

**INFLUENCE OF STRATEGY ON STRUCTURE AT BRITISH AMERICAN  
TOBACCO KENYA LTD**

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## DECLARATION

This research proposal is my original work and has not been submitted for examination in any other university.

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This research proposal has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

This study is dedicated to my wife, son and daughter for their unconditional support. Dedication is also to my friends of wassup group “forum ya mabuda, Kariuki minju, Mbijiwe and Philip who provided the much-needed support to complete my long outstanding project.

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I'm however solely responsible for this work.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>ABSTRACT</b> .....	<b>vii</b>
<b>CHAPTER ONE : INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Firm Strategy .....	3
1.1.2 Firm Structure.....	4
1.1.3 Strategy and Structure Relationship .....	5
1.1.4 British American Tobacco Kenya Limited.....	6
1.2 Research Problem .....	8
1.3 Research Objective .....	10
1.4 Value of the Study .....	10
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>12</b>
2.1 Introduction.....	12
2.2 Theoretical Framework.....	12
2.2.1 Technology Theory.....	12
2.2.2 Institution Theory .....	13
2.2.3 Ecology Theory .....	14
2.4 Empirical Review .....	14
2.5 Summary of Literature Review.....	18
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	<b>20</b>
3.1 Introduction.....	20
3.2 Research Design .....	20
3.3 Data collection .....	20

3.4 Data Analysis .....	21
<b>CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION OF RESEARCH FINDINGS.....</b>	<b>22</b>
4.1 Introduction.....	22
4.2 Response Rate.....	22
4.3 Organisational Strategy at BAT.....	23
4.3.1 BAT Strategies .....	23
4.3.2 Strategy Implementation.....	24
4.3.3 Strategy Review.....	25
4.4 Organizational Structure at BAT .....	26
4.4.1 Factors Affecting Structural Changes.....	27
4.5 Effect of Strategy on Structure at BAT .....	28
4.6 Chi Square Tests .....	30
4.7 Interpretation of Study Findings .....	30
<b>CHAPTER FIVE : CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>32</b>
5.1 Introduction.....	32
5.2 Summary of the Research Findings .....	32
5.3 Conclusions.....	33
5.4 Policy Implications and Recommendations.....	33
5.5 Limitations of the Study .....	34
5.6 Areas of further Study.....	35
<b>REFERENCES.....</b>	<b>36</b>
<b>APPENDICES .....</b>	<b>39</b>
APPENDIX I: INTRODUCTION LETTER .....	39
APPENDIX II: INTERVIEW GUIDE .....	40

## **ABSTRACT**

The determination of whether a company's strategy precedes structure or whether the structure precedes strategy has been under considerable debate on forums for effective corporate leadership as well as on recent studies. This study therefore sought to undertake a study on the effect of strategy in the structure of BAT company Kenya limited. The company is a large manufacturing company in a highly regulated industry of tobacco products companies. In order to determine whether a company strategy affected structure at BAT, an interview was undertaken for top level managers in the company. Data was collected from a total of 8 top managers from a target of 12 managers which made up 66.7% response rate. The data collected was described in form of strategy and structure and also the relationship between strategy and structure at BAT Kenya Limited. It was observed that in the last 10 years, the strategy was changed 5 times in the company. The structure responded by being changed 4 times within the same period. Similarly all the factors that affected the change in the structure of the company was as a result of factors that were related to strategy of the company. It therefore followed that the structure at BAT company was affected by the strategy. In order to determine the statistical significance of the change, a Pearson Chi-square test was conducted that indicated a value of 2 with significance of 0.015 that indicated that the effect of strategy on structure at BAT was statistically significant.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

The strategy of a company enables achievement of goals or the objectives of the company while the structure of a company is directed towards ensuring that the means of achieving the said goals is practical and attainable. It is only logical that the two variables are linked and interrelated as objectives need a clear path and process in which they will be realized (Citeman, 2010). Allio (2005) has great concern on the influence of strategy on company performance. The strategy may seem simple to implement, while in actual sense it requires reorganization of company roles, restructuring of various functions in the company as well as the focus of the company. Scholars have studied the relationship between strategy and structure with pioneers like Chandler (1987) and Mintzberg (1991). The argument has been as to whether changes in strategy will require changes in organisational structure or changes in organisational structure will be followed by changes in strategy. The driving forces of the changes remain to be External environment, main stakeholders, information technology, and internal capability of an organisation and desired performance of an organisation. The organization structure adopted by an organization relates to the flow of information from top level to the lowest level. Flat structures encourage interpersonal relationships where the needs of the employees are listened and handled. An organization therefore forms a structure that will be vital in implementing the strategy of the organization.

Strategy and structure of an organisation should be aligned or activities should be strongly correlated in achieving competitive advantage. The two should complement each other in achieving the desired organisation objectives. In this age and time, organisations have to understand the competitiveness in its industry and identify the

best strategy that would give it an edge over its competitors (French, 2009). According to Porter (1985) in order for organisations to survive in the market, they should formulate strategies that adequately respond to competition. When external environment changes organisational strategy will follow suite together with organisational strategy. This changes in environment are driven by the fast changing global economy which demands high productivity, speed and flexibility for an organisation that seek to thrive and increase shareholders value (Maclever, 2018).

There are numerous theories that have been proposed by various theorists in relation to strategy and structure in an organization. Baum and Rowley (2005) proposed technology theory which they stated that the level of technical complexity in an organization affected the structural component of the organization. They also proposed institutions theory where they suggested that organizations were very particular of their culture and they were motivated to adopt strategies that rationalized their cultural rules. They suggested that despite the technical competence of an organization, its performance was also highly influenced by their ability to conform to their rationalized rules that provided legitimacy. This study will rely on the proposition of these theories to compare with the findings of the study. The findings may either support the various propositions of the theory or they may differ with the propositions (Casey & Goldman, 2010).

