

**INFLUENCE OF FUNCTIONAL STRUCTURES ON THE PERFORMANCE OF  
PROGRAMS OF OPERATING COMMERCIAL BANKS: A CASE OF NATIONAL  
BANK OF KENYA (NBK)-WESTERN KENYA REGION**

**BY**

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## DECLARATION

I declare that this is my original work and has not been presented to any other university for examination.

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**L50/ 65172/ 2013**

This research report has been submitted with our approval as the University of Nairobi Supervisor.

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## **DEDICATION**

I dedicate this research proposal to my loving parents Mr.Jonah Sogomo &Mrs. Susan Sogomo, my brothers and sisters for their support during the course and research period. Above all I would like to dedicate this research proposal to almighty God for his presence and guidance in times of need.

## **ACKNOWLEDGEMENT**

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## ABSTRACT

Functional management structures include employees understanding of working relationships with their manager, subordinates and peer group. Management structures appear in every type of organization. The main purpose of these study was to assess the influence of functional structures on the performance of programs of operating commercial banks. The objectives of the study were: To find out the extent to which planning influences the performance of programs in commercial banks in Kenya, to determine the extent of implementation influence the performance of programs in commercial banks in Kenya, to determine the extent to which monitoring influence the performance of programs in commercial banks in Kenya and to determine the extent to which evaluation influence the performance of programs in commercial banks in Kenya. The study was of most importance to banks as it used the findings of the study to come up with policies that helped in improving management structures. It was also important to management of financial institutions and research organization. I chose this area because of its large customer turnover and familiarity of the institution. The target population will be 150 employees working in the 10 branches of National bank of Kenya and stratified random sampling procedures will be used to get sample size of 50 employees working representing a sample of 10 branches. Researcher administered questionnaire was used as a tool to collect data. Validity was ensured through the expert opinion of the supervisors while test retest method was used to ensure reliability of the research instrument. The data was analyzed by use of descriptive inferential statistical method. It was then presented in form of charts and frequency tables.

From the findings the study established that planning well established functional management structures leads to highly motivated employees thus competitive advantage of any company because their performance leads an organization to well accomplishment of its goals and in today's dynamic environment the highly motivated employees serve as a synergy for accomplishment of company's goals, business plans, high efficiency, growth and performance of Programs of Operating Commercial Banks in Kenya as well as all firms in the banking sector. The study recommends that the management keeps on monitoring as well as re-assessing the effect and frequency of mitigation measures adopted in managing functional management structures. The study recommends that the management of organizations in banking sector should have an effective working environmental management plan. This will help to identify internal and external constraints which are likely to cause a significant increase in the budget, disruption of the schedule or performance problems.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1. Background of the Study**

In recent years globally, there have been many companies that are downsizing due to slow periods (Caudron, 2006). Typically, those workers that were laid off tend not to be rehired with the same company, leaving them with no option but to start all over. This type of company tends not to see the value of their workers do to the type of management structure deployed in the organization. Companies that do see the value of their workers through their management structure creates a culture of mutual trust between management and employees. This mutual trust has the opportunity to not only occur between management and employees, but also with customers and suppliers. These organizations or institutions are also known as high performance institution or organizations (Phillips, 2010). The reason high performances organizations have high trust among co-workers as well as among management are because of the type of management structure used by the institution or organizations. The structure used by the organization in management requires management to place trust in the workers to finish the task(s) they are assigned to complete (Costigan, Ilter and Berman, 2008). A good management structure enables employees to surface their ideas and feelings, use each other as resources, and teach together (Jordan, 2009).

In Africa, Individuals want to work in an environment of trust and respect where they have the ability to make contributions to the organizational goals and objectives, they want to be able to have the opportunity to show management that they can accomplish a task with the creativity obtained from working in teams. High performance organizations offer individuals the opportunity to obtain the level of success they desire (Caudron, 2006). According to the CPA (2009), Workers gain the opportunity to make informed decisions that will affect the service or

product they offer. When combined with information sharing, the result is greater job satisfactions and an employee commitment to high quality and increased customer satisfaction. High performance organizations share any information regarding the organization with their workers is can only be enhance by the type of management structure used by the institution management hence provides workers with the knowledge they need to perform their job well and to enjoy what they are doing.

Many organizations in Eastern Africa have adopted different managerial structure to run and manage their organization regardless of their size in order to attain higher performance as compared to their opponents. As a result, many institutions in banking industry have got different forms of management structure; this has emerged due to the rapid growth of financial institution in the banking industry (Eshun and Essey, 2010). Based on the above analogy, Kenya is not an exemption, it is one of the countries in Eastern Africa having a faster growing rate of financial institution in the banking system (Kenya Economic Survey,2010), hence the financial institution in the banking industry have different mode of management structure, therefore this research proposal assesses the influence of functional structures on the performance of programs of operating commercial banks: a case study of National Bank of Kenya. From the research based on previous studies there is a literature gap on the influence on functional structures on performance of programs of operating commercial banks.

## **1.2. Statement of the Problem**

In order to achieve success in performance of any organization/institution, it is the role of management to ensure that there is an effective functional structure. National bank is one of financial institutions in Kenya. The bank has had a turbulent financial history caused by poor management decisions, poor functional management structure and political interference in the

early 1990's. The bank has been able to return to profitability due to changes in leadership, functional management structure and business policies. It has been observed that the profitability has been stagnating for the last couple of years (2009-2012). The bank's ability to sustain growth in profitability has been lackluster even as the other players in the banking sector continue to make impressive growth coupled with economic challenges, stiff competition and increased operation cost. The bank has also been lacking in unity of objectives and goals. This is because of lack of clear company's' mission to employees to ensure that the set targets and goals are achieved. There has also been lacking unity of command whereby the different departments and branches tend to work towards different objective vis a vis a situation where they under one overall management for clear leadership. Another problem is the lack of communication channel between the various levels of management. The line of authority is not clear therefore it is not clear who resides above and below the command thereby impacting on communication. The study was also necessitated because the management was not responsive to the ever changing customer need and preferences. These affected product development, performance and thereby impacting on the banks potential revenue stream Due to these problems the researcher found it necessary to write research project report on the influence of functional structures on the performance of programs of operating commercial banks.

### **1.3 Purpose of the Study**

The purpose of the study was intended to ascertain the influence of functional structures on the performance of programs of operating commercial banks with the outcomes being used to design effective functional management structure to ensure optimum productivity and performance.

## **1.4. Objectives of the Study**

### **1.4.1 General Objectives of the Study**

The general objective of the study was to evaluate the influence of functional structures on the performance of programs of operating commercial banks in Kenya.

### **1.4.2 Specific Objectives of the Study**

The specific objectives were:

- i. To find out the extent to which planning influences the performance of programs in commercial banks in Kenya.
- ii. To determine the extent of implementation influence the performance of programs in commercial banks in Kenya
- iii. To determine the extent to which monitoring influence the performance of programs in commercial banks in Kenya
- iv. To determine the extent to which evaluation influence the performance of programs in commercial banks in Kenya

## **1.5. Research Questions**

- i. To what extent does planning influences the performance of programs in commercial banks in Kenya?
- ii. To what extent does effective implementation influence the performance of programs in commercial banks of Kenya?
- iii. To what extent does monitoring influence the performance of programs in commercial banks in Kenya?
- iv. To what extent does evaluation influence the performance of programs in commercial banks in Kenya?

### **1.6. Significance of the Study**

The study helped the management of various banks in Kenya through implementing better policies that improves functional management structures in National banks by adopting the recommendation of this study. It also provided more literature to research organizations and scholars who may want to carry out further studies on issues of functional structures. The findings of this study helped the government in formulating policies that can help in effective functional management structures so that to improve the performance of programs of operating commercial banks in Kenya.

### **1.7. Delimitations of the Study**

The scope of this study was confined to the influence of functional structure on performance of commercial banks using the case study of National Bank of Kenya. The study focused on the influence of functional management structure on the overall performance of programs of operating commercial banks and other organizations at large.

### **1.8. Limitations**

The study was limited to National Bank of Kenya therefore its findings would not be generalized to other Commercial banks in Kenya. Data collection procedure was restricted to the use of questionnaires thereby locking out other vital data collection tools such as documents. Another limitation was the Challenges in the degree of cooperation expected from the respondents.



