This demonstrated that debt restructuring significantly led to bank performance as it lead to reduction in nonperforming loans in banks. Norley et al. (2001) also indicated that debt restructuring has been adapted by managers in several bank so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance.

4.5.6 Downsizing and bank Performance

The interviewees were requested to indicate how downsizing of employees. The study found that restructuring through downsizing, the bank was able to lower operating expenses, increase efficiency and profitability, reduction portfolio risks.

The interviewees also indicated that downsizing had led reduction in operation cost , reduced expenses increased market share, increased sales, increased customer satisfaction, improved decision making, reduced bureaucracy, increased productivity, improved cash flow. The finding concurred with Espahbodi, John and Vasudevan, (2000) who found that downsizing led to lower overheads, less bureaucracy, faster and smoother decision-making and overall increase in productivity levels and increase their operating performance.

4.5.7 Mergers and Acquisitions Restructuring

On whether mergers and acquisitions restructuring had influence performance at Kenya Commercial bank, the study found that it increase lending as more loan portfolio were developed, increases management efficiency, lower cost of operations, increase bank branch network and increases in bank profits.

The interviewees indicated that mergers of S& L and KCB increase lending capability of customer leading to increase in loan portfolio. Yeh and Hoshino (2002) also found that merger restructuring strategy impacted on bank' operating performance on the basis of its effect on efficiency, profitability, and growth and found that restructuring improve productivity, profitability, increase sales growth rate.

The interviewees were requested to explain other restructuring strategies that have influence on bank's performance. The interviewees indicated that the banks restructure recruitment and placement where employment was being done through various grades and appraisal systems to increase employees' productivity. Sale restructuring was also done through sale activation, financial restructuring through bancassurance which was found to increase revenue earnings. The interviews also indicated that the bank had adopted corporate and mortgage restructuring which had increase bank customer base, increase bank profitability and increases market share of the banks.

4.6 Discussion

In efforts to make the bank competitive and improve on performance, management in KCB Group Limited was found to have resulted into adopting restructuring strategies. The study revealed that Kenya Commercial Bank had restructured through downsizing, debt restructuring, financial and portfolio restructuring, sale activation, financial restructuring through bancassurance which was found to increase revenue earnings, corporate and mortgage restructuring. The findings were similar to that of Erickson (2009) found that multinationals had adopted various restructuring strategies to be able to survive and improve on performance.

On what restructuring strategies involved in the bank, the study found that restructuring strategies involved complete reforming the bank systems to achieve efficiency and lower costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank. Restructuring strategy was also found to involves top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase

sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process. The finding were supported by Jimmieson *et al.* (2004) who revealed that restructuring involved organizational change in reporting structures, the abolition of middle management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee posses to cope with the restructuring.

There various factors that influence adoption of restructuring strategies in Banks. From the findings, management decisions, need for internal efficiency, need to improve profitability and technology advancement were found to influence adoption of restructuring strategies by KCB Group Limited to a great extent. Ikhide and Alawode (2010) also found similar results that organizational management, technological advancement and need to improve bank performance influence adoption of restructuring strategies. The findings were further supported by Druker (2007), who indicates that the choice of which strategy to use will depend on which area the company wants to improve: profitability, performance or operation.

The study establish that restructuring strategies adopted by the bank had led to increase in loan recovery through debt and portfolio restructuring reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate, and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets. The bank through downsizing strategy, the bank reduce bank workforce thereby cutting on intermediation costs , improve on it internal efficiency, effective management

of risks, improve product development thereby increase customer satisfaction, achieve quality financial service delivery and increase market share in the market. These findings were supported by According to Cascio (2002) who found that restructuring strategy allows organization facing cash flow problems and financial distress, to reduce and renegotiate its delinquent debts in order to improve or restore liquidity and rehabilitate so that it can continue its operations.

The KCB Group Limited was found to have adopted financial restructuring strategy which enhance liquidity in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value and improve bank financial performance, improve debt cards, increase lending performance, reduce payment pressures through equity-based and debt-based strategies by dividend cuts or issuance of shares as a means to retain or generate funds, debt-based strategies involve the adjustment of interest, maturity, or debt/equity ratio borrowing.

The study further found that portfolio restructuring strategy was adopted by KCB Group Limited and this led to improved asset quality management, enhance decision making , eliminate role duplication, improve internal efficiency, risk loss reduction and increase in bank return on assets and return on equity, increase debt recovery, improving loan portfolio performance, lower loan books, increase bank interest earning on loan recovered, and enhance easier tracking of non -performing loans, attaining portfolio risk rates at 3%.