BAT Kenya LTD has had numerous changes since inception. Some of the changes are structural, strategic, operational and technological among others. Due to market complexity in tobacco industry major changes especially in operations and technology have taken place with major goal of improving shareholders value. The organisational structure is highly flexible due to high rates of changes and high degree of complexity

in the environment. The structure thus has to be lean and agile for the company's strategy to be achieved. This is only possible with the right resources in place. The external environment changes dictate that an organisation should review its strategy and realigns itself accordingly to maximise shareholders value. Since both structure and strategy are constantly changing the researcher will be studying the relationship between structure and strategy at BAT K LTD (Maclever, 2018).

### **1.1.1 Firm Strategy**

Yang et al. (2015) define a firm strategy as the plan that have been set in place by the top management in a firm that will help it generate economic returns to the firm and attain objectives of lower cost, improved quality of products and services as well as new products. This therefore means that business strategy provides the path that the firm needs to navigate in a competitive and risky environment, with the aim of achieving objectives by investing in better management and organization. Management of an organisation has to select a course of action to meet organisation goals. The process by which the goals are formulated and achieved is known as strategic management. Strategy acts as a means to achieve these objectives. Strategy is more about determining and prioritising a set of options. Michael Porter (1980) defined strategy as the "broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals" and the "combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there." For an organisation to achieve its goals there must be a correlation between its strategy and objectives (Yang et al., 2015).

The concept of strategy has developed over time. Chandler (1987) defined strategy as the determination of the basic and long term goals and objectives of an organisation, and the adoption of courses of action and the allocation of resources necessary to carry

out these goals. Thus it was necessary to develop a strategy. He emphasised that it was after this task was completed that an organisation was devised to deliver the chosen strategy. The prescriptive approach states that the purpose of an organisation structure is to allocate work that is necessary to control and integrate the strategies of an organisation. After several decades, Ansoff (1965) described corporate strategy as an organisation's sense of purpose in order to achieve its purpose in transforming future environment it must change its structure strategically. This can be achieved by retaining the best of their traditional structures and embracing radically new structures that leverage the human capital and adds value to the customers (Pearce & Robinson, 2011).

In management, the concept of strategy is taken in broader terms. The traditional definition has been challenged in that, purpose without developing respective plans or actions to put the purpose is not strategy. It was recognised that earlier definitions had taken a static view of strategy. Strategy was seen as no longer applicable to the future, but heavily dependent on both remote and competitive environment and internal capability of the firm. Thus strategy definitions had to reflect the cognisance of the turbulent external environment (Maclever, 2018).

### **1.1.2 Firm Structure**

Firm structure can be viewed as a scheme for getting things done. Organisational structure determines how job tasks are divided, grouped and coordinated. The organisational structure shows who is answerable for controlling, coordinating and being accountable for these activities and defines management hierarchies of command. six elements managers need to address when designing structure of an organization are; specialization, departmentalisation, chain of command, span of control, centralisation or decentralisation and formalisation (Kenton, 2019).

Scholars generally acknowledge that organisation structures needs to be arranged so as to accomplish organisation goals. They involve combining flexibility of decision making and sharing best practices across the organisation. The flexibility has a direct correlation with the development of information technology, globalisation and convergence of markets and customer needs. Modern organisation has built flexible structures which conform to the turbulent environment. Kenton (2019) alludes to the fact that there are four types of organization structures that may be adopted by an organization; Functional structure, Divisional structure, Flatarchy structure and matrix organizational structure. Organizations can therefore adopt a certain structure that will help the management in undertaking its strategy and achievement of its goals and services (Otieno, 2016).

### **1.1.3 Strategy and Structure Relationship**

Strategy and structure of an organisation should be aligned or activities should be strongly correlated in achieving competitive advantage. The two should complement each other in achieving the desired organisation objectives. This relationship is heavily influenced by main stakeholders, organisation external environment, Information technology and internal capability of organisation in terms of resources to driving the relationship of the two (Allio, 2015).

Strategy affects structure as much as structure may also affect strategy adopted by a firm. The relationship between the two variables is vital in the assurance of the key long-term goals and objectives of an organisation, and the approval of courses of action and necessary allocation of resources to carry out these goals. The prescriptive approach states that the aim of organization structure is allocation of necessary work so as to direct and bring together the organisation strategies. Emergent strategy proponents have countered the above. They suggested that the relationship between

strategy and structure is two ways and even more complex (Douglas, 2005). Organisational restructuring is internal adjustment in response to the external environment to achieve organisational fit (Mintzberg, 1990). So as the strategy develops so does the structure. Another school of thought claims that strategy follows structure.

#### **1.1.4 British American Tobacco Kenya Limited**

In Kenya, we have two dominant firms dealing in the manufacture and sale of tobacco products. The players are British American Tobacco K Ltd (BAT) and Mastermind Tobacco Company Ltd. (MTK) commanding 85% and 15% in volume share respectively. BAT offers specific brands for specific consumer segments. For the premium segment BAT offers Dunhill and Embassy while for the value for money segment the firm offers Sportsman and SM and Safari and Rooster in the low segment. MTK offers Summit in the premium segment and Supermatch, Ralli and Rocket in the low segment (Maina & Nato, 2017).

Tobacco industry in Kenya has been experiencing several challenges. The tobacco industry operates in the market otherwise referred to as the ‘evil sector’. The government has in many instances formulated fiscal policies that are never in favour of the industry. Government has levied high excise duty on cigarettes year on year. The Company has also faced legal constraints that must be considered. These include: By laws by the ministry of health and municipal councils banning smoking in public places, the Tobacco Control Act (2007) has banned stick sales, advertising and promotions. The firms’ customer needs have been changing. Due to the rising cost of living, customers are increasingly demanding more affordable cigarettes. Customers are also more health cautious hence are demanding “less” risky cigarettes. The tobacco industry

is faced by high levels of illicit trade. Taxman losing Sh. 7.5 Billion through regional illegal trade. Companies' lose about Ksh. 225 million while traders about Ksh. 150 million annually i.e. 25% of cigarette consumption (Maina & Nato, 2017).