## **1.9 Assumptions of the Study**

Employees working in National bank were at work during the study period hence they provided required information on the influence of functional structures on performance of programs of operating commercial banks in Kenya.

## **1.10 Operational Definition of Terms**

**Management:** This is the process of planning, organizing and controlling all organizational resources in order to achieve organizational goals.

**Structure:** This is the process of storing goods in the warehouse in order to protect them against damage and ensures that they are available to the customer when they need them

**Financial institutions:** is the process of coordinating the incoming goods, the subsequent storage and tracking of the goods, and finally, the distribution of the goods to their proper destinations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains the previous studies and literatures on the influence of functional management structures on performance of programs of operating commercial banks with specific emphasis on the types of functional structures stock, effect of functional structure on performance of commercial banks and the internal and external factors considered when selecting the functional structure as a management structure and the study Empirical Literature.

#### **2.2 Concept of functional organizational structure**

A functional organizational structure is a structure that consists of activities such as *coordination, monitoring, specialization* and *task allocation*. The organizational structure determines how the organization performs or operates. The term organizational structure refers to how the people in an organization are grouped and to whom they report. One traditional way of organizing people is by function. Some common functions within an organization include production, marketing, human resources, and accounting (Anderson, 2007). This organizing of specialization leads to operational efficiencies where employees become specialists within their own realm of expertise. The most typical problem with a functional organizational structure is however that communication within the company can be rather rigid, making the organization slow and inflexible. Therefore, lateral communication between functions becomes very important, so that information is disseminated, not only vertically, but also horizontally within the organization (Hedberg, B., G. Dahlgren, J. Hansson, and N.-G. Olve, 1999).

Anderson (2007) stated that employees within the functional divisions of an organization tend to perform a specialized set of tasks, for instance the engineering department would be staffed only with software engineers. This leads to operational efficiencies within that group. However it could also lead to a lack of communication between the functional groups within an organization, making the organization slow and inflexible .As a whole, a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Coordination and specialization of tasks are centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost. For instance, a small business could make components used in production of its products instead of buying them.

Communication in organizations with functional organizational structures can be rigid because of the standardized ways of operation and the high degree of formalization. This can further make the decision-making process slow and inflexible (Walker, 2007).Even though functional units often perform with a high level of efficiency, their level of cooperation with each other is sometimes compromised. Such groups may have difficulty working well with each other as they may be territorial and unwilling to cooperate. The occurrence of infighting among units may cause delays, reduced commitment due to competing interests, and wasted time, making projects fall behind schedule. This ultimately can bring down production levels overall, and the company-wide employee commitment toward meeting organizational goals (Walker, 2007).

According to Repenning (2002) a functional organization structure is a hierarchical organization structure wherein people are grouped as per their area of specialization. These people are

supervised by a functional manager with expertise in the same field. This expertise helps him effectively utilize the skills of employees, which ultimately helps him in achieving the organization's business objectives. In this kind of organization structure, people are classified according to the function they perform in the organization. The organization chart for a functional organization structure shows you the president, vice president, finance department, sales department, customer service department, administration department, etc.

The functional organization structure is suitable for an organization which has ongoing operations and produces standard products or goods, such as manufacturing and production industries. Here all authority stays with the functional manager. Usually, the position of the project manager does not exist in this type of organization structure. Even if this position exists, the role of the project manager will be very limited and he will need permission from the functional manager to fulfill his requirements. The project manager may have the title of a coordinator or an expeditor (Grant, 2008). The functional organization structure helps organizations run their business and earn a profit. This type of structure suits organizations intended to produce some product or service on a continuous basis. Here, employees feel secure, perform well and tend to be highly skilled (Garsten, 2001).

#### *Influence of Functional Management Structures on Performance of Financial Institutions*

The goal of functional structure is to put all the human and informational resources necessary for a single activity in one place. This maximizes performance by facilitating "sharing of valuable expertise by superiors with their subordinates," reports Practical Management. Sub-organization leaders are experts both in their field and in the resources available, which allows each unit to

reach its greatest potential and prevents over-use of limited resources. Specialized training and involved management mean that standout employees are quickly recognized and placed where they will be most effective and managers are always on the lookout for helpful skills and ideas. The same qualities that lead to increased production and specialization lead to complicated communication and decision-making processes. Since the functional units are not accountable to each other and share decision-making power, the process is more bureaucratic and tends to take longer. While the flow of communication within a department is expedient, communication between departments and synchronization of work and project completion is more difficult to manage. Finally, too much focus leads employees to neglect the larger view of the company and its objectives.

Functional management structure leads to poor unit coordination, Even though functional units often perform with a high level of efficiency, their level of cooperation with each other is sometimes compromised. Such groups may have difficulty working well with each other as they may be territorial and unwilling to cooperate. The occurrence of infighting among units may cause delays, reduced commitment due to competing interests, and wasted time, making projects fall behind schedule. This ultimately can bring down production levels overall, and the company-wide employee commitment toward meeting organizational goals.

#### *Internal and External Factors Considered when designing a functional Management Structure*

All businesses have an internal and external environment. The internal environment is very much associated with the human resource of the business or organization, and the manner in which people undertake work in accordance with the mission of the organization. To some extent, the

internal environment is controllable and changeable through planning and management processes. The external environment, on the other hand is not controllable. The managers of a business have no control over business competitors, or changes to law, or general economic conditions. However the managers of a business or organization do have some measure of control as to how the business reacts to changes in its external environment.

There are a number of other factors to consider when deciding on the most appropriate management structure this factor is based on both. The first of these factors is the environment in which the company operates. This has two components: the external and the internal environment. The external environment impacts all businesses and includes factors such as taxation, the legal environment and political stability. To stay abreast of changes in their external environment, organizations use environmental scanning to gather pertinent information. The internal environment considers those traits specific to that business in its day to day operations; an example is the capital adequacy requirements for banks. Organizations use boundary spanning roles to manage their internal environment, both to gain information from different sources and to improve communication flows throughout the organization (Dorgan 2007)

## **2.3 Theoretical Review**

The section of study will look in theories that bring about the need for functional structure on performance of programs in commercial banks in Kenya. The theories under discussion will be the principal agent theory, scientific management theory and Information theory.

### **2.3.1 The Principal-Agent Theory**

The *principal-agent theory* holds that bureaucratic behavior is best explained by the interplay between two groups: principals (buyers in the language of economic theory) who want to control

as much as they can of the bureaucracy; and agents (sellers or providers) who strive to avoid having any control by principals placed over them. In practice, principals are synonymous with supervisors and agents are the same as subordinates (Horn 1995). The theory rests extensively upon what is known about the nature of working in functional organizational structures where one of the main problems is a lack of upward (vertical) communication so that supervisors can know if subordinates are, in fact, carrying out their orders (Jackson 1983; Miller 2005). Agents control this information flow, and are often as diffuse or obscure as possible about it. In such a diffuse information environment, principals often further seek to manipulate and mold the behavior of agents so that they will act in accordance with the principals' preferences. However, principals tend to know less than agents about what is really important, and principals often lose control over their agents except for episodic times when they exercise power over salary contracts. In many ways, principal-agent theory is really about the management of incentives, or what motivates people to communicate and perform under various incentives. Clearly, an obvious finding is that principals who underpay their agents can expect little effort in return as well as downright resistance to change, a phenomenon which managers would do best to not take personally (Barzelay 1992). Principal-agent theory is constantly being applied in a variety of contexts with mixed empirical results. Some particular research areas where the theory might make valuable contributions would be the study of bribery and corruption, since these things can easily be seen in supply-and-demand terms as a kind of market transaction. Also, the notion of a "fair day's work" is undeveloped in the theory

### **2.3.2 Scientific Management theory**

Frederick Winslow Taylor (1856-1915) was an American inventor and engineer that applied his engineering and scientific knowledge to management and developed a theory called scientific management theory. His two most important books on his theory are Shop Management (1903) and The Principles of Scientific Management (1911).