The mergers and acquisitions restructuring strategies adopted by KCB Group Limited had resulted into increase lending as more loan portfolio were developed, increases management efficiency, lower cost of operations, increase bank branch network and increases in bank profits. The findings concurred with Jin, Dehuan, and Zhigang (2004) who found that restructuring strategy adopted by publicly traded firms in China led to significant improvements in total revenue and profit margin.

4.7 Chapter Summary

The study sought to determine how restructuring strategy influence organizational performance. The study revealed that restructuring strategies involved complete reforming the bank systems to achieve efficiency and lower costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank.

The study revealed that Kenya Commercial Bank had adopted restructuring strategies such as downsizing, debt restructuring, portfolio and financial restructuring strategies. The next chapter presented a summary of the findings; the conclusion and the recommendations of the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of the findings; the conclusion and the recommendations of the study which sought to determine effects of restructuring strategy on performance Kenya Commercial Bank Limited

5.1 Summary

The study revealed that Kenya Commercial Bank had adopted restructuring strategies such as downsizing, debt restructuring, portfolio and financial restructuring strategies. It was also revealed that Kenya Commercial Bank management had changed the job roles, risk management approaches, mitigation model, employee performance management and reward frameworks, as well as IT infrastructure ,reporting structures, the abolition of middle management positions, relocations, and the reorganization of staff into new work units due to capabilities the employee posses to cope with the restructuring.

The study established that financial restructuring strategies was adopted in the bank restructured its capital structures through debt swaps, leverage buyouts, or some form of recapitalization to enhance bank efficiency and enabling the bank refocus on the core business thus improving financial service delivery. The portfolio restructuring strategy was also adopted where different departments were merged and products packaged to suit the need in the market. The bank had adopted debts restructuring where restructuring and recovery mechanism put in place to enhance debt collection and reduction in default rates.

The study revealed that Kenya Commercial Bank management undertook downsizing strategy where the bank laid off most staff in the senior and low-level management increase bank competitiveness eliminate redundancy and cost reduction

The study revealed that restructuring strategies in Kenya Commercial Bank, involved complete reforming the bank systems to achieve efficiency and lower costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank. It was also found that restructuring in the bank involves engaging employees in all the departments, customer care delivery, processing channels change, downsizing the organization through VER and branding changes and streamlining human resources policies. Restructuring strategy also involved top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process.

The study established that management decisions influence restructuring at KCB Group Limited due to increase competition, through guiding restructuring process, monitoring and reporting progress and outline implementation framework to achieve success in implementation of the restructuring strategy. Through management decision, alignment of the restructuring strategy with the customer needs, enhancing customer service delivery and succeed in expansion in the region as well as resource allocation, employee's engagement and commitment all geared towards achieving success in restructuring strategy implementation.

The need for internal efficiency motivate restructuring at KCB Group Limited to achieve timeliness in delivery of financial services, reduction in financial services procedure such loan approval and lowering bureaucracy level in the bank and need to eliminate redundancy and duplication of roles motivated adoption of restructuring strategy in the bank. The study revealed that internal efficiency in serving customers, lowering cost of operations, achieving high performance, reduction of bank risks, achieving customer satisfaction and improves operational systems influence restructuring of KCB group to a great extent.

The study found that need to improve profitability influence adoption of restructuring. Restructuring strategy aimed at improve profitability in the bank by adopting systems to develop superior and quality products and services, adoption of ICT in financial service delivery, developed effective compensation systems to motivate employees, need to increase market share and lowering non performing loans by adopting loan portfolio restructuring. The need to increase shareholder value, improve in management efficiency, increase bank return on assets, improve loan portfolio performance and improvement in liquidity management influence bank in adopting restructuring strategy. The study revealed that bank restructured to cut operational costs, increase returns, increases in bank's size, diversity in products or customer base, improvement in bank profitability and productivity,.

The study revealed that technology advancement in banking market also influence adoption of restructuring strategies as it led to improvement in information sharing, communication efficiency, led to development of sale and marketing strategies , led to conveniently and reliable in delivering products and services, increase customer

provision standards, improve corporate management and influence adjustment in banking services, ICT-induced innovation, facilitated banks to offer differentiated delivery channels through which customers can access banking services like through mobile phones, deepen customer loyalty and increase customer retention and facilitated banks to expand their operations by opening new branches in rural and remote area.

The other factor that influence adoption of restructuring strategy was the need for achieving management efficiency in enhancing decision making, reducing risks, curbing industrial unrest, effective utilization of bank assets and resources and need for bank to refocus on the core business to improving financial service delivery influence adoption of restructuring strategy at KCB Group Limited. On other factors that influence adoption of restructuring strategies in banks, the interviewees indicated that organizational culture, availability of financial resources, economic growth rates, organizational policies, and change in money market, bank regulations, political environment and competition in the market.