BAT Kenya limited began in 1895, when the British Imperial East Africa Company began construction of the Kenya- Uganda railway. Completed in 1906, the railway line opened up the interior, which was, until then, permeable only to indigenous communities trading on foot. In 1907 British American Tobacco sought opportunity and set up operations at the port of Mombasa. First factory was built in Jinja Uganda. East African Tobacco Company set up operations in Tanganyika and operated a factory in Kampala Uganda. British American tobacco acquired East African Tobacco Company (Uganda) in 1949. In 1952, with its headquarters based in Nakuru Kenya, the first annual general meeting was held. By this time, the company was trading as Rift Valley Cigarette Company, which was formed in the same year by London's Ardath Tobacco Company. In 1956 East African Tobacco Company, by then a subsidiary of British American Tobacco, acquired the rift valley cigarette company. The acquisition saw the company's headquarters moved from Nakuru to Rhokatan House on York Street- present day Lonrho House on Standard Street. In 1961, cigarette factory was built in Dares Salaam in Tanzania. In 1965 the east African Tobacco Company underwent voluntary liquidation resulting in BAT Kenya limited, BAT Uganda limited and BAT Tanzania Limited. All reported to the principle company in London, UK. In 1969 BAT Kenya limited became a public company, listing 20% of its shareholding on the Nairobi stock exchange. In 1975 BAT Kenya limited began growing tobacco in Kenya with contracted small-scale farmers. In 1978 Green leaf threshing plant was built in Thika. In 2007 BAT Kenya celebrated 100 years (BAT, 2007). BAT strategic plan is to escalate volume and share of values of the global tobacco market. BAT generates

returns by turning around over 180 markets into a cohesive and integrated unit that adds value. BATs business principles are mutual benefit, responsible product stewardship and good corporate conduct. BAT does this by ensuring progressive reduction of the tar and toxins in her products among supporting other initiatives. BAT as a winning organization is achieved by ensuring that it places right people on the right environment (BAT, 2017).

Maclver, (2018) reviewed BAT group and noted that it has sustained a global presence for more than 100 years and is among the world largest group by market capitalization. They seek to maintain a robust and significant management style as the venture manufacturers and sell cigarettes which pose risks to health. They therefore operate in a strict regulated industry and their presence in multiple economies, suggest that they are subject to numerous regulations, taxation rules among other embargoes. It is only critical for the company to adopt a structure that will help it thrive in all the regions and enhance achievement of its goals. The company has widely invested in research, new innovation as well as technological advancement, in order to improve its products and be in position to keep up with constant technological and innovation changes. A structure that blends well with such changes, and meets the requirement is therefore required in order to enhance achievement of goals and objectives.

## **1.2 Research Problem**

Strategy structure fit has been studied by many scholars. Aosa (1992) confirmed that there are some unique characteristics peculiar to countries that influence strategic management in Africa. He concluded that strategy and structure are in a reciprocating relationship. Otieno (2011) studied the strategy – structure alignment at KCB and concluded that sometimes changes in strategies do not have any impact in structure especially when it does not involve major alteration in business process and

functions. Mintzberg and Quin (1991) hold the view that strategy – structure relationship can be described as interdependent. It does not matter which one comes first since the two are invariably interwoven.

Many scholars have studied the relationship between strategy and structure yet there is no strong affirmation on their relationship effects on organisational performance. Chandler (1987) and Ansoff (1987) are some of the leading scholars and practitioners of strategy who have held the paradigm that when external environment changes markedly, organisational strategies will follow suite, together with changes or alignment of internal capabilities and in particular fundamental organisational structure. Kenton (2019) holds the view that the relationship between strategy and structure can be described as interdependent. It does not matter which one comes first since the two are invariably interwoven.

Strategy structure fit has been studied by many scholars. Maclver (2018) confirmed that there are some unique characteristics peculiar to countries that influence strategic management in Africa. He concluded that strategy and structure are in a reciprocating relationship. Otieno (2011) studied the strategy – structure alignment at KCB and concluded that sometimes changes in strategies do not have any impact in structure especially when it does not have involve major alteration in business process and functions. Ciano studied strategy structure relationship in KPLC and found that indeed there was a relationship despite the lag between the two variables.

BAT Kenya LTD has had numerous changes since inception. Some of the changes are structural, strategic, operational and technological among others. Due to market complexity in tobacco industry major changes especially in operations and technology have taken place with major goal of improving shareholders value. The industry has

also been subject to numerous regulations as well as increased taxation for tobacco products that has been advocated as sin tax. The organisational structure adopted by the company has therefore to be highly flexible due to high rates of changes and high degree of complexity in the environment. The structure thus has to be lean and agile for the company's strategy to be achieved. This is only possible with the right resources at the right place and at the right time.

Corporate strategies and structures have been analysed as major variable that influence corporates performance. The relationship in terms of which variables are leaders and followers and choices to configure them are controversial. This is what has led the researcher to study the relationship between strategy and structure and its effect on performance at BAT K LTD to try and bridge the knowledge gap. The study will be guided by the question, "What is the structure – strategy relationship at BAT K LTD?"

### **1.3 Research Objective**

The objective of the study is to determine the influence of strategy on the structure of British American Tobacco Kenya Limited.

### **1.4 Value of the Study**

This will help in identify structure fit process hence management will gain more understanding of the strategies adopted and relevance of structure in supporting those strategies. The management will therefore be in position to define the importance of strategy on the structure of the firm and therefore be in position to develop policies and design a structure that will enable the firm achieve its strategic goals.