Frederick Taylor's scientific management theory can be seen in nearly all modern manufacturing firms and many other types of businesses. His imprint can be found in production planning, production control, process design, quality control, cost accounting, and even ergonomics. If you understand the principles of scientific management, you will be able to understand how manufacturers produce their goods and manage their employees. You will also understand the importance of quantitative analysis, or the analysis of data and numbers to improve production effectiveness and efficiency. In broad terms, scientific management theory is the application of industrial engineering principles to create a system where waste is avoided, the process and method of production is improved, and goods are fairly distributed. These improvements serve the interests of employers, employees, and society in general. Taylor's theory can be broken down into four general principles for management: Actively gathering, analyzing, and converting information to laws, rules, or even mathematical formulas for completing tasks, utilizing a scientific approach in the selection and training of workers, bringing together the science and the worker so that the workers apply the scientifically developed techniques for the task and applying the work equally between workers and managers where management applies scientific techniques to planning and the workers perform the tasks pursuant to the plans.



Frederick Taylor approached the study of management quantitatively through the collection and analysis of data. For example, he and his followers performed motion studies to improve efficiency. He analyzed the motions required to complete a task, devised a way to break the task down into component motions, and found the most efficient and effective manner to do the work.

An example of a motion study is observing the number of distinct motions required to shovel coal into a furnace. The task is then broken down into its distinct components, such as picking up the shovel, walking to the coal, bending over, manipulating the shovel to scoop the coal, bending back up, walking to the furnace, and manipulating the shovel to deposit the coal. The most efficient way to perform the task was developed and workers were instructed on how to apply the method.

### **2.3.3 Information Theory**

Derban, Binner and Mullineux (2005) recommended that borrowers should be screened especially by banking institutions in form of credit assessment. Collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by symmetric information theory which was developed by Claude E. Shannon in 1948. Qualitative and quantitative techniques can be used in assessing the borrowers although one major challenge of using qualitative models is their subjective nature. However according to Derban *et al.* (2005), borrowers attributes assessed through qualitative models can be assigned numbers with the sum of the values compared to a threshold. This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems will be important if it indicates changes in expected level of credit loan loss. Brown Bridge (2008) concluded that quantitative models make it possible to numerically establish which factors are

important in explaining management structures, evaluating the relative degree of importance of the factors, improving the pricing of default risk, screening out bad loan applicants and calculating any reserve needed to meet expected future loan losses will determine the type of structure the management will adopt

### **2.3.4 Planning and Functional Structures on Performance Of Programs Of Operating Commercial Bank**

Weber (1948) gives the analogy that a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Planning of tasks is centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost. For instance, a small business could make components used in production of its products instead of buying them. Even though functional units often perform with a high level of efficiency, their level of cooperation with each other is sometimes compromised. Such groups may have difficulty working well with each other as they may be territorial and unwilling to cooperate. The occurrence of infighting among units may cause delays, reduced commitment due to competing interests, and wasted time, making projects fall behind schedule. This ultimately can bring down production levels overall, and the company-wide employee commitment toward meeting organizational goals (Grant, 2008).

Burns and Stalker's Stalker (2001) asserts that in every organization, different types of work are performed by various departments and work groups and no single department or work group on its own can be expected to achieve the goals of the organization as a whole. Hence, it becomes

essential that the activities of different departments and work groups of the organization are harmonized. This function of management is known as 'coordinating' function. It ensures unity of action among individuals, work groups and departments, and brings harmony in carrying out the different activities and tasks so as to achieve the organizational goals efficiently. The concept of planning always applies to group efforts. (Donnellon, 2004). Planning function involves planning the various job roles and responsibilities of the employees so that they have good relationship with the co-employees while delivering the output. It also consists of developing relationship with stakeholders and the environment under which the organization operates. Since the planning function of the management is very important, it is sometimes called the 'essence' of management. It ultimately helps in reconciliation of goals, total accomplishment of organizational objectives, and maintenance of harmonious relationship between different groups and ensuring economy and efficiency in the organization.

There is no need for coordination when only single individual is working. In other words, planning function is the orderly arrangement of individual and group efforts to provide unity of action in the pursuit of a common goal. In an organization, all the departments must operate in an integrated manner so that the organizational goals are duly achieved. Planning function involves synchronization of different efforts of the various departments so that the planned objectives are achieved with minimum conflict Gideon (2000). The significance of planning as a function of management mainly arises from the fact that work performed by different departments and groups form integral part of the total work for which the organization exists. Without harmonized effort or unity of action, achievement of goals in some departments may run counter to that of the other departments, or the timing of achievements may not match properly. The

planning function of the management prevents overlapping and conflict so that the unity of action is achieved Gideon (2000).

### **2.3.5 Implementation and functional structures on performance of programs of operating commercial bank**

According to Miner et al. (2000) implementation is the process of managing a task through its life cycle. It involves planning, testing, tracking and reporting. Task management can help either individuals achieve goals, or groups of individuals collaborate and share knowledge for the accomplishment of collective goals. Tasks are also differentiated by complexity, from low to high. Effective implementation requires managing all aspects of a task, including its status, priority, time, human and financial resources assignments, recurrences, notifications and so on.

Managing multiple individual or team tasks may require specialized software, for example workflow or project management software. In fact, many people believe that implementation and management should serve as a foundation for organizational management activities. Project managers adhering to task-oriented management have a detailed and up-to-date project schedule, and are usually good at directing team members and moving the project forward Donnellon(2004).

According to Raymond and Charles (2002) Task creation encompasses collaborative capabilities for turning ideas into actions (tasks). Includes activities involved before setting tasks, particularly patterns of collaboration involving planning. Functional structure is one of the most common organizational structures. Under this structure, the organization groups employees according to a specialized or similar set of roles or tasks. While functional structures operate well in stable

environments where business strategies are less inclined to changes or dynamism, the level of bureaucracy makes it difficult for organizations to respond to changes in the market quickly. Commands and expectations are all very clear and well communicated. Authority is not spread; instead this is centralized among employees. Job descriptions are specialized and detailed. Over time, bureaucracy establishes several rules in order to maintain its structure. Management is capable of monitoring outcomes that lends itself towards standard services and products as well as quality control and consequently performance of financial institutions, Weber (1948).

The same qualities that lead to increased production and specialization lead to complicated communication and decision-making processes. Since the functional units are not accountable to each other and share decision-making power, the process is more bureaucratic and tends to take longer. While the flow of communication within a department is expedient, communication between departments and synchronization of work and project completion is more difficult to manage Charles (1992).

### **2.3.6 Monitoring and functional structures on performance of programs of operating commercial bank**

According to (Thareja, 2008), Supervisors typically are responsible for their direct reports' progress and productivity in the organization. Monitoring often includes conducting basic management skills (decision making, problem solving, planning, delegation and meeting management), organizing teams, noticing the need for and designing new job roles in the group, hiring new employees, training new employees, employee performance management (setting goals, observing and giving feedback, addressing performance issues, firing employees, etc.) and ensuring conformance to personnel policies and other internal regulations.

Supervisors typically have strong working knowledge of the activities in their group, e.g., how to develop their product, carry out their service, etc. Many also use the term “supervisor” to designate the managerial position that is responsible for a major function in the organization, for example, Supervisor of Customer Service

Employees, who are responsible for certain market services of types of products, are placed in functional structure in order to increase their flexibility. The process can be further broken down into geographic (for example a U.S Division and an EU division), and product services for different consumers; companies or households).

The advantage of monitoring in functional structure is that it uses delegated authority so the performance can be directly measured with each group. This results in managers performing better and high employee morale. Another advantage is that it is more efficient in planning work between different departments, and there is more flexibility to respond when there is a change in the market (Starbucks.com, 2008). Monitoring in the organization also may increase costs by requiring more qualified managers for each department. Also, there is usually an over-emphasis on monitoring work more than organizational goals which results in duplication of resources and efforts like staff services, facilities, and personnel (Amaral and Uzzi, 2007).