The study restructuring strategies had led to increase in loan recovery through debt and portfolio restructuring reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets. The bank downsizing strategy was found to reduce bank workforce thereby cutting costs , improve on it internal efficiency, effective management of risks, improve product development thereby increase customer satisfaction and achieve quality financial service delivery and improve bank profitability. The study revealed that restructuring strategy adopted by

KCB bank Limited led to providing customer centric product and services, more conveniently, more reliable and timely attracting more customer hence increase in customer base. Restructuring strategy had also enabled bank to expand in the region and open more branches both in the urban and rural area hence enabling the bank to increase market share in the market.

The financial restructuring strategy enhance liquidity in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value, introduction of improve debt cards and increase lending performance. The financial restructuring strategy reduces payment pressures through equity-based and debt-based strategies by dividend cuts or issuance of shares to retain or generate funds, debt-based strategies involve the adjustment of interest, maturity, or debt/equity ratio borrowing, others resorted into dividend payouts and others still into enhancing shareholders equity.

The study established that portfolio restructuring led to asset quality management, enhances decision making, eliminate role duplication, improve internal efficiency, risk loss reduction and increase bank return on assets and return on equity. The study revealed that portfolio restructuring also led to development of effective policies and framework that enhance management efficiency in the bank, led to development of quality product and services, led to adoption of technologies that influence quality delivery of financial product to customers and led to development of risk mitigation measures thereby increasing bank revenue, income level and profits.

The study established debt restructuring led to increase in debt recovery, improving loan portfolio performance, lower loan books, increase bank interest earning on loan

recovered, and enhance easier tracking of non-performing loans, reduction in risks, reducing non performing rates to a great extent. The study revealed that downsizing, bank lower operating expenses, increase efficiency and profitability, reduction portfolio risks, led reduction in operation cost , reduced expenses increased market share, increased sales, increased customer satisfaction, improved decision making, reduced bureaucracy, increased productivity, improved cash flow.

The study further revealed that mergers and acquisitions restructuring had influence performance at Kenya Commercial bank by increase lending as more loan portfolio were developed, increases management efficiency, lower cost of operations, increase bank branch network and increases in bank profits.

The study found that banks restructured recruitment and placement where employment was being done through various grades and appraisal systems to increase employees' productivity. Sale restructuring was also done through sale activation, financial restructuring through bancassurance to increase revenue earnings while corporate and mortgage restructuring increase bank customer base, increase bank profitability and increases market share of the banks.

5.2 Conclusion

The study concluded that Kenya Commercial Bank had adopted restructuring strategies such as downsizing, debt restructuring, portfolio and financial restructuring strategies. Financial restructuring strategies was adopted in the bank in restructuring its capital structures through debt swaps, leverage buyouts, or some form of recapitalization to enhance bank efficiency and enabling the bank refocus on the core business thus improving financial service delivery.

The portfolio restructuring strategy was also adopted where different departments were merged and products packaged to suit the need in the market. The bank had adopted debts restructuring where restructuring and recovery mechanism put in place to enhance debt collection and reduction in default rates. The study revealed that Kenya Commercial Bank management undertook downsizing strategy where the bank laid off most staff in the senior and low-level management increase bank competitiveness eliminate redundancy and cost reduction

The study concluded that restructuring strategies in Kenya Commercial Bank, involved complete reforming the bank systems to achieve efficiency and lower costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank, engaging employees in all the departments, customer care delivery, processing channels change, downsizing the organization through VER and branding changes and streamlining human resources policies. The study concluded that restructuring strategy involved top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process.

The study concluded that restructuring strategies had led to increase in loan recovery through debt and portfolio restructuring, reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, restructuring made loan tracking easier hence lower default rate and merger and acquisition between S& L and KCB Bank led to increase in mortgage borrowing hence increase in bank returns on assets. . The

study revealed that restructuring strategy adopted by KCB bank Limited led to providing customer centric product and services, more conveniently, more reliable and timely attracting more customer hence increase in customer base. Restructuring strategy had also enabled bank to expand in the region and open more branches both in the urban and rural area hence enabling the bank to increase market share in the market.

The study concluded that financial restructuring strategy enhance liquidity management in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value, introduction of improve debt cards and increase lending performance. It also reduces payment pressures through equity-based and debt-based strategies by dividend cuts or issuance of shares to retain or generate funds, debt-based strategies involve the adjustment of interest, maturity, or debt/equity ratio borrowing, and others resorted into dividend payouts and others still into enhancing shareholders equity.