The study will be useful to academicians and scholars in using it as a source of reference. The study will rely on existing theories and therefore the results of the study may support or else fail to support the proposition of these theories. This will help in

building up existing literature on firm strategy as well as the firm's structure. The findings of the study can also be used by the future researchers in developing their literature reviews. The study will be useful in helping the researchers find a relevant gap in their study and focus on improving the study.

The government as a stake holder will benefit by the policy makers in formulation and legislation of relevant policies in assisting firms modify and align their strategy structure linkages for better fit. The study will providing its findings on the influence of strategy on structure of BAT Kenya Limited. The results of the study can be used by the government in developing policies on required structures that ought to be adopted by firms in competitive and global markets with the view of maximizing their returns. The government may also design policy framework that would be appropriate for development of structures for multinational companies, a move that would motivate foreign direct investments (FDIs) into the country.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Literature review chapter focuses on the theoretical framework, concepts that define structure and strategy relationship as well as empirical review that is composed of local and international studies.

### **2.2 Theoretical Framework**

The section is made up of theories that have been proposed on strategy structure relationship. The theories are defined in the section, critique of the same developed, and the relation of the theory to the study explained. The study picks out on three theories despite the fact that there are more than three theories that are related to strategy and structure of a firm. Technology theory, Institution theory and ecology theory.

#### **2.2.1 Technology Theory**

The theory was proposed by Baum & Rowley (2005) where they proposed that technology is very vital in enhancing organizational structure. They emphasized that organizations that had increased technical complexity also required increased structural complexity. Additionally, they proposed that increased risk levels of an organization that is earmarked by increased uncertainty required increased decentralization and decreased levels of formalization. The theory further suggested that the greater the technical interdependence, the greater the increased need for increased interrelationship and coordination in the organization.

This theory has however been critiqued in recent studies as it fails to predict technological changes. The cause of these failures is as a result of influence that both informal and formal structures in organization have in technologies and in the structures they form. This therefore shows that the technological changes are highly influenced by the social context of the organization (Pearce & Robinson, 2011).

The theory is related to the study in that it connects the level of technology adopted by a firm to the structure adopted by the firm. This means that the structure that is adopted by BAT Kenya Limited is influenced by level of technology that the firm chooses to adopt. As much as the strategy may or may not have influence over the structure that is adopted by the firm, the level of technology and technological changes have influences on the structure.

### **2.2.2 Institution Theory**

The theory was first proposed by DiMaggio and Powell (1983) where they stipulated that institutions arise from human activity and therefore not necessary products of conscious design. They also described institutions as change resistant that are moved across different generations. This theory suggests that institutions are mostly concerned by the rationalization of cultural rules. They are therefore established in cognisance of the fact that their core concerns are the institutionalized cultural rules and environment.

This theory is however critiqued in the sense that dynamic changes in organizations are key factors that need to be managed by all the sectors of an organization. Innovations and technological level change on each and every day of the organization. If organizations do not manage change and embrace change as a way to improve their value, they may be forced out of business which would have adverse effect on the organizations (Kibwage et al., 2007).

This theory is crucial in the study as it shows that organizations prefer to remain as they were, they resist change and do not easily adopt to changes brought by new technology and innovations. The study would therefore be crucial in identifying the value brought to the structure of the firm as a result of changes in levels of technology and new innovations in the firm.

### **2.2.3 Ecology Theory**

The theory states that the various characteristics of the environment affects the abundance and diversity of organizations as well as their evolution over time. Therefore managers are cautioned to develop measures that would manage adverse effects of adverse environmental changes such as deteriorating economic growth, social environment, and political conditions. The management of these organizations are in constant need to ensure they develop strategies and structures that would be adequate to meet the demands of the environment. This principle is often observed from the perspective of markets, firms and industries.

### **2.4 Empirical Review**

Chandler (1962) pioneered the proposition that strategy was decided first then structure followed. He studied the American companies that moved from craft industry to mass production had their strategies changed substantially. Chandler (1987) referred strategy as the ability to comprehend the long term objectives of the firm and the ability to generate and allocate scarce resources towards the achievement of the said goals. He further suggested that with adoption of a strategy, it was paramount to identify the team that would be enhance the achievement of the goal and it was vital to obtain a structure that would ensure that there is full delivery of the organizational goals. His research was based on organisations that developed from small into larger more diversified

structures. This is the foundation from which the strategy structure relationship paradigm was based.

Mintzberg and Quinn (2011) hold the view that strategy-structure relationship can be described as interdependent. They explained that strategies that ventured into new and virgin areas, then a structure that encouraged learning and experimentation would be more impactful and therefore a flat open and less formal structure is preferred. In their understanding, strategy and structure are interwoven and therefore it does not count which of the two comes first. Mintzberg (1990) argued that strategies can rarely be decided in isolation from existing structures. This was based on the fact that structures both enable and constrain particular strategies.

Prahalad and Hamel (2004) were of the view that the process and organization on strategy had not attained the scrutiny and the consideration it deserves. The efforts undertaken by shareholders by providing the capacity as well as promoting innovation is sometimes downplayed. Additionally, management quality, corporate governance mix and the structure adopted affects the strategy of the organization and may be a source of providing competitive edge. On the other hand, Lynch (2007) is also of the idea that issues in an organization do not necessarily arise after identification of the strategy. A supporting argument is that organisations with broadly similar resources will differ markedly in their performance because of the ways those companies organise and conduct their activities and not necessarily because of their difference in their respective strategies.

Matseshe (2018) has expounded on the observations of Donald (1997), that there are some cases where the strategy and structure are independent. These are instances where strategy can change without structure changing. Similarly structure can change without

strategy following suit. This situation arises where an organisation is a monopoly or oligopoly where it enjoys security of market share.