### **2.3.7 Evaluation and functional structures on performance of programs of operating commercial bank**

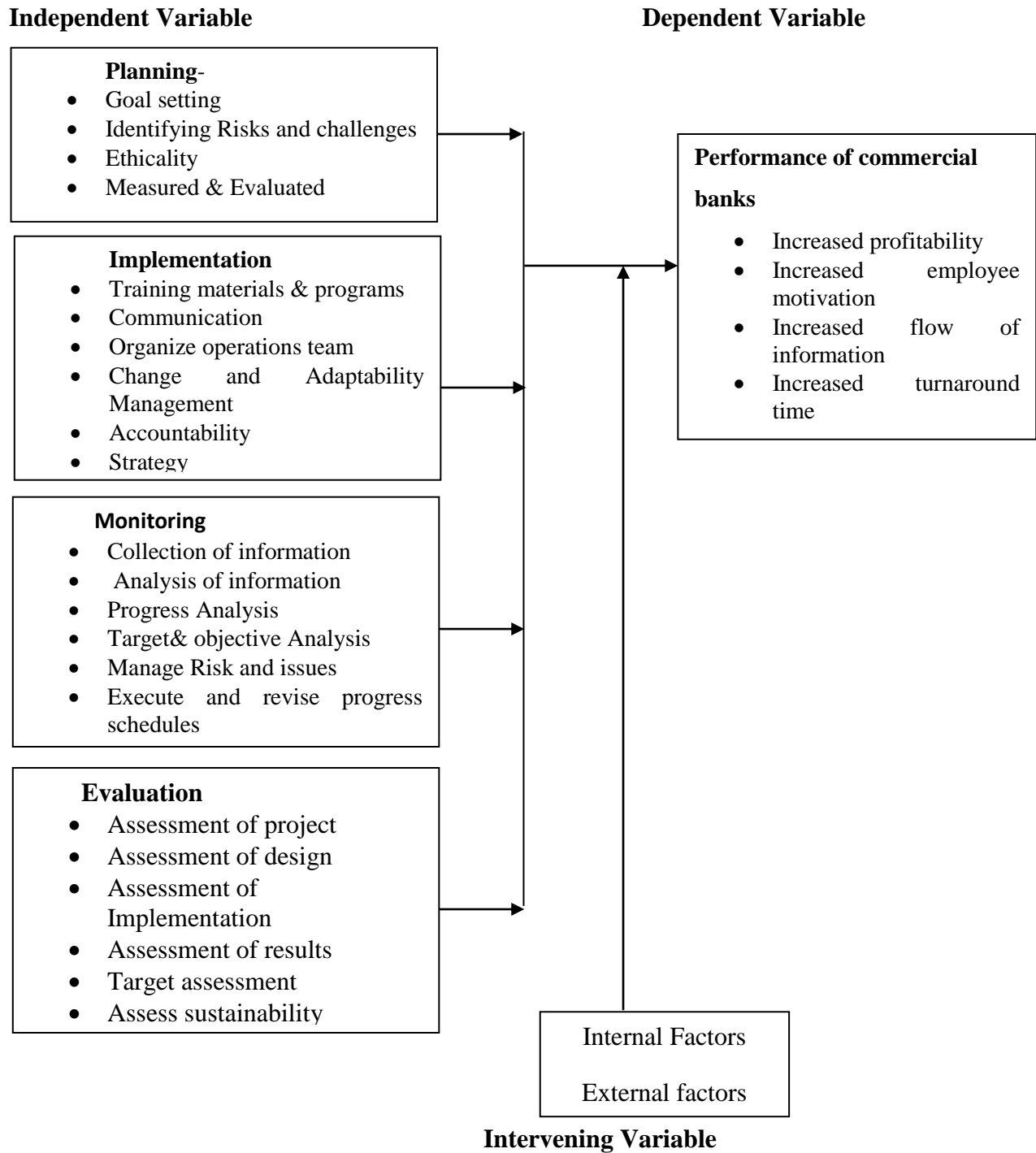
Maryellen (2012) asserts that evaluation is required to exercise control and to make fact-based and defensible decisions.. Few people challenge the use of numbers, most people find figures reliable and if the majority of influential individuals are convinces that a numerical approach is

superior to any other this approach will be uncritically accepted. It seems to be a general unwillingness in society to talk about risk as a product that is constructed, controlled and consumed by networks of people. The assumption is instead that it is possible to capture all relevant facts and circumstances through measurement technologies. The general perception is that numbers deliver the truth and, consequently, they provide a sense of security Carey, (2001).

Anderson (2007) stated that employees within the functional divisions of an organization tend to perform a specialized set of tasks, for instance the engineering department would be staffed only with software engineers. This leads to operational efficiencies within that group. However it could also lead to a lack of communication between the functional groups within an organization, making the organization slow and inflexible .As a whole, a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Evaluation is therefore mandatory in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost. For instance, a small business could make components used in production of its products instead of buying them.

## 2.4 Conceptual Framework

Figure 2.1: Conceptual Framework



Source (researcher 2014)



The above conceptual framework model will be used to illustrate the relationship between Performance of commercial banks (dependent variable) and influence of functional Structures (independent Variable). The arrows indicate the direction of influence on how functional structures influence the performance of commercial banks. Vertical arrow shows how internal and external factors accelerate the relationship between the independent variable and dependent variable.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology used in carrying out the study. It entails the research design, target population, sampling procedure, methods of data collection, validity and reliability and data analysis method. All these were used in order to achieve the research objectives.

#### **3.2 Research Design**

Research design is the arrangements of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Orodho, 2005). The design used in this research was a descriptive survey. According to Mugenda and Mugenda, (2013), descriptive survey is a method of collecting data in order to answer questions concerning the current status of the subject under study.

Coopers and Emory (1995) highly recommended this type of research design where several respondents give answers to specific questions at one point in time survey.

Descriptive studies are concerned with determined and reporting the way things are. Orodho (2004) says that a survey research deals with questions of 'what is' and 'is'. Descriptive survey is useful since it does not manipulate the variables or arrange for the events to happen. The design is most appropriate in this study as it provides a systematic representative and reliable information. It is very suitable because views were collected from a group of people. This study adopted a descriptive study involving a survey of National Bank of Kenya to determine how its performance was affected by functional structure.

The proposed study was carried out in National bank of Kenya. The bank was used because it is a commercial public bank and serves a number of customers. The bank is found in almost every district in the country. This made National bank of Kenya to be very suitable bank for the study. Singleton (2003) observes that the ideal setting for many studies is one that allows the researcher's immediate rapport with the respondents.

### **3.3 Target Population**

Borg and Gall (2010) defines population as all members of a real set of people, objectives to which the researcher wishes to generalize the results of the research. The targets population of this study comprised the employees from National bank of Kenya both senior policy makers and employees in the management level. In this study, the target population comprised of 10 branches of NBK and from each a population of 15 per branch giving a total population of 150 employees. The researcher sampled only the permanently and contract employed employee.

### **3.4 Sampling Size and sample Selection**

#### **3.4.1 Sampling size**

This research used stratified random sampling procedure to select a sample to represent the entire population. According to Mugenda and Mugenda (2013) 30% of target population was used to calculate the sample size and therefore 30% of the targeted branches with a target population of 150 employees working in 10 NBK branches since each have an average of 15 employees. This study being descriptive, a sample size based on 30% gives us 50 respondents. This implies that each branch will contribute 5 employees to the study.

### **3.4.2 Sample Selection**

Sampling is the process of selecting a sub-set of cases in order to draw conclusions about the entire set (Orodho, 2009). The sample of this study was selected using random sampling design. The main purpose of simple random sampling is that random sample yields research data that can be generalized to a large population with margins of errors that can be determined statistically. The employees at NBK were selected using simple random sampling. In this sampling, the researcher first conducted random sampling of the National Bank of Kenya. The researcher then found the random start key which was used to select the sample. The employees then were selected purposively.

The sample size respondents were drawn from permanently employed employees using the formula below. The assumption was that the number sampled was a fair representation of all the

### **3.5 Data Collection Instrument**

Both qualitative and quantitative data was collected to achieve objectives of this study. The data collection instruments used in this study included the following:

#### **Questionnaires**

According to Lockesh (1984) a questionnaire is a device consisting of a series of questions dealing with some psychological, social or educational topics sent or given to an individual with the object of obtaining data with regard to some problem under investigation. The questionnaire is considered to be ideal for collecting quick data from literate respondents and since the employees are all literate it will be the best tool for this study. This is the most efficient way of reaching many respondents in the shortest time possible and therefore respondents are likely to

be free to express their views (Orodho 2005). The researcher used both closed and open ended questions. Mugenda and Mugenda (1999) observed that closed – ended questions are easier to analyze since they are in an immediate usable form. Open – ended questions on the other hand permit a greater depth of response.