The study concluded that portfolio restructuring led to asset quality management, enhances decision making, eliminate role duplication, improve internal efficiency, risk loss reduction and increase bank return on assets and return on equity. Portfolio restructuring also led to development of effective policies and framework that enhance management efficiency in the bank, led to development of quality product and services, led to adoption of technologies that influence quality delivery of financial product to customers and led to development of risk mitigation measures thereby increasing bank revenue, income level and profits.

The study concluded that debt restructuring at KCB Group Limited led to increase in debt recovery, improving loan portfolio performance, lower loan books, increase bank interest earning on loan recovered, and enhance easier tracking of non-performing loans, reduction in risks, reducing non performing to a great extent. Downsizing strategy led to reduction in operating expenses, increase efficiency and profitability, reduction portfolio risks, led reduction in operation cost , reduced expenses increased market share, increased sales, increased customer satisfaction, improved decision making, reduced bureaucracy, increased productivity, improved cash flow.

The study concluded that downsizing strategy was found to reduce bank workforce thereby cutting costs , improve on it internal efficiency, effective management of risks, improve product development thereby increase customer satisfaction and achieve quality financial service delivery and improve bank profitability. The study conclude that mergers and acquisitions restructuring in KCB Group Limited led to increase in lending performances , loan portfolio performance, increases management efficiency, lower cost of operations, increase bank branch network and increases in bank profits.

5.3 Recommendations and Implication of the study

The study recommend that restructuring strategies in banks should involved complete reforming the bank systems to achieve efficiency and lower costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines and bank structures and involve system changes in the bank, engaging employees in all the departments, customer care delivery, processing channels change, downsizing the organization through VER and branding changes and streamlining human resources policies.

It also involved top management deciding what the bank sought to achieve with the new structure such as to increase productivity, increase sales, improve financial service, control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise, establish clearly defined functional units or decentralize the decision making process.

From the conclusion, the study recommend that bank management should adopt restructuring strategies as it would result into increase in loan recovery through debt and portfolio restructuring, reducing non performing loans, lower costs in the banks led to increase in profit earnings in the banks, makes tracking easier hence lower default rate and increase in bank returns on assets. The restructuring strategy would also lead to provision of customer centric product and services, more conveniently, more reliable and timely attracting more customer hence increase in customer base and increase market share in the market.

The Study also recommend that banks should adopt financial restructuring strategy as this would enhance liquidity management in the bank, lower the cost of capital, reduce risk in the bank, avoid loss of control and improve shareholder value, introduction of improve debt cards and increase lending performance, reduces payment pressures through equity-based and debt-based strategies by dividend cuts or issuance of shares to retain or generate funds.

Much effort should also be made toward adopting portfolio restructuring as this would result into asset quality management, enhances decision making, eliminate role duplication, improve internal efficiency, risk loss reduction and increase bank return on assets and return on equity, increasing bank revenue, income level and profits.

The study recommend that banks' management should adopt debt restructuring strategy as this would led to increase in debt recovery, improving loan portfolio performance, lower loan books, increase bank interest earning on loan recovered, and enhance easier tracking of non-performing loans, reduction in risks, reducing non performing loan to a great extent.

The study recommend that management in commercial bank institution should adopt downsizing strategy at it would led to reduction in operating expenses, increase efficiency and profitability, reduction portfolio risks, led reduction in operation cost , reduced expenses, increased market share, increased sales, increased customer satisfaction, improved decision making, reduced bureaucracy, increased productivity, improved cash flow, improve on it internal efficiency, improve product development thereby increase customer satisfaction and achieve quality financial service delivery and improve bank profitability. The study recommend that banks should adopt mergers and acquisitions restructuring in as this would led to increase in lending performances , loan portfolio performance, increases management efficiency, lower cost of operations, increase bank branch network and increases in bank profits.

The established that restructuring strategies in banks had positive effective on bank performance as it led to achieving of efficiency and lowering costs, clear structures with clear defined functional roles for all in the banks, changing reporting lines, increased productivity, increased sales, improve financial service ,control costs, eliminate overlaps in responsibilities, maximize utilization of critical staff skills and expertise and yield high profit margin. The study is therefore of benefit as it brought out the importance of restructuring strategies commercial banks in Kenya and particularly to the management of the Kenya Commercial bank. The management of other financial institutions like the Microfinance institutions would adopt restructuring strategies as it influence organizational performance.

The study has established that restructuring strategies has significant effects on bank performance. The policy makers and government should sought measures formulate and develop regulatory framework to enhance financial restructuring strategy, debt restructuring, downsizing, merger and acquisition restructuring and portfolio restructuring in commercial banks to improve on bank performance.