David (2001) asserts that any change that is proposed to be undertaken on the organization strategy it would imply that the structure of the organization have to be reconsidered as well due to two reasons. The first reason is that the structure of the organization is vital in identifying the ways, processes and procedures of establishing the objectives and the policies of the firm. A case example is the format adopted to achieve a strategy based on geographical component must force a geographical structure to be established that would oversee the implementation of the strategy. Similarly, a strategy that is established in the form of products that are manufactured or produced by a firm must ensure that the structure that has been adopted by the firm supports the products as envisioned in the strategy. He therefore concluded that the structural format adopted in order to develop the organizational goals and objectives have impact on strategy implementation activities.

According to Nathanson and Carsano (2015) in a research on the strategy structure fit, their research suggested that in small firms with a single product or product line, the functional structure significantly outperforms the multidivisional structure. In larger firms, however, the roles of corporate and lower staff significantly affect performance. The greater the diversity among the firms business (or divisions); with less diversity, firms with strong staffs at higher organisational levels are more effective. In other words, the greater the diversity among the business in multi-business firms, the greater is the necessary degree of centralisation and self-containment. This need has only been heightened by the rapid globalisation among a firm's business is low and the

interdependence of these business in high, more integration at the corporate level is needed.

Buron and Obel (2008), on their study undertook a variety of dimensional approaches on firm characteristics that include size, level of technology, leadership preferences and organisational structure. They related these characteristics to the level of effectiveness in the firm. They heavily borrowed and relied on propositions that was made by Grazin and Van de Ven (1985). Information processing to ensure the alignment of information processing demands together with information capacity of the firm. Burton and Obel (2008) developed four types of fit; Situational Fit, Contingency Fit, Design parameter Fit, and Total fit. They showed the congruence of factors that was needed by situational fit that means that the factors affecting the organization such as environmental, strategic factors and technological factors are aligned. They expressed contingency fit as the set of factors that involve contingency factors among a set of multiple variables. The total fit on the other hand was expressed as the simultaneous realisation of all the three fits as long as there exists no misfit.

Ng'eno (2013) established the influence of organization structure on strategy implementation on major banks in Kenya. The study adopted a descriptive research design and used questionnaires to collect primary data from 54 respondents that were comprised of top managers, middle level managers and line managers. The study found that the nature of organization structure had an effect on employee performance, compliance with regulations as well as achieving community expectations. He therefore concluded that the nature of organisation structure affected the effectiveness and efficiency of strategy implementation among the commercial banks in Kenya.

## **2.5 Summary of Literature Review**

The key determinants of the best structure – strategy are type of organisation, past experiences, level of employee autonomy, previous experience of strategic change, and strength of inter staff relationships (McCalman & Paton, 1992). The importance of strategy structure is; gives a focus, integrates, enables delegation, provides a framework, requires proactivity and demands data gathering and analysis (McCalman & Paton, 1992).

The chapter focuses on three theories namely: Technology theory, institution theory, and ecology theory that deals with the way organization is able to enhance its strategies with the use of technology for technology theory, as well as understanding the effect of strategy on the institution structure and the environment of the organization and how to structure the organization in order to ensure that the environment is managed adequately.

The chapter focuses on various empirical studies that have been undertaken by various researchers on the issue of strategy and structure of organizations. The studies are composed of both local and international studies that spell out the different findings on the relationship between the two variables. The findings show that some organizations have strategy affecting structure (Lynch, 2007; Prahad & Hamel, 2004 and Nathanson & Carsano, 2015). The other studies show that structure affects strategy (Matseshe, 2018; and Mintzberg & Quinn (2011). Studies have also shown different relationship in different division and departments of the organization as suggested by Ng'eno (2013).

The inconsistencies in findings by various studies suggest that the effect of strategy on structure have different outcomes as there are different structures and strategies adopted by organizations. This therefore creates a research gap that would be filled by this study as we seek to understand the effect of strategy on the structure of BAT Kenya Limited.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter describes the design and data collection methods as well as the techniques for data analysis that will be used in the study. Being a case study design, the data will be qualitative as well as quantitative to enhance wide and conclusive analysis of the and content analysis will be preferred due to the use of probing to enable the research to gain in-depth analysis of the subject.

### **3.2 Research Design**

The research design is a case study. A case study will allow for in-depth investigation and stresses contextual analysis of fewer events or coordination and their inter relationship. It will generate new understanding, explanations or hypothesis. Case study involves collecting empirical data from a small number of cases.

Kothari (2004) has made effort to describe a case study as one of the forms of qualitative analysis where a social unit is carefully observed. It also involves the processes and the procedures that are required to define the relationship that exist between variables. The researcher believed that a narrower focus would achieve greater depth thereby providing an in-depth understanding of the strategy structure relationship.

### **3.3 Data Collection**

The study will use Qualitative data where primary data will be used in the form of interview guide. The methodology will involve face to face interview through an interview guide letter that will help to gather data from selected senior managers. The managers that will be targeted for interview include financial controller, Head of strategy, corporate relations manager, Supply chain manager, Manufacturing Finance

manager, Human resource manager and IT manager. The interview will be recorded by use of a recording device, table formats will be used to decode recorded data. Data cleaning will also be undertaken before data analysis.

### **3.4 Data Analysis**

The study will use content analysis technique to analyse data. This technique entails use of a set of categorisation for making valid and replicable inferences from data to their context, (Baulcomb, 2003). The data will be checked for accuracy and completeness.

Content analysis is one of the major qualitative research technique. Data collected will be cleaned and will be decoded in table as per the variables. The accuracy of the data will be assessed, by comparing with secondary data available in public domain (Bryman, 2004). The variables will be explained in the form of mean and standard deviation. The study will use SPSS software to analyse the effect of strategy on the structure of the organization. The results will be presented in form of tables, graphs and charts.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION OF RESEARCH FINDINGS**

#### **4.1 Introduction**

In order to determine the effect of strategy on structure at BAT Kenya Ltd, data was collected from interview process that involved data collected from 8 top managers through interview guide process.