### **3.5.1 Pilot Study**

Before the actual study is conducted, piloting was done with two different employees from different commercial banks in Kenya. These employees from other commercial banks were not included in the actual study. According to Wiersman (2000) through piloting, deficiencies may be uncovered that were not visible by simply reviewing the items. Its purpose is to detect any problems so that they can be remedied before the study (Faranenkel and Wallen, 2000). Therefore, the purpose of piloting research instruments was to find whether the respondents found them clear, precise and comprehensive enough. It also helped to determine the validity and reliability of the instruments.

### **3.5.2 Validity of Research Instruments**

Validity is the extent to which the instrument measures what it was designed to measure (Weirman, 2000). Content validity is the extent to which the content of the instruments in terms of the statements, questions or indicators represents the property being measured (Frankfort and Naehmias, 2006). According to Gay (2007), content validity is established by an expert. The researcher therefore consulted the supervisor to approve the contents of the instruments.

### **3.5.3 Reliability of the Instrument**

Reliability refers to consistence or measurement thus the extent to which the results are similar over different forms of the same instruments or occasions of data collections and the extent to

which measures are free from error (McMillan and Schumacher, 2001). Berthoud, (2000) states that, a reliability index of a minimum of 0.6 is satisfactory for any instrument.

The researcher will use the test-re-test method to determine the reliability of the instruments. The developed questionnaires were administered to two pilot employees from each commercial bank at an interval of one week.

The scores of each were recorded separately. Pearson's product moment formula was used to calculate the correlation coefficient between the tests. The formula used is shown below.

$$r_{xy} = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum X)^2) (n \sum y^2 - (\sum Y)^2)}}$$

Where;

- rx<sub>y</sub> = Pearson's coefficient or correlation coefficient
- X = the scores of the first employees of national banks
- Y = the scores of the second employees of national banks after one week

### **3.6 Data Collection Procedures**

According to Kothari (2005), data collection procedure comprises of the steps and actions necessary for conducting research effectively and the desired sequencing of these steps. The researcher began the process of collecting data from the field after preparing of a research proposal which was presented assessment and subsequent approval by the supervisor.

Thereafter, the researcher applied for and obtained a research permit from the National Council for science and technology, which was presented to the relevant authorities, before engaging with the respondents in collecting data using well trained and motivated research assistants.

### **3.7 Data Analysis Method**

The collected data was analyzed using descriptive statistics which consisted of weighted average and percentages. It was then presented in form of graphs, pie charts and frequency tables.

### **3.8 Ethical Considerations**

One of considerations in the collection of primary data concerns ethical considerations. Neuman (2006) points out that ethics in research is a set of principles that reveal what is or is not legitimate to do in the research practice. All government and county authorities were informed prior to the study to avoid suspicion. Consent was sought from the respondents whose participation in this study was voluntary and information they provided was treated with utmost confidentiality. Privacy and dignity of the respondents was farther considered during the research.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive statistics was used to discuss the findings of the study. The study targeted a sample size of 50 respondents from which 48 filled in and returned the questionnaires making a response rate of 96.0%, this response rate was satisfactory to make conclusions for the study as Cooper and Schindler (2003), states that a response rate of between 30 to 80% of the total sample size can be used to represent the opinion of the entire population.

#### 4.1.2 Reliability Analysis

$$r = \frac{13864.6 - (181.3)(76.1)}{\sqrt{32906.9 - (181.3)^2 * (5917.7) - (76.1)^2}}$$
$$r = \frac{67.67}{68.605}$$
$$r = 0.986$$

The usefulness of the correlation depends on its size and significance. Since  $r$  is 0.986 and reliably differs from 0.00, the  $r$ -value is statistically significant implying that the variables that were measured on were reliable. Since  $r$  achieved significance we conclude that the relationship between the three variables was not due to chance.



## 4.2 General Information

**Table 4.1: Gender of the respondent**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	25	52.1
Female	23	47.9
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine the gender composition of the population, from the findings, it was established that majority of the respondents as shown by 52.1% were males whereas 47.9% of the respondent were females, this is an indication that both genders were well involved in this study and thus the finding of the study did not suffer from gender bias.

**Table 4.2: Age of the respondent**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
18-25yrs	3	6.3
26-30 yrs	11	22.9
31-35yrs	5	10.4
36-40yrs	22	45.8
Above 40yrs	7	14.6
<b>Total</b>	<b>48</b>	<b>100</b>

The study requested the respondents to indicate their age bracket. From the findings the study established that most of the respondents as shown by 45.8% were aged between 36 to 40 years, 22.9% of the respondents were aged between 26 to 30 years, 14.6% of the respondents were aged above 40 years, 10.4% of the respondents were aged between 31-35 years, whereas 6.3% of the

respondents were aged between 18 to 25 years. This is an indication that respondents were well distributed in terms of their age thus the study involved respondents whose ages were well distributed.

**Table 4. 3: Marital status**

<b>Marital status</b>	<b>Frequency</b>	<b>Percentage</b>
Married	38	79.2
Single	10	20.8
<b>Total</b>	<b>48</b>	<b>100</b>

From the research findings, the study established that majority of the respondent's as shown by 79.2% were married, whereas 20.8% of the respondents were single this is an indication that both marital status were fairly involved in this research.

**Table 4.4: Respondents level of education attained**

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage</b>
Post graduate	4	8.3
Degree	19	39.5
Diploma	12	25.0
Secondary	9	18.8
Primary	3	6.3
None	1	2.1
<b>Total</b>	<b>48</b>	<b>100</b>

The study requested the respondents to indicate their highest level of education attained. From the study findings most of the respondents as shown by 39.5% indicated their highest education

level as degree graduates, 25.0% of respondents indicating their highest education to be diploma, 18.8% of the respondent indicated their highest education level as a secondary, 8.3% of the respondents indicated their highest education level as post-graduate, 6.3% of the respondents indicated their highest education level as primary whereas 2.1% of the respondents indicated their highest level of education to be none. This is an indication that most of the respondents engaged in this study were graduates.

**Table 4.5: Duration worked in the institution**

<b>Duration worked</b>	<b>Frequency</b>	<b>Percentage</b>
1-5 years	11	22.9
6-10 years	22	45.8
11-15 years	9	18.8
16-20 years	4	8.3
more than 20 years	2	4.2
<b>Total</b>	<b>48</b>	<b>100</b>

The study requested the respondents to indicate the duration they have worked in the institution. From the findings the study established that most of the respondents as shown by 45.8% indicated that they had worked for a period of between 6 to 10 years, 22.9% of the respondents had worked for a period of between 1 to 5 years, 18.8% of the respondents had worked for a period of between 11 to 15 years, 8.3% of the respondents had worked for a period of between 16 to 20 years, whereas 4.2% of the respondents had worked for a period of more than 20 years. This is an indication that respondents had worked for substantive period of time thus were in a position to give the required information.

**Table 4.6: Effect of functional structure on performance programs of operating commercial banks**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	37	77.1
No	11	22.9
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine whether functional structure affect performance programs of operating commercial banks in Kenya, from the findings majority of the respondents as shown by 77.1% agreed that functional structure affect performance programs of operating commercial banks in Kenya whereas 22.9 % of the respondents were of contrary opinion, this implies that functional structure affect performance programs of operating commercial banks in Kenya. The respondents agreed that functional organization structures are suitable for an organization which has ongoing operations and produces standard products or goods, such as manufacturing and production industries.

### **4.3 Planning**

**Table 4.7: Effect of established processes during planning on performance programs**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	35	72.9
No	13	27.1
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine whether established processes during planning affect performance programs of operating commercial banks in Kenya, from the findings majority of the respondents as shown by 72.9% indicated that established processes during planning affect performance

programs of operating commercial banks in Kenya whereas, 27.1% of the respondents were of the contrary opinion, this implies that established processes during planning affect performance programs of operating commercial banks in Kenya.

**Table 4.8: Extent to which planning affects performance programs of operating commercial banks**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	11	22.9
Great extent	22	45.8
Moderate extent	9	18.8
Little extent	4	8.3
No extent	2	4.2
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine the extent to which planning affects performance programs of operating commercial banks in Kenya, from the findings, most of the respondents as shown by 45.8% indicated to a great extent, 22.9% of the respondents indicated to a very great extent 18.8% of the respondents indicated to moderate extent, 8.3% of the respondents indicated to a little extent whereas 4.2% of the respondents indicated to a no extent.. This is an indication planning affects performance programs of operating commercial banks in Kenya to a great extent.