In addition it sought to establish the impact of restructuring as a strategy used by commercial banks in Kenya and to extension commercial banks globally. This was in return benefit commercial banks and banking industry as a whole and all in understanding the challenges facing the banking industry as regards restructuring and makes the necessary adjustments that were of benefits the banks.

The findings of the study add to the existing theory and practices in the researcher and scholars with knowledge on effects of restructuring strategies on commercial bank performance. It was also be significance to the researchers and scholars who found this study significant as it was form the foundation for further study and act as source of knowledge to scholars.

The study provide a critical findings on the specific restructuring strategies that could be adopted by commercial banks in modern restructuring model included financial restructuring, portfolio restructuring strategy, mergers and acquisitions restructuring strategies, downsizing restructuring strategy and debt restructuring strategy . The results of the study may also be applied to other organization in the financial service industry since restructuring strategy is critical to organizational performance.

The study would contribute to the existing theories and practices in that it creates insight on effects of restructuring strategy on performance in commercial banks in the current competitive financial market. The study revealed that banks adopted downsizing, debt restructuring, financial and portfolio restructuring, sale activation, mergers and acquisition restructuring strategies led to increase in revenue, increase in efficiency, profit margin.

5.4 Area for further study

The objective was to investigate the effects of restructuring strategy on performance in Kenya Commercial Bank. The study recommended that a study should be carried out to determine effects of restructuring strategy in achieving competitive advantage in commercial banks. The study also recommends that a study should be carried out to determine challenges affecting implementation of restructuring strategy in commercial banks.

As the bank faces stiff competition due to introduction of mobile telephone banking, a further study should be carried out to determine effects of restructuring strategies in achieving competitive edge and sustainable competitive advantage to remain relevant in the competitive market. A further study could also be carried out to determine critical success factors to adoption of restructuring strategies in commercial banks. This would provide an insight on how successful adoption of restructuring could be achieved.

5.5 Limitations of the study

In conducting the study, the researcher encountered a number of challenges. One of the challenges was lack of time from some of the bank officials who were willing to be interviewed. This study was dependent on inducing information from the interviewees who were senior officers in the bank which was had to secure time for interview. However, the researcher only went for the interview during interviewees break time and when they were free to hold interviews.

Another limitation was that, this study was a case study therefore form a clear comparison on the effects of restructuring strategies on performance could not be generalized to all other banks.

The third challenge was limitation of information given by the banks. Some banks interviewees limited the information they gave out. The interviewees thought the information may be use against them. However, the researcher assured them that the information they were to offer would only be used for academic purpose only and would be held confidential.

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APPENDICES

Appendix I: Interview Guide

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1. Name of department: _____
 2. What is your designation? _____
 3. What is your total work experience in years? _____
 4. What is your length of time in the Kenya commercial Bank?
-

Main Issue

5. Explain the extent to which Kenya commercial Bank has undertaken restructuring?
6. What does restructuring involve in Kenya Commercial bank?
7. Kindly indicate how management decisions that influence restructuring at KCB Group Limited due to increase competition
8. Discuss how need for internal efficiency influence restructuring at KCB bank Limited
9. Discuss how Need to improve profitability of the Bank influence restructuring
11. Explain how Technology advancement influence adoption of restructuring strategies in our banks
Management Efficiency.....
12. What are other factors that influence adoption of restructuring strategies in your banks?
- 13 Explain whether following restructuring strategies has been adopted at Kenya Commercial Bank.

- i. Financial Restructuring.....
- ii. Portfolio Restructuring
- iii. Debt Restructuring
- iv. Downsizing

Any other, kindly specify.....

14. Do you think restructuring has improved performance at Kenya Commercial Bank?
Explain

15. Explain how financial restructuring have influence performance at Kenya Commercial bank.

16. Discuss how portfolio restructuring have influence performance at Kenya Commercial bank.

17. Discuss how debt restructuring have influence performance at Kenya Commercial bank.

18. Discuss how downsizing have influence performance at Kenya Commercial bank.

19. Explain whether mergers and acquisitions restructuring have influence performance at Kenya Commercial bank.

20. Explain other restructuring strategies has influence on bank's performance

Appendix II: Letter of Introduction

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Sno. ~~10650~~
10615



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
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P.O. Box 30197
Nairobi, Kenya

DATE: 19/8/2015

TO WHOM IT MAY CONCERN


The bearer of this letter KARANJA GLADYS W
Registration No. D6162879/2010

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

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Approved Data Collection

For: **KENYA COMMERCIAL BANK LTD.**

Head, Reward & Policy
19.08.2015