#### **4.2 Response Rate**

This chapter therefore undertakes the analysis of the data collected in form of description of variables that relate to strategy as well as issues on structure at BAT. Frequency tables, graphs and charts were used to determine the effect of strategy on structure at the corporation.

The study targeted 12 top level managers who were well informed of strategic direction, and the structure of BAT Company Ltd. The interview survey was focused on organizational strategy, organizational structure and on the relationship between strategy and structure as indicated on the interview guide.

The research was able to obtain detailed response from the Factory manager, IT manager, Procurement Manager, Management Accountant, Finance Manager in East African Markets, Corporate Finance Manager, Treasurer Manager, Marketing Finance Accountant. This was a response of 8 managers from a target of 12 top managers. This represented a response rate of 66.7% which according to Mugenda and Mugenda (2003) a response rate of 60% and above was considered adequate for data analysis.

**Table 4.1: Response Rate Table**

Description	Total Number	Percentage
Target Managers	12	100%
Response Rate	8	66.7%

Source: Author, (2019).

### **4.3 Organisational Strategy at BAT**

Strategy at BAT was explained by defining the business strategies that have been developed, ways for strategy implementation, factors that affect review of strategy, communication of strategy and feedback mechanism on organizational strategy.

#### **4.3.1 BAT Strategies**

The interview guide specifically asked the respondents to name whether there was any business strategy at BAT where all the respondents replied in the affirmative. The business strategies that were discussed at length on how they are drawn included, Growth as a business strategy, Productivity strategy, winning organizations and sustainability.

The respondents were clear that the growth strategy involved development of low risk products that would push up the profits together with growing the portfolio of products. Productivity strategy on the other hand involved the use of more efficient processes and systems to drive a more productive structure where outputs are of good quality and are processed in time. The productivity goal was also explained as way of maximizing on the available resources to ensure that the company is able to achieve the overall goals. Winning organizations was also expressed as ways in which the right employee are identified and selected for the right job in the company. The last business strategy that was identified was sustainability, which involves the use of company resources adequately to ensure that they address all the risk exposures. The sustainability strategy

ensures that the company is able to survive in the environment by managing the unsystematic risks as well as looking on right position to caution itself from systematic risks. Table 4.2 describes the frequency of respondents on each category of business strategy.

**Table 4.2 Frequency for BAT Strategies**

Strategy	Frequency	Percentage
Growth	8	100%
Productivity	8	100%
Winning Organizations	6	75%
Sustainability	4	50%

Source: Author, (2019).

The table shows that at BAT Kenya Ltd, the most influential strategies of the organization were Growth and productivity as every manager who was interviewed, mentioned the two strategies. The other popular strategy was winning organizations which was mentioned by 6 respondents that comprised of 75%. Sustainability strategy was mentioned by 50% of the respondent.

#### **4.3.2 Strategy Implementation**

The respondents replied on specific activities that were being undertaken by the company to ensure that the strategies were being implemented effectively in the company. The responses that were obtained were alignment of Key Performance Indicators (KPI) to the strategy, training employees across the organizations to enhance talent maximization, aligning business objectives to personal employees' objectives, clear communication of the strategy and setting clear KPIs for the employees.

**Table 4.3: Frequency for Strategy Implementation**

Strategy Implementation	Frequency	Percentage
1. Alignment of KPIs to strategy	5	62.5%
2. Employee Training	4	50%
3. Alignment of business objectives to employees' objectives	5	62.5%

Source: Author, (2019)

Table 4.3 indicates that the methods designed for strategy implementation at BAT was clear among the managers. This is clear from their responses of which 62.5% of the respondents mentioned key activity for strategy implementation was alignment of KPIs to strategy. A similar percentage of respondents mentioned Alignment of business objectives to meet employees' objectives while 50% of the respondents mentioned employee training as one of the activity that was being undertaken to ensure that the strategies are being implemented.

#### **4.3.3 Strategy Review**

A business strategy is significant in ensuring success or failure of a business. A good business strategy is coupled by competence of managerial leadership. A business strategy should be reviewed from time to time to ensure that the strategy is still relevant to the business. It is also an appropriate time to ensure that the leadership takes stock to understand and where applicable review the strategy, to ensure that the goals of the organization are achieved.

A total of 5 managers stated that business strategy review at BAT was undertaken after a period of every 2 years and the change was influenced by market conditions that dictated the positioning and the strategy the company adopts to ensure that it is in good

shape to meet its objectives. The recent major changes at BAT that have been influenced by strategic changes include introduction of less risky products for the consumers, introduction of combustible portfolio to cater for next generation, incorporation of more innovative products that caters for present needs as well as next generations' needs.

The change model at BAT is driven by changes in technology, influence from stakeholders such as government, competitors among others, changing customer and regulatory requirements. The changes are communicated to employees through meetings, emails, and conferences.

#### **4.4 Organizational Structure at BAT**

Firm structure can be viewed as a scheme for getting things done. Organisational structure determines how job tasks are divided, grouped and coordinated. The organisational structure shows who is answerable for controlling, coordinating and being accountable for these activities and defines management hierarchies of command. The six elements that managers need to address when designing structure of an organization are; specialization, departmentalisation, chain of command, span of control, centralisation or decentralisation and formalisation (Kenton, 2019).

It is clear that at BAT, the company adopted functional organizational structure where departments, employees and groups are arranged depending on the functions they play at the company. 100% of the respondents stated that there was a functional structure at BAT. In the last ten years BAT Kenya Ltd has made 4 to 5 restructuring as per the respondents whose answers are shown in table 4.4

**Table 4.4: Frequency for number of restructuring at BAT**

Number of times Restructuring has taken Place in 10 years	Number of Respondents	Percentage
4	4	50%
4 to 5	2	25%
5	2	25%

Source: Author, (2019).