**Table 4.9: Statements relating to planning**

Statement	strongly agree	agree	Moderate	disagree	strongly disagree	Mean	Standard deviation
Determining management programs first will ensure that responses are aiming for the same goal, and avoid nugatory effort	13	30	3	1	1	1.75	0.23
planning may require a combination of strategies and multiple responses, whereas others may need only one strategy with a single response	11	32	4	1	0	1.72	0.25
Planning should be considered as the first option, since it is clearly best to remove risk completely if possible	9	34	2	2	1	1.78	0.27

The study sought to determine the respondent’s level of agreement with the above statements relating to planning. From the research findings the study established that majority of the respondents agreed that planning may require a combination of strategies and multiple responses, whereas others may need only one strategy with a single response as shown by a mean of 1.72 and a standard deviation of 0.25 Determining management programs first will ensure that responses are aiming for the same goal, and avoid nugatory effort as shown by a mean of 1.75 and a standard deviation of 0.23, Planning should be considered as the first option, since it is clearly best to remove risk completely if possible as shown by a mean of 1.78 and a standard deviation of 0.27, the above findings concurs with the findings by (Donnellon, 2004) according to Donnellon (2004), this function of management is known as ‘coordinating’

function. It ensures unity of action among individuals, work groups and departments, and brings harmony in carrying out the different activities and tasks so as to achieve the organizational goals efficiently. The concept of planning always applies to group efforts. Planning function involves planning the various job roles and responsibilities of the employees so that they have good relationship with the co-employees while delivering the output. It also consists of developing relationship with stakeholders and the environment under which the organization operates. Since the planning function of the management is very important, it is sometimes called the ‘essence’ of management.

#### 4.4 Implementation

**Table 4.10: Effect of functional structure implementation on performance programs**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	39	81.2
No	9	18.8
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine whether implementation in functional management structures affect Performance programs of operating commercial banks in Kenya, from the findings majority of the respondents as shown by 81.2% agreed that implementation in functional management structures affect Performance programs of operating commercial banks in Kenya, whereas 18.8% of the respondents disagreed, this implies that implementation in functional management structures affect Performance programs of operating commercial banks in Kenya.

**Table 4.11: Extent to which functional structure implementation affects performance programs**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	9	18.8
Great extent	28	58.2
Moderate extent	7	14.6
Little extent	3	6.3
No extent	1	2.1
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine the extent to which implementation in functional management structures affect Performance programs of operating commercial banks in Kenya, from the findings, most of the respondents as shown by 58.2% indicated to a great extent, 18.8% of the respondents indicated to a very great extent, 14.6% of the respondents indicated to a moderate extent, 6.3% of the respondents indicated to a little extent whereas 2.1% of the respondents indicated to a no extent. This is an indication that implementation in functional management structures affect Performance programs of operating commercial banks in Kenya to a greater extent.



**Table 4.12: Statement relating to implementation**

Statement	Strongly agree	Agree	moderate	disagree	Strongly disagree	mean	Standard deviation
Effective implementation requires a reporting and review structure to ensure that performance of financial institutions is effectively identified and assessed and that appropriate controls and responses are in place	16	26	4	1	1	1.85	0.28
Implementation is the vital step in the functional management structures	10	34	2	1	1	1.73	0.27
Implementation can be used to make sure that functional management structure practices are in line and proper implementation also helps the management to be in a position to make future plans	8	38	1	1	0	1.86	0.29

The study sought to determine the extent to which respondents agreed with the above statements relating to implementation, from the finding majority of the respondents strongly agreed that; implementation is the vital step in the functional management structures as shown by mean of 1.73 and a standard deviation of 0.27, Effective implementation requires a reporting and review structure to ensure that performance of financial institutions is effectively identified and assessed and that appropriate controls and responses are in place as shown by mean of 1.85 and a standard deviation of 0.28, Implementation can be used to make sure that functional management structure practices are in line and proper implementation also helps the management to be in a

position to make future plans as show by mean of 1.86 and a standard deviation of 0.29, the above findings concurs with the study finding by Raymond and Charles (2002). Raymond and Charles assert that task creation encompasses collaborative capabilities for turning ideas into actions (tasks). Includes activities involved before setting tasks, particularly patterns of collaboration involving planning. Functional structure is one of the most common organizational structures. Under this structure, the organization groups employees according to a specialized or similar set of roles or tasks. While functional structures operate well in stable environments where business strategies are less inclined to changes or dynamism, the level of bureaucracy makes it difficult for organizations to respond to changes in the market quickly. Managing multiple individual or team tasks may require specialized software, for example workflow or project management software. In fact, many people believe that implementation and management should serve as a foundation for organizational management activities. Project managers adhering to task-oriented management have a detailed and up-to-date project schedule, and are usually good at directing team members and moving the project forward.

#### 4.5 Monitoring

**Table 4.13: Effect of monitoring on performance programs of operating commercial banks**

Opinion	Frequency	Percentage
Yes	29	60.4
No	19	39.6
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine whether monitoring affect performance programs of operating commercial banks in Kenya, from the findings majority of the respondents as shown by 60.4%

indicated that monitoring affect performance programs of operating commercial banks in Kenya whereas 39.6% of the respondents disagreed, this implies that monitoring of functional management structures affect performance programs of operating commercial banks in Kenya.

**Table 4.14: Extent to which monitoring affects performance programs**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	11	22.9
Great extent	26	54.2
Moderate extent	8	16.6
Little extent	2	4.2
No extent	1	2.1
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine the extent to which monitoring affects performance programs of operating commercial banks in Kenya, from the findings, most of the respondents as shown by 54.2% indicated to a great extent, 22.9% of the respondents indicated to a very great extent 16.6% of the respondents indicated to moderate extent, 4.2% of the respondents indicated to a little extent whereas 2.1% of the respondents indicated to a no extent.. This is an indication monitoring affects performance programs of operating commercial banks in Kenya to a great extent.

**Table 4.15: Statements relating to monitoring**

<b>Statement</b>	<b>strongly agree</b>	<b>agree</b>	<b>Moderate</b>	<b>disagree</b>	<b>strongly disagree</b>	<b>mean</b>	<b>Standard deviation</b>
shareholders of the institutions can use their rights to demand information in order to judge the efficiency of the functional management structures	12	31	3	2	0	1.83	0.26
Effective functional management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place	10	34	3	1	0	1.76	0.29
monitoring can be used to make sure that functional management structures are in line and proper monitoring also helps bank management to discover mistake at early stage	16	29	2	1	0	1.80	0.30

The study sought to determine the extent to which respondents agreed with the above statements relating to monitoring, from the research findings the study established that majority of the respondents agreed that; Effective functional management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place as shown by mean of 1.76 and a standard deviation of 0.29, Effective functional management requires a reporting and review structure to ensure that risks are

effectively identified and assessed and that appropriate controls and responses are in place as shown by a mean of 1.80 and a standard deviation of 0.30 and finally that shareholders of the institutions can use their rights to demand information in order to judge the efficiency of the functional management structures as shown by a mean of 1.83 and a standard deviation of 0.26, the finding above concurs with the study findings by Thareja, (2008), that the advantage of monitoring in functional structure is that it uses delegated authority so the performance can be directly measured with each group. This results in managers performing better and high employee morale. Another advantage is that it is more efficient in planning work between different departments, and there is more flexibility to respond when there is a change in the market.

#### 4.6 Evaluation

**Table 4.16: Effect of evaluation on performance programs**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	30	62.5
No	18	37.5
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine whether evaluation of functional management structures affect performance programs of operating commercial banks in Kenya, from the findings majority of the respondents as shown by 62.5% indicated that evaluation of functional management structures affect performance programs of operating commercial banks in Kenya whereas, 37.5% of the respondents disagreed, this implies that evaluation of functional management structures affect performance programs of operating commercial banks in Kenya.

**Table 4.17: Extent to which evaluation affects performance programs of operating commercial banks**

<b>Extent</b>	<b>Frequency</b>	<b>Percentage</b>
Very great extent	11	22.9
Great extent	27	56.3
Moderate extent	5	10.4
Little extent	4	8.3
No extent	1	2.1
<b>Total</b>	<b>48</b>	<b>100</b>

The study sought to determine the extent to which evaluation affects performance programs of operating commercial banks in Kenya, from the findings, most of the respondents as shown by 56.3% indicated to a great extent, 22.9% of the respondents indicated to a very great extent 10.4% of the respondents indicated to moderate extent, 8.3% of the respondents indicated to a little extent whereas 2.1% of the respondents indicated to a no extent.. This is an indication evaluation affects performance programs of operating commercial banks in Kenya to a great extent.

**Table 4.18: Statements relating to evaluation**

<b>Statement</b>	<b>strongly agree</b>	<b>agree</b>	<b>Moderate</b>	<b>disagree</b>	<b>strongly disagree</b>	<b>Mean</b>	<b>Standard deviation</b>
Evaluation is vital for effective functional management structures	9	34	3	2	0	1.80	0.25
Evaluation is positively significant to influence performance of commercial banks	12	32	2	1	1	1.76	0.28
Although the evaluation process differ and may be complex in different organizations, the principles of these coordination in functional structures and performance are applicable to both	16	30	2	0	0	1.78	0.27

The study sought to determine the respondent’s level of agreement with the above statements relating to evaluation. From the research findings the study established that majority of the respondents agreed that Evaluation is positively significant to influence performance of commercial banks as shown by a mean of 1.76 and a standard deviation of 0.28. Although the evaluation process differ and may be complex in different organizations, the principles of these coordination in functional structures and performance are applicable to both as shown by a mean of 1.78 and a standard deviation of 0.27, Evaluation is vital for effective functional management structures as shown by a mean of 1.80 and a standard deviation of 0.25, the above findings concurs with the findings by (Anderson, 2007) according to Anderson (2007), employees within the functional divisions of an organization tend to perform a specialized set of tasks, for

instance the engineering department would be staffed only with software engineers. This leads to operational efficiencies within that group. However it could also lead to a lack of communication between the functional groups within an organization, making the organization slow and inflexible. As a whole, a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Evaluation is therefore mandatory in a functional structure, which makes producing a limited amount of products or services efficient and predictable.

#### 4.7 Performance

**Table 4.19: Effects of poor functional structure on your organizational performance**

<b>Statement</b>	<b>Very High Extent</b>	<b>High Extent</b>	<b>Moderate</b>	<b>Low Extent</b>	<b>Very Low Extent</b>	<b>Mean</b>	<b>Std Deviation</b>
Low productivity	8	34	4	2	0	4.34	0.25
Customer shift to competitors	9	31	6	2	0	4.27	0.24
Reduction in sales	11	29	8	0	0	4.25	0.22
Reduction in profit level	7	25	9	4	3	4.35	0.24
Poor quality of production	12	32	2	2	0	4.19	0.27

The study sought to establish the extent to which poor functional management structure affects organizational performance. From the research findings majority of the respondents agreed that Poor quality of production as shown by a mean of 4.19 affects the performance of the organization, Reduction in sales as shown by a mean of 4.25 also affect performance, Customer shift to competitors as shown by a mean of 4.27 affects organizational performance, Low



productivity as shown by a mean of 4.34 affects performance, and finally Reduction in profit level as shown by a mean of 4.35 affects organizational performance. The findings concur with a study by (Grey & Garsten, 2001). According to Grey & , management structure is also affected by organizational culture, where the culture within the organization is a very important factor in business success. The attitude of staff and volunteers, and their ability to “go the extra mile” makes a very significant difference. Negative attitudes can severely impact on the organization’s ability to implement strategies for development despite however thorough the planning processes. Positive attitudes of staff and volunteers will not only make the management task easier but also will be noticed and appreciated by customers of the business or members of organization the management structure used by the organization will determine the type of attitude the employee will have. Businesses and organizations may be impeded by their structure, constitution and/or forms of governance. Organization structure is essentially the way that the work needed to carry out the mission of the organization is divided among its workforce.

**Table 4.20: effect of internal factors considered when designing functional structure on bank performance**

<b>Statement</b>	<b>More often</b>	<b>Often</b>	<b>Moderate</b>	<b>Less often</b>	<b>Not at all</b>	<b>Mean</b>	<b>Std Deviation</b>
Organizational structure	19	28	1	0	0	4.36	0.25
Workforce	14	30	3	1	0	4.39	0.26
Leadership style	17	29	2	0	0	4.36	0.24
Financial strength	13	33	1	1	0	4.28	0.25
Availability of equipment’s	11	31	4	1	1	4.27	0.24

The study sought to establish the extent to which internal factors considered when designing management structure and their effect bank performance. From the research findings majority of the respondents agreed that Availability of equipment's as shown by a mean of 4.27 affect bank performance, Financial strength as shown by a mean of 4.28 also affects bank performance, Organizational structure and Leadership style as shown by a mean of 4.36 in each case affects bank performance and finally Workforce as an internal factor improves bank performance as shown by a mean of 4.39. The findings concur with a study by (Kessler, 2007). He asserts that the According to Grant, R.M. (2008) Human Resource as an internal factor is the knowledge; experience and capability of an organization's workforce are determining factor of success. For this reason, organizations pay particular attention to the recruitment of staff and also to engage in the training of staff and volunteers to build the organization's capability. In pursuing both recruitment and training strategies, an organization is often limited by its financial strength. Nevertheless, training of staff is an essential aspect of good business management, and even in difficult financial circumstances is an achievable strategy hence this has an effect on the management structure used by the organization. Financial strength is a factor in its own right that influences the internal environment and the functional management structure of the organization. Despite however good other internal factors may be, it is very difficult for an organization that is too short of cash to implement strategies within the strategic plan and also have a management structure which will need a lot of cash to run it. If the organization struggles financially this can impact on staff morale as budgets need to be excessively tight and also the managers will have difficult times to implement their objectives as per the functional management structure used.

**Table 4.21: effect of external factors considered when designing functional structure on bank performance**

Statement	More often	Often	Moderate	Less often	Not at all	Mean	Std Deviation
Economic condition	12	32	2	1	1	4.25	0.26
Legal	10	31	6	1	0	4.38	0.28
Competition	14	33	1	0	0	4.25	0.22
Technology	9	27	8	4	0	4.23	0.29
Political	10	29	5	4	0	4.21	0.23

The study sought to establish the extent to which external factors considered when designing functional management structure and their effect bank performance. From the research findings majority of the respondents agreed that Political as shown by a mean of 4.21 affect bank performance, Technology as shown by a mean of 4.23 also affects bank performance, Economic condition and Competition as shown by a mean of 4.25 in each case affects bank performance and finally legal as an external factor equally improves bank performance as shown by a mean of 4.38. The findings concur with a study by (Amaral, 2007). He asserts that the According to Amaral, economic conditions in a given country will eventually make different organization to use functional management structure. Prevailing economic conditions of the nation will have an effect on the spending patterns of citizens and also the organizations in the country. Increases in interest rates and/or a high level of unemployment will depress consumption of non-essential goods and services. For example, when people and organization experience financial hardship, they will spend much less on sport and recreation, holidays, new cars and luxury goods. The

change in economic condition will also lead to change in management structure of the organization since it will look for a better management structure model which will sustain them in the current economic condition. Market (competition) is a major factor considered when deciding on the type of management structure to be used by the organization. The strength of business competition is a constantly changing factor in the external business environment this makes the management structure to change respectively.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study; to find out the extent to which planning influences the performance of programs in commercial banks in Kenya, to determine the extent of implementation influence the performance of programs in commercial banks in Kenya, to determine the extent to which monitoring influence the performance of programs in commercial banks in Kenya and to determine the extent to which evaluation influence the performance of programs in commercial banks in Kenya

#### **5.2 Summary of the findings**

##### **5.2.1 Planning**

From the findings, it was revealed that established processes during planning affect performance programs of operating commercial banks in Kenya.

The study also established that planning affects performance programs of operating commercial banks in Kenya to a great extent

The study established that effective planning of functional management structure ensures unity of action among individuals, work groups and departments, and brings harmony in carrying out the different activities and tasks so as to achieve the organizational goals efficiently. The concept of planning always applies to group efforts. Planning function involves planning the various job roles and responsibilities of the employees so that they have good relationship with the co-

employees while delivering the output. It also consists of developing relationship with stakeholders and the environment under which the organization operates.

### **5.2.2 Implementation**

The study further establishes that implementation of functional management structures affect Performance programs of operating commercial banks in Kenya

The study established that that implementation in functional management structures affect Performance programs of operating commercial banks in Kenya to a greater extent.