The restructuring at BAT indicates that in the last 10 years, the company has undertaken an average of 4 restructuring. On the other hand, strategic change was done after every two years according to the respondents. This implies that in a period of 10 years an approximate 5 strategic changes would have been implemented.

#### **4.4.1 Factors Affecting Structural Changes**

The respondents described various reasons as to factors that influenced changes in structure which include, lower cost base to drive growth, to enhance efficiency, improved technological activities, to enhance competitiveness, to ensure sustainable results, cost reduction, enhance productivity, remove duplication, to develop agile reporting structure to respond to volatile environment, maximize returns on shareholders' value, to develop skills in staff members, and drive for efficiency. Most of these factors relate to strategic decisions of the company as indicated in Table 4.5.

**Table 4.5: Relationship between Strategy and Structure**

Factors that affect structural change	Specific strategy related to the factor	Is it strategy in BAT
lower cost base to drive growth	Growth	Yes
to enhance efficiency	Sustainability	Yes
improved technological activities	Productivity	Yes
ensure sustainable results	Sustainability	Yes
to enhance competitiveness	Sustainability	Yes
to ensure sustainable results	Sustainability	Yes
remove duplication,	Winning Organization	Yes
develop agile reporting structure to respond to volatile environment	Sustainability	Yes
maximize returns on shareholders' value	Growth	Yes

Source: Author, (2019)

#### **4.5 Effect of Strategy on Structure at BAT**

In order to determine whether strategy at BAT affected the structure at BAT, chi-square test was used in which case the observed values of the effect of strategy on structure were noted down and compared with the expected values. The chi-square test was therefore used to determine whether the effect of strategy on structure was statistically significant or not statistically significant at a confidence level of 95%.

**Table 4.6: Effect of Strategy on Structure Table at BAT**

	Observed	Expected
No. of changes of structure as a result of change in structure	4	5
Strategic Factors affecting structure	10	10

Source: Author, (2019)

The null hypothesis for the test indicated that there was no significant difference between the observed and expected counts.

The changes of structure that resulted as a result of changes in strategy were observed to have a total points of 4 from the expected value of 5. On the other hand the factors that brought about changes in structure were observed to have a score of 10 from an expected score of 10. This clearly shows that strategy influences structure at BAT.

The Cross-tabulation Table 4.7.

**Observed \* Expected Crosstabulation**

		Expected		Total
		50	100	
Observed	Count	1	0	1
	40			
	Expected Count	.5	.5	1.0
	Count	0	1	1
100	Expected Count	.5	.5	1.0
	Count	1	1	2
Total	Expected Count	1.0	1.0	2.0
	Count			

Source: Author, (2019)

#### 4.6 Chi Square Tests

The Chi square test checks whether the observed statistic is significantly different from the observed statistic. The null hypothesis assumes that the observed statistic is not statistically different from the observed statistic.

**Table 4.8: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.000 <sup>a</sup>	1	.157	1.000	.500
Continuity Correction <sup>b</sup>	.000	1	1.000		
Likelihood Ratio	2.773	1	.096		
Fisher's Exact Test					
Linear-by-Linear Association	1.000	1	.317		
N of Valid Cases	2				

a. 4 cells (100.0%) have expected count less than 5. The minimum expected count is .50.

b. Computed only for a 2x2 table

Table 4.8 indicates that the Pearson Chi-square test has a value of 2 and it has a significance of 0.157. The significance is greater than alpha level of 0.05 and therefore fails to reject the null hypothesis. This therefore means that the study adopts the null hypothesis statement that the observed values are not statistically different from the observed statistics.

#### 4.7 Interpretation of Study Findings

The study findings indicate that the observed findings are equal to the expected findings and therefore strategy at BAT affects the structure adopted in the company. Similarly the study observed that all the factors that influenced structural changes at BAT were related to the strategy formulated and implemented in the company. This therefore followed the fact that strategy affects structure at BAT.

These findings were consistent with findings by Lynch (2007) who found out that the identification of strategy was very vital in any firm as all other factors adopted in the

firm follows a direction that is defined by the strategy. Similarly Prahalad and Hamel (2004) found out that strategy required more scrutiny and focus than it was being accorded as it was a major driving factor in deciding the direction a company follows both in the short run and also in the long run.

On the contrary the study that was conducted by Mintzberg and Quinn (2011) found out that strategy was not of more importance than structure since the two are intertwined. It does not matter which of the two comes first in the organization. They therefore found it insignificant to declare that strategy comes first to bring about structural changes as structural changes would also influence the strategy adopted by the organization.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter of the study provides main findings of the research, discussions concerning strategy and structure. It contains the summarised findings of the study and states the conclusions that have been arrived at. The chapter also brings out the limitations, recommendations as well as areas suggested for further research

#### **5.2 Summary**

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structural changes as structural changes would also influence the strategy adopted by the organization.

### **5.3 Conclusions**

Based on the findings, the study concluded that there is a significant effect of strategy on structure at BAT Kenya Limited. All the factors that influenced structural changes resulted from key issues on the strategy adopted by the company. On similar note it was found that every time that the strategy of the company changed, then it was followed by a change in the structure. The structure might have taken longer in implementation of the change that signalled the fact that strategy affected structure at BAT and the fact that at the company the strategy comes first before the structure is changed to fit the strategy.

The study further concluded that the strategy that was currently being adopted by the company included, growth strategy, productivity, winning organizations as well sustainability in the organization. The structure was unanimously agreed that the company adopted a functional structure that was set up to ensure that competitive products are developed, it respond effectively to the changes in the regulatory framework that may affect they sustainability, efficiency is enhanced, employee growth as well as focussing on use of advanced technology to produce competitive products that would address the current challenges while ensuring that the company does not compromise on quality.