The study also established that effective implementation requires a reporting and review structure to ensure that performance of financial institutions is effectively identified and assessed and that appropriate controls and responses are in place

The study further established that functional structure is one of the most common organizational structures. Under this structure, the organization groups employees according to a specialized or similar set of roles or tasks. While functional structures operate well in stable environments where business strategies are less inclined to changes or dynamism, the level of bureaucracy makes it difficult for organizations to respond to changes in the market quickly.

### **5.2.3 Monitoring**

The study revealed that monitoring affects performance programs of operating commercial banks in Kenya to a great extent.

The research also revealed that monitoring can be used to make sure that functional management structures are in line and proper monitoring also helps bank management to discover mistake at early stage.

The study further revealed that the advantage of monitoring in functional structure is that it uses delegated authority so the performance can be directly measured with each group.

#### **5.2.4 Evaluation**

The research revealed that evaluation affects performance programs of operating commercial banks in Kenya to a great extent

The study also established that although the evaluation process differ and may be complex in different organizations, the principles of this coordination in functional structures and performance are applicable to both

The research further revealed that a functional organization is best suited as a producer of standardized goods and services at large volume and low cost. Evaluation is therefore mandatory in a functional structure, which makes producing a limited amount of products or services efficient and predictable.

#### **5.3 Conclusions**

From the findings the study established that planning well established functional management structures leads to highly motivated employees thus competitive advantage of any company because their performance leads an organization to well accomplishment of its goals and in today's dynamic environment the highly motivated employees serve as a synergy for accomplishment of company's goals, business plans, high efficiency, growth and performance of Programs of Operating Commercial Banks in Kenya as well as all firms in the banking sector.

The study established it is useful for the management of Operating Commercial Banks in Kenya to ensure that conducive functional management structures are implemented since a good working environment improves job satisfaction and attitude hence effective work performance in the organization.

The study recommends that the management keeps on monitoring as well as re-assessing the effect and frequency of mitigation measures adopted in managing functional management structures. This will help to identify whether the adopted counteractive measures are making any acceptable difference.

The study ascertained that if the organization struggles financially this can impact on staff morale as budgets need to be excessively tight and also the managers will have difficult times to implement their objectives pertaining the functional structure used thus effective evaluation of the management structure.

#### **5.4 Recommendations**

Based on the findings, the study recommends that the management on commercial bank should take into consideration functional management structure. This will allow the management to create a comprehensive understanding that can be leveraged to influence management and create better decisions.

The study recommends that the organizations in the banking sector should keep on monitoring as well as re-assessing the functional organizational structures. This will help to identify whether the adopted counteractive structures are making any acceptable difference.



The study recommends that the management of organizations in banking sector should have an effective working environmental management plan. This will help to identify internal and external constraints which are likely to cause a significant increase in the budget, disruption of the schedule or performance problems. By identifying the constraint the management is in a position to ensure effective organizational performance through the functional management structure adopted.

### **5.5 Recommendations for further studies**

This research had intended to evaluate the Influence of Functional Structures on the Performance of Programs of Operating Commercial Banks in Kenya. Other researcher may focus on the effect of bureaucratic structures on performance of commercial banks in Kenya.

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### **APPENDIX III: LETTER OF REQUEST TO COLLECT DATA**

NATHAN SOGOMO

P.O.1108-20200

KERICHO.

THE MANAGER,

NATIONAL BANK.

Dear Sir/ Madam

#### **RE: REQUEST FOR DATA COLLECTION**

I am a student of University of Nairobi undertaking a postgraduate course in M.A Project Planning and Management. I am required to conduct a research on “Influence of Functional Structures on the Performance of Programs of Operating Commercial Banks in Kenya”, I am kindly requesting you to allow me to carry out research in your organization. Any information to be collected through the questionnaire will be for the research purpose only and shall not under any circumstance be disclosed to any unauthorized party. A copy of a final report will be made available to you. Your assistance and cooperation will be highly appreciated. Thanks in advance

Yours Sincerely,

Nathan Sogomo

## APPENDIX IV: QUESTIONNAIRE

Dear Respondent,

This questionnaire is meant to seek information in a research on “Influence of Functional Structures on the Performance of Programs of Operating Commercial Banks in Kenya with National Bank as reference”. I kindly request you to answer this questionnaire.

*Please put a tick in the bracket ( ✓ ) of the most appropriate answer and a tick on the table  of the correct answer.*

### SECTION A: BACKGROUND INFORMATION

1. Gender

Male ( )

Female ( )

2. Age

18-25 ( )      26-30 ( )

31- 35 ( )      36-40 ( )      above 40 years( )

3. Marital status

Single ( )

Married ( )

4. Educational level

Post Graduate( ) Degree ( ) Diploma ( )

Secondary school ( ) Primary school( ) None( )

5. How long have you worked in the institution?

1-5 year ( ) 6-10year ( )

11-15years ( )

16-20years ( ) More than 20years ( )

6. a) Do you agree that Functional Structures influence the Performance Programs of Operating Commercial Banksin Kenya?

Yes ( )

No ( )

b) If yes, what are some of the effects that has occurred in your institution as a result of poor functional structures?

.....  
 .....

**PART B: PLANNING**

1. Do clear established processes during planning affect performance programs of operating commercial banks in Kenya?

Yes [ ]

No [ ]

2. To what extent does planning affects performance programs of operating commercial banks in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

3. Indicate your level of agreement with the following statements relating to planning.

(Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Determining management programs first will ensure that responses are aiming for the same goal, and avoid nugatory effort					
planning may require a combination of strategies and multiple responses, whereas others may need only one strategy with a single response					
Planning should be considered as the first option, since it is clearly best					

to remove risk completely if possible					
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**PART C: IMPLEMENTATION**

4. Does implementation in functional management structures affect Performance programs of operating commercial banks in Kenya?

Yes [ ]

No [ ]

5. To what extent does implementation in functional management structures affect Performance programs of operating commercial banks in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

6. Indicate your level of agreement with the following statements relating to implementation (Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

Statement	1	2	3	4	5
Effective implementation requires a reporting and review structure to ensure that performance of financial institutions is effectively identified and assessed and that appropriate controls and responses are in place					
implementation is the vital step in the functional management structures					
implementation can be used to make sure that functional					



management structure practices are in line and proper implementation also helps the management to be in a position to make future plans					
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**PART D: MONITORING**

7. Does monitoring affect performance programs of operating commercial banks in Kenya?

Yes [ ]

No [ ]

8. To what extent does monitoring affects performance programs of operating commercial banks in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

9. Indicate your level of agreement with the following statements relating to monitoring.  
(Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

Statement	1	2	3	4	5
shareholders of the institutions can use their rights to demand information in order to judge the efficiency of the functional management structures					
Effective functional management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place					
monitoring can be used to make sure that functional management structures are in line and proper monitoring also helps bank management to discover mistake at early stage					

**PART E: EVALUATION**

10. Does evaluation affect performance programs of operating commercial banks in Kenya?

Yes [ ]

No [ ]

11. To what extent does evaluation affects performance programs of operating commercial banks in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

12. Indicate your level of agreement with the following statements relating to evaluation  
(Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

Statement	1	2	3	4	5
Evaluation is vital for effective functional management structures					
Evaluation is positively significant to influence performance of commercial banks					
Although the evaluation process differ and may be complex in different organizations, the principles of these coordination in functional structures and performance are applicable to both					

**PART F: PERFORMANCE**

13. To What extent do the following effects of poor functional structure affects your organizational performance?

	Very high(5)	High (4)	Moderate (3)	Low (2)	Very low(1)
Low productivity					

Customer shift to competitors					
Reduction in sales					
Reduction in profit level					
Poor quality of production					

14. Which of the following internal factor is mostly considered when designing functional structure in your bank?

	More often 5	Often 4	Moderate 3	Less often 2	Not at all 1
Organizational structure					
Workforce					
Leadership style					
Financial strength					
Availability of equipment's					

15. Which of the following external factor is mostly considered when designing functional structure in your bank?

	More often 5	Often 4	Moderate 3	Less often 2	Not at all 1
Economic condition					
Legal					
Competition					
Technology					
Political					

16. What has the management done to improve functional structure in your institution?

.....

.....

*Thanks for your cooperation in answering these questions*