### **5.4 Policy Implications and Recommendations**

The study findings and presentations gave an in-depth overview of how strategy affects structure at BAT Kenya Ltd. It therefore follows that the policy makers at BAT should ensure that every time they undertake a review of the strategy, then they should address

the structure to ensure that the strategy will be adequately catered for by the existing structure. A change in strategy without a consecutive change in structure would be counterproductive to the company.

The policy makers would also be sensitive on effecting strategies without impact analysis on structure as well as other factors that are affected by the strategy of the company. It would therefore ensure that the employees are able to deliver in the organization as determining an effective structure, ensures that the employees remain productive and they are able to meet the organizational goals together with their personal goals.

The communication channel for communicating changes in strategy would also be addressed in an effective structure. The policy makers would therefore provide channels and avenue to which they can communicate effectively to all the employees. Ineffective communication does not provide a framework that motivates employees to deliver. A good communication details the course of actions each employee should undertake and the expected results from such actions. Any unfavourable results is also communicated back through a feedback mechanism that enables feedback to enhance early corrective actions to be undertaken.

### **5.5 Limitations of the Study**

The current study focused purely on analyzing the effects of strategy on structure at BAT Kenya Limited. The study therefore was undertaken as a case study in one company that limited the study findings. The effect of strategy on structure may therefore be different in other organizations and therefore the context of this study was a limiting factor.

The study also focused on top management of the company as they were envisioned to be well aware of the strategy and structure of the company. This limits the findings of the results as strategy and structure should not only be made aware to the top management of the organization, but all the employees should be aware of the direction the company follows and the steps it needs to take in order to achieve the goals and the objectives.

The study used primary data collection method of interviewing the top managers. The accuracy of the responses to the interview guide questions depended on the accuracy of the answers by the respondents. Similarly, understanding of the guide questions also determines the extent to which the respondent answers the questions truthfully and without bias.

#### **5.6 Areas of further Study**

A similar study should be undertaken on other companies in tobacco industry and the findings of the study compared to the findings of this study. Other companies in the similar industry may have different findings in regard to effect of strategy on structure.

A similar study may also be undertaken, but different methodology employed where, data should be collected from both top managers as well as the junior employees in the company. This would determine whether there is effective communication of strategy and structure of the company to all the employees in the firm. It would also provide a green light of whether employees are included in top decision making organs. The results of such a study should then be compared to the results of this study.

A similar study that adopted the use of both primary and secondary data collection methods, ensures that the limitations of either use of primary or secondary data collection techniques are adequately addressed by the other method.

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## **APPENDICES**

### **APPENDIX I: INTRODUCTION LETTER**

University of Nairobi,

P.O Box 30197

Nairobi.

Dear Respondent,

I am a student at the University of Nairobi pursuing an MBA degree with a concentration in strategic management. I am currently undertaking a research project in partial fulfilment of the requirements for award of the degree. The research seeks to establish the influence of strategy on structure at BAT K LTD.

This letter is to request for your cooperation in providing the information for all sections of the questionnaire to enable me obtain the required information for this research. Please note that the information you provide will be treated as confidential and will only be used to complete the academic project course.

Yours sincerely,

Antony Ndegwa

Student ID NO; D61/70147/2008

## **APPENDIX II: INTERVIEW GUIDE**

This is an interview guide to collect data on the strategy structure relationship within BAT K LTD and the various strategies adopted in sustaining and growing shareholders value.

### **SECTION A: ORGANISATION STRATEGY**

- 1) Does your organisation have business strategies? If so, what are they?
- 2) Please give a detailed explanation of the strategies and how they have been drawn.
- 3) How are you implementing them?
- 4) How often do you review your strategy and who is involved in the process
- 5) Briefly describe how the core business at BAT K has changed over the last few years?
- 6) What do you consider as the key drivers for change at BAT?
- 7) How are the changes to be effected at BAT communicated to staff?
- 8) Has BAT K changed or reemphasised its strategy in past ten years?
- 9) Have the mission and vision changed during the same period?
- 10) What changes in the business market, customer or government directives may have changed the market in the recent past?
- 11) In your opinion, what are the major issues that affect a strategy adopted at BAT?
- 12) Is there a strategy feel it would need review or change?

## **SECTION B: ORGANISATIONAL STRUCTURE**

- 1) How do you describe the corporate structure of BAT?
- 2) How many restructuring have you had for the last ten years?
- 3) What triggered the changes in the structure?
- 4) What forms of change were undertaken?
- 5) What were the reasons behind the structural changes?
- 6) After the changes in structure, how can you describe the new structure?

## **SECTION C: RELATIONSHIP BETWEEN STRATEGY AND STRUCTURE**

- 1) What do you describe as the major milestones of BAT Kenya and the tobacco industry for last ten years?
- 2) Why do you consider these as the major changes?
- 3) Who are the main stakeholders in BAT Kenya?
- 4) How have you achieved your mission over the last fifteen years?
- 5) Have you reviewed your mission and vision to address any of these changes?
- 6) What are the major factors that influence strategy and structure in your organisation?
- 7) What is the impact of environment on strategy and structural design you have adopted?
- 8) Briefly describe the impact of technology on strategy and structure of your organisation?

- 9) What process was used to draw the current or earlier structures?
- 10) What are the major factors that influence the type of structural configuration in your organisation?
- 11) Are there any structural barriers that affect implementation of the organisation's strategies?
- 12) Can you share how the organisation strategies have influenced the structure?
- 13) In your own opinion can you say how the structure has influenced the choice of strategy?
- 14) Do you think structure is sufficient enough to support business strategies?
- 15) What are some of the constraints you have encountered in aligning structure and strategy?
- 16) What regulatory changes have arisen in the last fifteen years that you consider to have triggered changes in either strategies or organisational structures?